2014 **Annual Report**

2014
Annual Report

GROUPE BPCE

BRED
ADDITIONNER LES FORCES
MULTIPLIER LES CHANCES
BANQUE POPULAIRE

CONTENTS

6 Corporate governance

8 | Board of Directors
10 | Officers and Directors
12 | Executive Committee
14 | BRED and subsidiaries: organisation
16 | Chairman's report
32 | Statutory Auditors' report on the report by the Chairman of the Board of Directors
33 | Compensation policy and practices

40 Activity report

42 | Activity report

72 Consolidated financial statements

74 | Consolidated financial statements
81 | Notes to the consolidated financial statements
172 | Statutory Auditor's report on the consolidated financial statements

174 Company financial statements

176 | Company financial statements
179 | Notes to the company financial statements
216 | Statutory Auditors' report on the company financial statements

218 BRED group management and control of compliance and risk

220 / Credit risk
227 / Market risk
233 / Balance sheet risk
237 / Operational risk
238 / Compliance risk

244 Corporate Social responsibility

246 | BRED's identity and strategy
250 | Economic responsibility
255 | Social responsibility
263 | Civic responsibility
271 | Tackling environmental issues
277 | CSR reporting methodology
280 | Report by a Statutory Auditor designated as an independent third party on the consolidated social, environmental and civic information included in the management report
282 | Cross-reference tables

290 General meeting

292 | Ordinary General Meeting of Wednesday 27 May 2015
298 | Statutory Auditors' special report on regulated agreements
300 | General information

Stève Gentili,
Chairman

"AN ETHICAL AND EFFICIENT NEIGHBOURHOOD BANK"

"ONE OF BRED'S STRENGTHS IS ITS REGIONAL ANCHORAGE IN FRANCE AND ABROAD. FIRMLY ROOTED IN THE REGIONS WHERE IT OPERATES, BRED USES ITS FINANCIAL RESOURCES TO HELP DEVELOP THE LOCAL ECONOMY"

In 2014, BRED confirmed its vocation as an efficient and ethical neighbourhood bank. Our very positive results support our choice of a strategy focused on modernising our distribution model to make human relations our central focus.

While strengthening our positions in our core business, we have continued to diversify our activities in France and abroad, thereby expanding our earnings base. Thanks to the work we have already accomplished, we can now speak of expansion, wealth and creation of value.

This clear-sighted approach combines cooperative values with the efficiency of a modern management model. By building a very close relationship with its cooperative shareholders, BRED is reaffirming its identity as the cooperative bank most firmly anchored in the real economy.

The incorporation status of a bank such as BRED, which belongs to its customers, makes it very different from banks owned by financial shareholders, which are dependent on the markets and share-price movements. Ownership of its capital by its customer-shareholders enables it to focus on long-term financing of investments that create value: apart from the remuneration of its cooperative shares – set each year by the general meeting of shareholders – all the profits made are wholly reinvested in the business.

Whether owner-customers or users of its services, BRED now has 140,000 cooperative shareholders, including 5,300 new members who joined us during the recent capital increase, which was 111% oversubscribed. We constantly endeavour to keep them informed and gather their views, particularly through meetings at the branches where cooperative shareholders can discuss the Bank's future, its projects and their expectations in terms of services.
In the present era of e-communication, the bred-societaires.fr website provides a platform for discussion and sharing of information about the solidarity initiatives taken by BRED, its partners and its cooperative shareholders.

The cooperative shareholders are also represented by directors at the highest governance levels, thereby guaranteeing transparency with regard to the Bank's strategy and achievements – a development strategy that respects the values of solidarity, responsibility, proximity and commitment to the regions we serve.

One of BRED's strengths is its regional anchorage in France and abroad. Firmly rooted in the regions where it operates, BRED uses its financial resources to help develop the local economy, by lending to individuals, businesses and institutions. It supports business start-ups, in which it plays an active role through its long-standing partnerships with chambers of trade and commerce.

The Bank is also capable of social action, and allocates part of its resources to two crucial present-day challenges: professional integration of young people and promoting equal opportunities. As a partner to numerous social structures, we are also fully aware of our responsibilities as an employer.

Our human resources policy focuses on promoting equal opportunities and professional diversity.

Strengthened by our successes, and in keeping with our values, we count on our cooperative shareholders to help us build a bank with a difference. In 2015, we plan to stage another capital increase that will enable many more customers to join us as cooperative shareholders and become more actively involved in the life of the BRED group, built and developed above all to serve them.

Olivier Klein,
Chief Executive Officer

“OUR SUCCESS IN THE SERVICE OF OUR CUSTOMERS”

“DRIVEN BY THE FIRM CONVICTION THAT BANKING IS ABOVE ALL A BUSINESS BASED ON HUMAN RELATIONS AND APPROPRIATE ADVICE, WE WILL BE MAKING FURTHER CHANGES TO OFFER OUR CUSTOMERS THE BEST IN E-BRANCHES AND NEIGHBOURHOOD BANKING”

BRED confirmed its strong momentum despite a sluggish economic environment in 2014. Buoyed by the customer-focused strategy implemented since 2012, the Bank achieved very good results. Net banking income rose by 1.8% to €972.3 million overall and was up by 6% excluding non-recurring items. Net profit attributable to equity holders of the parent grew by 9.7% to €200 million despite a significant drop in non-recurring income, which has fallen from €24.1 million in 2012 to €17.6 million in 2013 and €9.7 million in 2014.

The profitability of our core business – commercial banking in France – has improved significantly and this business made the largest contribution to earnings growth in 2014. The profitability of our core business – commercial banking in France – has improved significantly and this business made the largest contribution to earnings growth in 2014. Profit on ordinary activities before tax and non-recurring items increased by 17.6% for the French commercial banking division. For their part, the branches recorded an increase of nearly 5% in net banking income, excluding non-recurring items, compared with an increase of 4% in 2013 and a decline of 1% in 2012.

In retail banking, over the past two years we have been redesigning our distribution model to make it more agile, more interconnected and more proactive. To make banking more accessible and practical for our customers, we have centred our distribution channels around our in-branch account managers, who can be contacted directly by email or telephone. Customers can choose whichever channel they want, whenever they want, to work with their personal account manager. Customers can also use our online banking service, BREDConnect, to sign contracts using a smartphone.

Also, our specialist account managers for specific customer categories can, in some cases, divide their activity among various sites to the greater benefit of our customers.

Moreover, by expanding its offer of value-added solutions, our corporate banking division managed to increase net banking income by 5% despite the difficult economic conditions.

Driven by the firm conviction that banking is above all a business based on human relations and appropriate advice, our efforts focus constantly on meeting our customers' demand for practical services and quality advice, while preserving what we consider the essence of our banking business: the long-term relationship with an account manager, who can determine the customers' needs and projects and help them over time - an idea of closeness, both geographic and in terms of human relations, on which we base our business growth. We opened a branch in Normandy in 2014 and plan to open 15 more branches in France and the French overseas territories in 2015 and 2016.

The success of this model also depends on the added value our account managers can give their customers. For this reason, at the beginning of 2014 we reviewed and upgraded our training programmes, optimised our recruitment and talent spotting systems and set up the BRED Management School so that our managers can provide their staff with the best possible support. All these initiatives have a single goal: to better serve our customers and further enhance their loyalty to our bank.

BRED's wealth management activities also progressed strongly in 2014, with a 20% increase in BRED Banque Privée's customer base. The fund management activity, headed by our subsidiary Promépar, continued to grow, and it was also a very good year for our insurance subsidiaries. Gross savings collected by our life insurance and personal protection savings subsidiary, Prépar-Vie, rose by 16.5% to €582 million.

In the corporate segment, we have also revised our approach and now offer more upstream and proactive solutions that cater better to their strategies, by expanding our lending offer, for example with structured financing solutions put together by our trading desk. We also strengthened our loan origination and syndication teams.

Our Capital Markets Department, which serves all our customers in France and abroad, generated **a €10.6 million increase in net banking income.**

Our international and overseas commercial banking activities also posted strong growth of 15%, buoyed in particular by the take-off of BRED Fiji, created in 2012.

With this strong year behind us, the BRED group can draw on **solid fundamentals to continue its expansion.** Our goal, in keeping with our role as a cooperative bank, is to continue to finance and drive the economic development of the territories we serve. In 2014, outstanding home loans to retail customers increased by 10.2% and equipment loans to business customers grew by 6.2%.

Our policy is also to continue to **develop, coordinate and add value to the cooperative shareholder base,** on which our bank is founded.

We are continuing our international expansion, in Cambodia with plans to open a commercial banking subsidiary and in the Horn of Africa where we recently opened a representative office in Ethiopia.

In all these areas, we draw on the talent and motivation of our staff – the keys to our success – to serve our customers.

6

CORPORATE GOVERNANCE

8 / Board of Directors
10 / Officers and Directors
12 / Executive Committee
14 / BRED and its subsidiaries – organisation
16 / Chairman's report
32 / Statutory Auditors' report on the report by the Chairman of the Board of Directors
33 / Compensation policy and practices

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 Chairman
Gérard KUSTER Deputy Secretary
Jacques SZMARAGD Director
Daniel GIRON Director
Michel CHATOT Director
François MESSINA Director
Bruno BLANDIN Board Secretary
Nathalie BRIOT Director

OTHER ATTENDEES OF BOARD MEETINGS

Olivier KLEIN
Chief Executive Officer

Jean DESVERGNES
Honorary Chairman

Éric MONTAGNE
Deputy Chief Executive Officer

Vincent GROS
General Counsel

The Statutory Auditors

PricewaterhouseCoopers Audit
represented by Agnès Hussherr
and Nicolas Montillot

KPMG S.A.
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.

Stève GENTILI
• Chairman of the Board of Directors of BRED Banque Populaire, Banque Internationale de Commerce – BRED, BRED Gestion, BRED Cofilease, Compagnie financière de la BRED (COFIBRED), Spig, Natixis Institutions Jour, and (representing BRED) NJR Invest,
• Chairman of the Supervisory Board of BPCE,
• Director of BCI Mer Rouge, Natixis Algérie, Prépar Iard, Promepar Gestion, BICEC, Natixis Pramex International Milan and (representing BRED) IRR Invest,
• Member of the Supervisory Board of Prépar-Vie.

Olivier Klein
• Chief Executive Officer of BRED Banque Populaire,
• Chairman of the Board of Directors of Promepar Gestion,
• Vice-chairman of the Board of Directors: SOCFIM, Banque Franco Lao,
• Chairman of Perspectives & Participations SAS,
• Chief Executive Officer and Director of Banque International du Commerce – BRED,
• Chief Executive Officer and Director of Compagnie Financière de la BRED (COFIBRED),
• Director of BRED Gestion, Natixis Asset Management, Natixis Global Asset Management, Prépar Iard, BRED Bank Fiji,
• Member of the Supervisory Board of Prépar-Vie,
• Permanent representative of BRED Banque Populaire on the boards 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) and 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).

Secretary

Bruno Blandin
• Manager of Etablissements Claude Blandin & Fils Sarl, 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 Automobiles 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/Guiana.

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 of the Paris and Paris region 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 Saint-Maur-des-Fossés branch of BRED Banque Populaire,
• Director: Fédération Nationale des Acef Socacef; BRED Foundation (Fondation d'Entreprise BRED) and (representing BRED) Chambre Régionale de l'Économie Sociale et Solidaire d'Île de France.

Gérard Kuster
• Special Advisor to the General Secretary of the GDF Suez Group,
• Deputy Chairman of Cercle d'Éthique des Affaires,
• Director: Transparency International France, Prépar Courtage and Promepar Gestion.

Directors

Jean-Claude Boucherat
• Former 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 and 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 and Établissement Public Foncier Île-de-France (EPF),
• Member of the Board of Directors of Cellule Economique du BTP et Matériaux de Construction d'Île-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 (association of residences for the elderly).

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

Daniel Giron
• Honorary Chairman of Union Professionnelle Artisanale Nationale, Fédération française des centres de gestion et de l'économie de l'artisanat, Gestelia Basse Normandie and Chambre de métiers et de l'artisanat du Calvados.

Isabelle Gratiant
• Lecturer (university),
• Director of Click and Trust, Prépar Courtage and the BRED Foundation (Fondation d'Entreprise BRED).

François Messina
• Special Advisor to the Head of the Department for the environment 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 Gestion des Risques 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, Fondation d'Entreprise BRED (the BRED Foundation), SOFIDER and Spig.

Raphaël Pochet
• Security consulting and executive training.

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

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

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.

Advisory member

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

EXECUTIVE COMMITTEE

1


2


3


4


5


6


7


8


9


10


11


12


13


14


15


1. **Olivier KLEIN**
   Chief Executive Officer
2. **Éric MONTAGNE**
   Deputy Chief Executive Officer
3. **Michèle BOULET**
   Chief Operations Officer
4. **Philippe CUVELIER**
   Information Systems
5. **Pascal DUPHOT**
   French Retail Banking Network
6. **Françoise EPIFANIE**
   Sales and Marketing
7. **Baltasar GONZALEZ-COLLADO**
   Group Audit
8. **Emmanuel LEMOIGNE**
   Corporate Banking
9. **Olivier LENDREVIE**
   Chief Financial Officer
10. **Stéphane MANGIAVACCA**
    Chief Risk Officer
11. **Marc ROBERT**
    International Banking
12. **Christian SCHELLINO**
    Credit Control
13. **Stéphane VANONI**
    Human Resources
14. **Pierre VEDRINES**
    Capital Markets
15. **Vincent GROS**
    General Counsel

BRED AND SUBSIDIARIES – ORGANISATION

- **CHAIRMAN** Stève GENTILI
  - **CHIEF EXECUTIVE OFFICER** Olivier KLEIN
    - HEAD OF PERFORMANCE AND ORGANISATION
    - HEAD OF PROJECT MANAGEMENT AND BUSINESS PROCESSES

OPERATIONAL DEPARTMENTS

- **Major Accounts** Emmanuel LEMOIGNE
  - Financing Solutions
  - Real Estate Activities
  - Institutional Customers
  - Retail Sector Customers
  - Industrial and Service Sector Customers
- **Development** Françoise EPIFANIE
  - Marketing
  - Corporate Marketing
  - Professional Partnerships
    - Mutual Guarantee Companies (SCM)
  - Retail Distribution – BRED Direct
  - Commercial Communication and Event Management
  - PROMEPAR GESTION
  - PREPAR
- **International** Marc ROBERT
  - International Commercial Banking
  - Correspondent Banking and Foreign Trade
  - Multinational Corporate Lending
  - BIC BRED
  - Banque Franco-Lao
  - BRED Vanuatu
  - BRED BANK (Fiji) Limited
  - Banque Calédonienne d'Investissement
  - BRD China
  - BCI Mer Rouge
  - Foncière Vanuatu
  - BRD Laos
  - BRD Singapour
  - ACLEDA
  - SOCREDO
  - BCEL
  - AMETHIS
  - Investisseurs et partenaires
  - Ventech China
- **Deputy Chief Executive Officer** Éric MONTAGNE
  - SME Banking
  - Wealth Management and Financial Engineering
  - BRED Espace and Grand'Ze
  - Origination Intermediaries
  - Sales Management
  - Perspectives et Participations
  - SBE
  - Adviso Partners
  - **Overseas Network** Éric MONTAGNE
    - Martinique/Guiana Region
    - Guadeloupe and Northern Islands Region
    - Indian Ocean Region
    - Crédit Maritime Mutuel d'outre-mer
    - BRED Cofilease
    - SOFIAG
    - SOFIDER
  - **French Network** Pascal DUPHOT
    - West Paris Region
    - East Paris Region
    - Seine-Saint-Denis Region
    - Hauts-de-Seine Region
    - Val-de-Marne Region
    - Seine-et-Marne Region
    - Normandy Region
- **Capital Markets** Pierre VÉDRINES
  - Networks
  - Distribution
  - Liquidity
  - Market-Making

SUPPORT FUNCTIONS

- **IT and Operations** Michèle BOULET
  - **Information Systems** Philippe CUVELIER
    - IT
    - Decision Support IT
    - Exchange systems
    - Financial Services and Production
    - Support for Technology Subsidiaries
    - Market Activities Production
    - EPBF
    - VIALINK
    - CLICK and TRUST
    - BRED GESTION
    - KYRIBA
    - BRED IT
- **Finance** Olivier LENDREVIE
  - Management Control and Pricing
  - Accounting and Tax
  - Financial Communication and Audit
  - Asset/Liability Management
  - Investment and Financial Engineering
  - Treasury
  - Fund Accounting
  - NJR INVEST
  - FIPROMER
  - I2F
- **Risks and Permanent Control** Stéphane MANGIAVACCA
  - Daily P&L Control
  - ALM Risk and Consolidated Oversight
  - Market Risk
  - Credit Risk
  - Operational Risk and Permanent Control
  - Modelling
  - COFIBRED 6
- **Commitments** Christian SCHELLINO
  - Credit Underwriting
  - Special Situations
  - Loan Workout
  - Corporate Credit Middle Office
  - Credit Provision
- **Audit** Baltasar GONZALEZ-COLLADO
- **Human Resources** Stéphane VANONI
  - Compensation-Career Management of Senior and Overseas Executives
  - HR Development
  - Training
  - HR Administrative Management
  - Staff Banking Office
- **General Counsel** Vincent GROS
  - BRED Group compliance
  - Investment Services Compliance
  - Group Legal
  - Corporate Legal
  - Banking Security and Strategy Watch
  - Institutional Communications and Press Relations
  - Cooperative Shareholders and Sustainable Development - CSR
  - Economic Research
  - Real Estate and Logistics
  - SPIG

Member of the Executive Committee
Subsidiaries
Equity interests

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 30 March 2015.

CORPORATE GOVERNANCE OF BRED

I 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 expressly 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:

- determining the Company's policies and general objectives, including in particular the principles applying to its lending policy;
- authorising commitments exceeding the internal delegation of authority to the Chief Executive Officer 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;
- deciding on the admission and exclusion of cooperative shareholders;
- convening general meetings;
- creating consultative committees to improve the quality of information available on the main issues concerning the Bank;
- defining the annual Corporate Social Responsibility (CSR) programme in line with policies defined by Fédération Nationale des Banques Populaires.

The Board also performs those tasks and exercises those powers assigned to it by the decree of 3 November 2014 on internal control within companies in the banking, payment services and investment services sector that are supervised by the Autorité de Contrôle Prudentiel et de Résolution (hereinafter, the "Decree of 3 November 2014 on internal control"). 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 criteria and thresholds 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 Decree.

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 2014, 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 who 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.

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 "Corporate 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 Counsel. 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 five committees, whose members are all Board members.

The Audit and Risks Committee

The Audit and Risks Committee has two roles:

- Pursuant to Article L.823-19 of the French Commercial Code, it considers questions concerning the preparation and control of accounting and financial information. It more specifically monitors the process of preparing financial information, the statutory audit of annual financial statements and the independence of the Statutory Auditors.

- The Committee also fulfils the role bestowed upon risk committees by Article L.511-92 *et seq.* of the French Monetary and Financial Code. Accordingly, its main duties include:
  - advising the Board on the Bank's global strategy and its appetite for risk (existing and future);
  - assisting the Board when it controls implementation of that strategy by accountable managers and the Chief Risk Officer;
  - monitoring the effectiveness of the internal control system and the risk measurement, control and management systems.

The Chairman of the Committee, Gérard Kuster, was selected by the Board as an independent member with the requisite financial or accounting expertise.

In the course of its work, the Audit and Risks Committee regularly meets with key executives, managers responsible for preparing the financial statements, the Statutory Auditors responsible for auditing the financial statements and the Bank's own General Inspection Department.

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

Its operation is governed by a charter approved by the Board of Directors.

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

The Compensation Committee

The Compensation Committee prepares the decisions to be adopted by the Board of Directors concerning compensation, including in particular those that may impact on the Bank's risks and risk management policy.

Most of its members are Board members who have been selected for their independence and ability to analyse compensation policies and practices. The Committee conducts an annual review of:

- the principles governing the Company's compensation policies;
- compensation, allowances and benefits of any kind granted to the Company's corporate officers;
- the variable compensation policy for risk-takers and executives, which must comply with the Bank's economic strategy, objectives, values and long-term interests, and must include measures to avoid conflicts of interest.

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

The Nominations Committee

The Board decided to create the Nominations Committee in December, in accordance with legislation transposing European Directive CRD IV on governance within credit institutions into French law.

In accordance with Article L.511-98 *et seq.* of the French Monetary and Financial Code, the Nominations Committee is responsible for implementing the process for selecting candidates qualified to sit on the Board, overseeing the Board's assessment and, more generally, assisting the Board of Directors concerning any matters relating to corporate governance.

More specifically, the Nominations Committee's tasks include:

- identifying and recommending to the Board candidates suitable to sit on the Board, with a view to proposing their appointment at general meetings;
- assessing the balance and diversity of the directors' knowledge and skills and the time that should be spent on the Board's various functions;
- setting targets in terms of gender equality among Board members;
- regularly assessing the structure, size, composition and performance of the Board and submitting appropriate recommendations.

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 also 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). It also meets whenever a general meeting is scheduled.

The Strategy Committee

The Strategy Committee examines topics that are strategic for the Bank and systematically gives its opinion before 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 2014

1.4.1 Work carried out by the Board in 2014

The Board of Directors held six meetings in 2014, as required by the Memorandum and Articles of Association, with an attendance rate by directors of 94%.

Strategy, business activity and operations

- The Board took note of the changes made to the Bank's organisation to better reflect its strategy and optimise operations.
- It monitored progress of the plans to reorganise the distribution network and regularly reviewed progress reports and the results of commercial activities.
- The Board regularly reviewed the economic situation and the markets, and also examined the hedging measures taken by the Trading Desk in a relatively volatile environment.
- The Board reviewed the Bank's international growth strategy and results, in line with the international development policy it has defined.
- The Board heard reports by the Bank's main department heads on the activity and performance of the Trading Desk, the HR management strategy and the lending policy.
- It validated the use of the advanced internal rating method as part of its plan to achieve approval of its credit risk assessment method.
- The Board renewed its authorisations for the issuance of subordinated shares 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 improve its stability and financial autonomy.
- The Board approved share transfers at each meeting.

Corporate governance

- The Board decided to re-appoint Stève Gentili as Chairman of the Board of Directors, and also reappointed the other members of the Bureau of the Board.
- In line with European Directive CRD IV on governance within credit institutions, the Board of Directors took note of the appointment of Eric Montagne as an accountable manager and approved the powers delegated to him by the Chief Executive Officer.
- It also decided to create a Nominations Committee in accordance with the same European Directive.

Internal control, risks, compliance

- The Board regularly reviewed summary reports on the work of the Audit and Risks Committee.
- It reviewed the results of audits, the 2014 annual audit plan and the plan for future years, as well as the follow-up of recommendations.
- It reviewed the permanent controls carried out in 2013 by the second level permanent control functions and took note of the planned controls and action plans for 2014.
- The Board took note of the results of the monitoring by the permanent control functions of various types of risk (credit, market, settlement, interest rate and liquidity, operational, and compliance) and the review of risk limits.
- The Board approved changes to the thresholds used to measure the materiality of incidents.
- It was informed of the main conclusions of the annual meeting with representatives of the ACPR.
- The Board approved the 2013 internal control report and took note of changes to internal control resources.
- It was informed of the 2013 annual investment

services compliance report and the answers to the ACPR's questionnaire on rules designed to protect customers.

Financial statements, results and financial information

- The Board examined and approved the company and consolidated financial statements for financial year 2013, and also reviewed a summary report of the Audit and Risks Committee's work and the findings of the Statutory Auditors.
- It approved the draft report by the Board of Directors for 2013.
- The Board reviewed the company and consolidated results for the first three quarters of 2014, and approved the budget forecasts for 2015.

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 accountable managers, and set the compensation to be paid to the Chairman of the Board of Directors.
- It examined the policy on gender equality and equal pay.
- After their examination by the Compensation Committee, the Board approved the new terms and conditions applying to retirement plans for Groupe BPCE executive officers.
- The Board took note of decisions to appoint and promote head office senior executives.

1.4.2 Work carried out by the Committees in 2014

The Audit and Risks Committee

The Committee met six times in 2014.

- The Committee reviewed the audit reports and annual and longer-term audit plans, and monitored the implementation of its recommendations and those made by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and by BPCE General Inspection.
- It regularly received presentations of the main findings of audits by the General Inspection departments of both BRED and BPCE.
- The Committee reviewed the Bank's company and consolidated financial statements and Prépar-Vie's company and combined 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 2013 financial year.
- 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 took note of the regulatory report on internal control, the report by the head of the Investment Services Compliance Department and the questionnaire on compliance with the rules designed to protect customers.
- The Committee regularly reviewed the risk management system (including compliance with thresholds), focusing on credit risk, market risk, overall balance sheet risk, compliance risk, country risk and operational risk, as well as progress made with the business continuity and information systems security plan.
- It contributed to the drafting of the BRED group's internal control charter and reviewed its self-assessment procedure.
- The Committee took note of the European Central Bank's plan to review banks' balance sheets and its implementation within the Bank.
- It requested and received a presentation of the international development strategy and documents summarising the activities, results and mapping of international subsidiaries.
- 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 applications for appointment or reappointment as a member of the Board, with a view to proposing the said appointments at the general meeting.
- It received detailed information on compensation paid to accountable managers, heads of the control functions and traders in the Capital Markets Department.
- The Committee conducted an annual review of the compensation policy and checked that it complies with the applicable regulations and industry standards.
- It examined and expressed an opinion on the variable compensation criteria for executive officers and traders, including in particular the procedure for indexing deferred compensation.
- It took note of the report required by Article 43-1 of CRBF Regulation 97-02.
- It examined the new terms and conditions that apply to retirement plans for Groupe BPCE executive officers and expressed an opinion on the appointment of Eric Montagne as an accountable manager.
- As part of the implementation of European Directive CRD IV, the Committee examined the new identification criteria defined by the European Banking Authority and changes relating to regulated staff classification.
- The Committee regularly reported on its work to the Board.

2 GENERAL MANAGEMENT

2.1 Organisation

In accordance with Article 20 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 powers

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.

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 take decisions involving amounts above the maximum stated in Article 1 of CRB Regulation 93-05, in other words, when the net weighted risk would exceed 25% of the consolidated shareholders' equity, calculated in accordance with CRB 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 adjourned.
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 in person or 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 transactions and the revaluation of securities held by BPCE or its subsidiaries, and 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 Decree of 3 November 2014 on internal control, 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").

The objectives of BRED's internal control system are to:

- develop a risk management culture among Group employees, in particular in order to prevent the risk of fraud;
- constantly improve the effectiveness and quality of the organisation of the Bank and its subsidiaries;
- ensure information that, and more specifically accounting and financial information, is reliable;
- guarantee the security of its operations in accordance with the laws, regulations and instructions issued by General Management.

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

2 ORGANISATION OF INTERNAL CONTROL

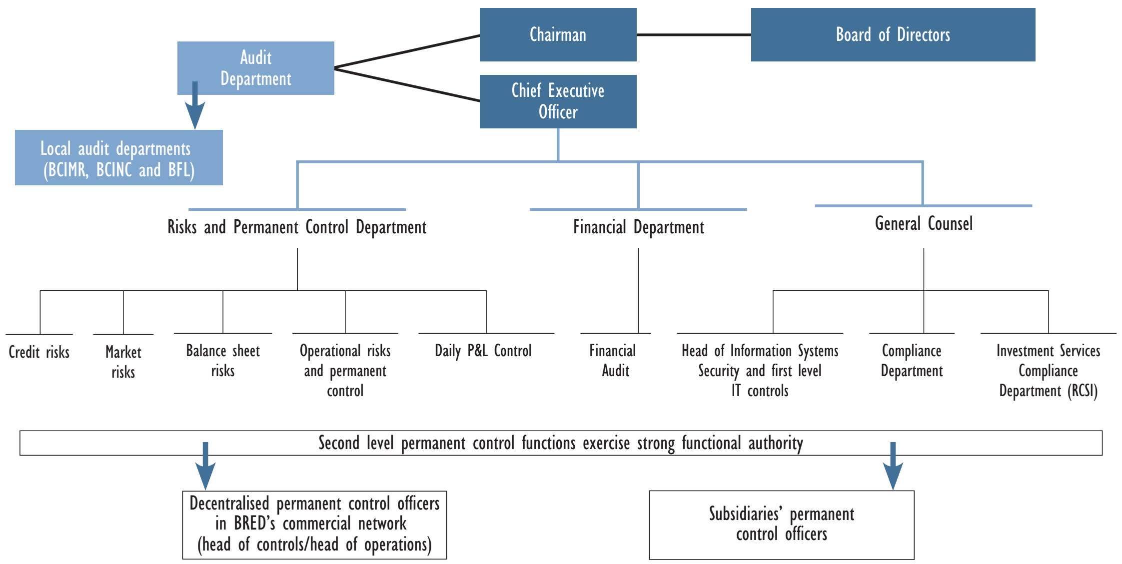
2.1 General organisation

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, policies and charters covering each of the control functions.

The internal control system seeks to ensure that the Group's risk management policy adequately covers the risks taken.

Organisation of BRED's internal control system as at 31 December 2014



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 in particular 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 monitoring system.

2.2 Employees assigned to internal control

EMPLOYEES ASSIGNED TO INTERNAL CONTROL (FULL-TIME EQUIVALENT)

	Total	Parent company	Subsidiaries
Risk function	**101.4**	**68.6**	**32.8**
Operational risks	51.2	35.3	15.9
Credit risks	26.5	12.4	14.1
Financial risks	23.7	20.9	2.8
Compliance function	**47.4**	**29.7**	**17.7**
Financial audit	**8.1**	**3.8**	**4.3**
Information systems security managers	**4.3**	**1.8**	**2.5**
Business continuity managers	**7.3**	**5.4**	**1.9**
Audit	**30.4**	**23.9**	**6.5**
Total	**198.9**	**133.2**	**65.7**

2.3 Organisational changes in 2014

The BRED group's internal control system underwent some major organisational changes in 2014.

2.3.1 Increased control of subsidiaries

BRED's system for the steering and control of its subsidiaries was reinforced in the course of a restructuring operation in January 2014, which consisted of re-assigning employees of COFIBRED (the holding company that holds most of BRED's equity interests) to BRED's operational departments. At the same time, a new steering process was introduced with each subsidiary being placed under the supervision of a Comex member (the "sponsor") with whom it holds regular coordination meetings. These meetings are an opportunity to verify the efficiency of control system steering as regards credit risks, financial risks, operational risks, compliance risks and money laundering risks, and to review implementation of audit recommendations. They are attended by members of the HR Department and the Information Systems Department.

2.3.2 The role of the control functions

The Control Function Coordination Committee now meets more frequently. Its work focused in particular on i) updating risk maps for all BRED group entities, ii) examining plans to roll out the PILCOP permanent control management tool and improve money laundering detection scenarios, iii) systematic monitoring of implementation of General Inspection Department recommendations.

Strong functional reporting lines exist between the central control functions and control officers in the French and international subsidiaries; more specifically, proposed appointments and salary increases are referred to the central functions for an opinion.

2.3.3 Recent developments

- The Risk Department was renamed the "Risks 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. The dismissal or change of the Chief Risk Officer requires prior authorisation from the Board of Directors, in accordance with Article L.511-65 of the French Monetary and Financial Code.
- The Information Systems Security Officer reports to the General Counsel, and provides a second level of control over areas within the remit of the Information Systems Department.
- In order to comply with AMF requirements, the Investment Services Compliance Department now operates under the authority of the General Counsel, with effect from January 2014.
- The Investment Services Compliance Officer assumed functional responsibility for the custodian control function with effect from April 2014, and direct line responsibility from November 2014. In the past year the Investment Services Compliance Department also introduced two new types of "market abuse" alerts to improve the monitoring and control of trading.
- In 2014 the Compliance Department launched a project to improve the relevance of alert detection scenarios that may result in suspicious transaction reports to anti-money laundering authorities.

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 that 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 their 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 Board of Directors (the deciding body).

2.4.2 Operational staff (first level controls)

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.

The operational departments are responsible for:

- drawing up and implementing procedures relating to their activities, after obtaining the approval of the compliance and risk management processes by the permanent control functions;
- implementing procedures for which they are responsible to ensure the controlled management of activities;
- compliance and management of potential operational, credit, market, interest rate, custodial, liquidity and settlement-delivery risks on IT and real property projects, investments and financial transactions and activities for which they are responsible, in particular by the appropriate handling of new activities, new products or changes that affect how these activities operate, as well as risk limits defined by the Bank, including at the initiative of the operational department;
- first level controls and reporting of problems to line managers and to the control functions when appropriate;
- providing comprehensive answers to requests for information from the permanent and periodic control departments, in particular notably when these relate to requests from the prudential supervisory authorities or financial market authorities;
- drawing up corrective action plans whenever necessary (to address issues identified by the department itself or by permanent or periodic control), and implementing them within a reasonable time period.

2.4.3 Independent permanent control functions (second level controls)

Second level permanent control is essentially the responsibility of:

- the Risks and Permanent Control Department, which is responsible for second level permanent control of credit risks, financial risks, market risks and operational risks. It is also responsible for monitoring the entire second level permanent control system (risks, banking compliance, investment services compliance and financial audit);
- the Banking and Insurance Compliance Department, whose head has authority to alert the accountable managers;
- the Investment Services Compliance Department;
- the Financial Audit Department;
- the Banking Security Department, which is responsible for the business continuity plans, information systems security and the prevention of third-party fraud;
- decentralised second level permanent control officers within the retail bank's regional departments (reporting to the regional managers), and in the subsidiaries (reporting to the subsidiary's chief executive officer); in both cases, the permanent control officers are subject to strong functional reporting lines with BRED's second level permanent control departments.

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.

These units and staff are also responsible for updating the general risk management system and applying the BRED group's internal control charter. Regular reports on the permanent control system and the risks to which the BRED group is exposed are presented to both General Management and the Board of Directors. If necessary, the Chief Risk Officer may consult the Board of Directors or one of its specialised committees without first seeking authorisation from the accountable managers. The specific organisation of each department is described in the chapter of this annual report on risk management.

2.4.4 Periodic controls (so-called third level controls)

Periodic control is exercised by the Audit – General Inspection Department. It covers all the BRED group's activities, including outsourced activities and those of subsidiaries.

Assignments are conducted in the context of an annual audit plan that is first submitted to BPCE General Inspection and validated by BRED's General Management (the executive body) and its Audit and Risks Committee. It is also presented to the Board of Directors (the deciding body) for information.

In accordance with the tasks defined in Article 17 of the Decree of 3 November 2014 on internal control, the Audit Department is responsible for the periodic control of the compliance of operations, actual risk levels, compliance with procedures, and the effectiveness and appropriateness of the permanent control system. It provides the executive body and the deciding 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.

There is a strong functional reporting line between the BRED group's 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 2014 focused essentially on governance, commercial development, commitment management, financial activities, compliance, operational risks 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. The main findings of the audits were presented to the Audit and Risks Committee. All recommendations made have been incorporated into action plans approved by General Management.

In 2014, the Audit Department improved 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 et de Résolution*). The six-monthly checks, designed to check the timely implementation of corrective measures decided by duly authorised staff within the context of the internal control system, were supplemented by closer monitoring of the late implementation of recommendations. The checks will facilitate feedback of alerts to the BRED Audit Committee, in accordance with Article 26 of the Decree of 3 November 2014, whenever this is necessary.

2.4.5 The Board of Directors

The Board of Directors ensures that the main risks are properly managed, approves the main risk limits and assesses the internal control and risk management system. It also defines the principles of the compensation policy and monitors the quality and reliability of the financial information.

To do this, the Board works in conjunction with the Audit and Risks Committee, which expresses an opinion on 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.

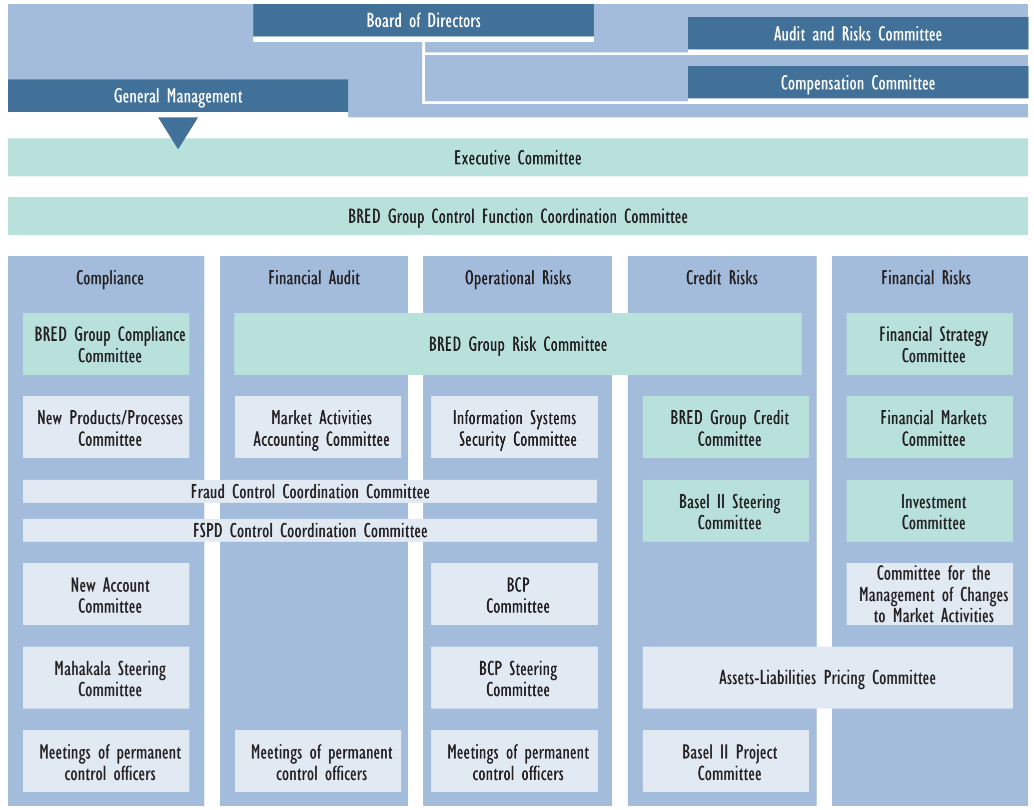
In accordance with the above-mentioned Decree of 3 November 2014 on internal control, the Board also works with the Compensation Committee to define the principles of BRED's compensation policy and monitor its implementation.

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.

In addition, the Risks and Permanent Control Department, operating under the authority of the accountable managers, provides a global overview of the BRED group's permanent control system.

ORGANISATION OF THE BRED GROUP'S INTERNAL CONTROL COMMITTEES AS AT 31 DECEMBER 2014



FSPD: Financial Services Production Department

Committees chaired by the Chief Executive Officer

As a general rule, the Executive Committee has authority to consider any topic of importance to the BRED group. This means that 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 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 2014 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 regularly brings together the Deputy Chief Executive Officer, the General Inspector responsible for periodic control, the General Counsel and the members of the Executive Committee responsible for second level permanent controls, as well as the Chief Compliance Officer. This committee, which held four meetings in 2014, is essentially responsible for ensuring that the BRED group's internal control system is consistent, relevant and effective, and that effective coordination exists between the various control functions; it also oversees all cross-functional actions aimed at improving said consistency and effectiveness.

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 information 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 is responsible for the classification tool, ensuring its integrity is preserved; it 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.

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 Financial Communication Department, which has special responsibility for this task.
- 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 and tax returns and statements

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

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

3.2 Control processes 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 the French Monetary and Financial Code.

3.2.1 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 was approved by the Audit and Risks Committee, after which the function was created and staff were recruited in 2011.

The Financial Audit Department is involved in the control process in the following areas: company financial statements, consolidated financial statements, regulatory statements, tax returns and declarations concerning accounting fraud.

The Financial Audit Department's remit covers the BRED group as a whole, in other words, all its departments and subsidiaries. The Financial Audit Department 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 and permanent control officers who report to the operational department or subsidiaries in accordance with the BRED group's decentralised accounting organisation. To fulfil its duties, the Financial Audit Department draws on the control work performed within the Finance Department (accounting procedures section, P&L analysis section and control of results of financial activities section) and the work carried out by the other risk functions when necessary.

The Financial Audit Department's central team is responsible for supervising the functional link with the permanent controllers of the operational departments and subsidiaries.

This functional link in particular ensures regular reporting to the Financial Audit Department by the permanent control officers according to formats, methodology and instructions determined jointly by the Financial Audit Department and the department to which the permanent control officer reports. The Financial Audit Department is also involved in the appointment and individual assessment of the permanent control officers concerned.

The Financial Audit Department also works closely with the other risk functions and with the Accounting and Tax Department, which is responsible for centralised production of the Bank's general accounts and for the consolidation of the BRED group's accounts.

The Financial Audit Department is also responsible for internal communication with the BRED group's various control functions, including the Audit and Risks Committee. It is also responsible for communication on accounting and financial control as part of regulatory reports and with regard to BPCE, the Statutory Auditors and the regulatory authorities.

In addition to these procedures, the quality of accounting controls is verified as part of 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.

The company and consolidated annual financial statements are presented to the Audit and Risks 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.

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 2014

To the cooperative shareholders

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 2014.

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, 28 April 2015

The Statutory Auditors

KPMG Audit
A division of KPMG S.A.
Marie-Christine Jolys, Partner

PricewaterhouseCoopers Audit
Agnès Hussherr, Partner
Nicolas Montillot, Partner

COMPENSATION POLICY AND PRACTICES

1.1 General observations

Generally speaking, compensation is tailored to the level of qualification and experience required of each employee and reflects the attainment of targets associated with the job concerned (with reference to the regular formal evaluation of all employees required under internal procedures).

Moreover, also note that for the periodic and permanent control functions, compensation is determined independently of the businesses controlled. Compensation levels within the support and control functions are sufficient to attract individuals who are fully qualified to perform the work assigned to them. At the level of BRED, individual variable compensation is capped at 20% of the fixed compensation.

In 2011, the variable compensation system was adjusted 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). In 2014, BRED complied with the legislation on compensation policies contained in the French Monetary and Financial Code, the Decree of 3 November 2014 on internal control and Delegated Regulation 604-2014 on criteria to be used to identify regulated staff members, which supplements Directive 2013/36/EU of the European Parliament.

1.2 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 its employees. This policy specifically covers regulated staff members, as defined in Delegated Regulation 604/2014.

Composition of the Compensation Committee

The Compensation Committee is composed of five directors: Georges Tissié, Chairman, Jacques Szmaragd, Vice-Chairman, Jean-Claude Boucherat, Daniel Giron and Isabelle Gratiant, 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 an auditor of the Group 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 2014. In particular, it reviews the variable compensation policy for senior managers and risk takers and verifies its proper application.

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 et de Résolution*) in application of Article 266 of the Decree of 3 November 2014 on internal control within companies in the banking, payment services and investment services sector that are supervised by the ACPR. This also includes input from the Human Resources Department, the Compliance Department and the Risk Department (opinion on compliance with limits and internal procedures, and on the professional conduct of risk takers; opinion on the application of the principles of the compensation policy for risk takers and senior managers);

- checks in particular that this policy complies with the applicable regulations and is in keeping with the professional standards setting out the principles and provisions published by the Financial Stability Board;
- is informed of any observations made by the ACPR or any other supervisory bodies;
- reviews the personal situations of the chief compliance and risk officers within the meaning of the Decree of 3 November 2014 on internal control, and that of the chief internal auditor, the investment services compliance officer, the head of market risk and the head of ALM risk;
- reports on its work to the Board of Directors and makes any recommendations it considers appropriate.

1.3 Main characteristics of the compensation policy

Regulated staff members

Delegated Regulation 604/2014 defines 18 criteria to be used to identify regulated staff members, of which 15 are qualitative and 3 quantitative. An employee is deemed to be a regulated staff member if at least one of the 18 criteria is satisfied.

Identification on the basis of qualitative criteria

1) Member of the management body in its management function (*corporate officers, excluding Chairman of the Board of Directors, and accountable managers who are employees*);

2) Member of the management body in its supervisory function (*Chairman and members of the Board of Directors*);

3) Member of senior management (*Executive Committee*);

4) Staff member responsible and accountable to the management body for the activities of the independent risk management function, compliance function or internal audit function;

5) Staff member with overall responsibility for risk management within a "material business unit" as defined in the European Regulation (internal capital representing at least 2% of the internal capital of the institution);

6) Staff member heading a "material business unit". In subsidiaries, this is the chief executive officer or the chairman of the management board, depending on its legal form;

7) Staff member with managerial responsibility in one of the functions referred to in point 4) or in a material business unit who reports directly to a staff member identified pursuant to point 4) or 5);

8) Staff member with managerial responsibility in a material business unit who reports directly to the staff member who heads that unit;

9) Staff member who heads a function responsible for legal affairs, finance including taxation and budgeting, human resources, remuneration policy, information technology or economic analysis;

10) Staff member responsible for or who is a member of the committee responsible for the management of a risk category provided for in Articles 79 to 87 of Directive 2013/36/EU other than credit risk and market risk;

11) Staff member or member of credit committees with authority to commit to a credit risk exposure per transaction which represents 0.5% of the institution's Common Equity Tier 1 capital and is at least €5 million;

12) Staff member or member of a committee with authority to take, approve or veto a decision on transactions on the trading book which in aggregate, where the standardised approach is used, represent 0.5% or more of the institution's Common Equity Tier 1 capital;

13) Staff member with managerial responsibility for a group of staff members who have individual authorities to commit the institution to transactions when the sum equals or exceeds the threshold set out in points 11) or 12);

14) Staff member or committee member with authority to approve or veto decisions to introduce new products;

15) Staff member who has managerial responsibility for a staff member who meets one of the criteria set out in points 1) to 14).

Identification on the basis of quantitative criteria

16) Staff member who was awarded total remuneration of €500,000 or more in the preceding financial year;

17) Staff member who is within the 0.3% of the number of staff, rounded up to the next integer, who were awarded the highest total remuneration in the preceding financial year;

18) Staff member who was in the preceding financial year awarded total remuneration that is equal to or greater than the lowest total remuneration awarded in that financial year to a member of senior management or who meets any of the criteria in points 1), 3), 5), 6), 8), 11), 12), 13) or 14) of Article 3.

Application of identification criteria

The identification process is carried out at BRED group level and at the level of each Group company, subject to the proportionality principle. When applying this principle, the Delegated Regulation sets a threshold corresponding to a balance sheet total of €10 billion. An institution is required to identify its regulated staff members whenever its total balance sheet exceeds this threshold. The proportionality principle also excludes companies that are not credit institutions, finance companies or investment companies if they do not present any material risk for their group. Accordingly, in the BRED group, the identification of regulated staff members is based on a consolidated BRED group approach and an individual BRED approach.

The list of identified employees is presented to the Compensation Committee, which has examined it. It is reviewed once a year by a panel including members of the Risk Department, the Compliance Department and the Human Resources Department, under the authority of General Management.

Application of these criteria revealed a significantly greater number of regulated staff members than identified pursuant to the earlier rules.

General principles of the compensation policy that apply to regulated staff members

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.

Members of the Board of Directors

Members of the Board of Directors receive an allowance to compensate for time spent on the governance of the cooperative bank.

Chief Executive Officer

The fixed compensation for the CEO remained unchanged. The variable portion of the CEO's compensation allocated in respect of 2014 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.

20% of the "Company" component corresponds to the fulfilment of common national criteria defined by BPCE, and 50% corresponds to the fulfilment 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 (2016, 2017 and 2018 for the allocation in 2015 of compensation for 2014), 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 continuing satisfaction of a performance condition over time.

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 company, 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.

Other regulated staff members

The principles and methods described below relate to regulated positions within BRED's Trading Desk, excluding NJR, and within Asset/Liability Management. Other regulated staff members 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 variable compensation 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 individual files;
- capping of individual variable compensation at 200% of fixed compensation, subject to approval at the general meeting and an individual cap of €900 thousand for traders;
- formal opinion from the Risk Department concerning 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. 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 capital;
- a strong link between compensation and the activities' medium-term financial performance thanks to a variable portion linked to the traders' continuing presence within the Group and regularity of financial performance over time. Conditional compensation allocated in 2015 forms part of the "2015 long-term performance and loyalty 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 thousand and 60% for amounts over €500 thousand, with BPCE guidelines setting a cap of €1 million on this tranche;
- all bonuses subject to conditions of continuing performance and presence and 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 presence 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 the regulations.

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.). Relevant 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.

The principles set out above are designed first and foremost to ensure that the compensation policy complies with Articles L.511-71 to L.511-85 of the French Monetary and Financial Code. Pursuant to Article L. 511-83 of the French Monetary and Financial Code, the Board of Directors decided, on the basis of a proposal by the Compensation Committee, that deferred and immediate variable compensation will only be paid in accordance with the announced terms and conditions provided the Bank's capital complies with the regulatory criteria at the end of each financial year. If this is not the case, payment of the variable compensation may be deferred until the solvency ratio is achieved, if the Board of Directors so decides. In that case, the Board of Directors also has the right to reduce the amounts initially envisaged, in any proportion it wishes provided this is identical for all beneficiaries.

QUANTITATIVE DATA ON AGGREGATE COMPENSATION AND BREAKDOWN PER BUSINESS SECTOR
(Article 450 g) of EU Regulation 575/2013

	Governing body – Executive	Governing body – Supervisory	Investment bank	Retail bank	Asset management	Support functions	Independent control function	Others	Total
Headcount	23.2	19.0	52.9	2.3	4.3	40.3	18.0	0.0	159.9
Fixed compensation	€3,465,796	€440,000	€5,446,335	€228,751	€287,565	€4,495,449	€1,749,694	0	€16,113,589
Variable compensation	€990,605	€265,000	€4,084,190	€18,000	€77,000	€595,500	€323,000	0	€6,353,295
Total compensation	**€4,456,401**	**€705,000**	**€9,530,525**	**€246,751**	**€364,565**	**€5,090,949**	**€2,072,694**		**€22,466,884**

QUANTITATIVE DATA ON AGGREGATE COMPENSATION AND BREAKDOWN FOR MANAGERS AND STAFF MEMBERS WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON THE INSTITUTION'S RISK PROFILE
Article 450 h) of EU Regulation 575/2013

	Governing bodies	Others	Total
Headcount	42.2	117.8	159.9
Total compensation	€5,161,401	€17,305,483	€22,466,884
- o/w fixed compensation	€3,905,796	€12,207,793	€16,113,589
- o/w variable compensation	€1,255,605	€5,097,690	€6,353,295
- o/w not deferred	€965,393	€4,046,427	€5,011,820
- o/w cash	€965,393	€4,046,427	€5,011,820
- o/w equities and equity-linked instruments	€0	€0	€0
- o/w other instruments	€0	€0	€0
- o/w deferred	€290,212	€1,051,263	€1,341,475
- o/w cash	€290,212	€1,051,263	€1,341,475
- o/w equities and equity-linked instruments	€0	€0	€0
- o/w other instruments	€0	€0	€0
Outstanding variable compensation awarded for previous financial years and not yet paid	€145,134	€912,670	€1,057,804
Amount of variable compensation awarded for previous financial years and paid (after reductions)	€78,467	€1,053,418	€1,131,885
- Amount of reductions	€0	€0	€0
Severance pay awarded	NC	€0	€0
Number of beneficiaries of severance pay	1	0	1
Highest amount of severance pay awarded	NC	0	0
Amounts paid on hiring	€0	€0	€0
Number of beneficiaries of amounts paid on hiring	0	0	0

40

ACTIVITY REPORT

42 / Activity Report

ECONOMIC ENVIRONMENT

2014 confirmed the robust recovery in the US economy. Although the central bank is no longer waited on to stimulate economic activity, which picked up on all fronts, it has yet to set the pace of adjustment to its monetary policy: it thus suspended its treasury bond purchasing programme in October 2014 and is preparing economic agents for a rise in intervention rates.
GDP growth continued to slow gradually in the emerging countries, dropping to 4.4% in 2014. The performance gap between countries grew, however, according to their respective levels of exposure to raw materials and energy prices and the position of their current account balances.

The trend in the euro zone was very different. Growth remained weak throughout the zone, being expected to post a very timid rebound to 0.8% in 2014 from 0.3% in 2013.
The European Central Bank (ECB) responded to the situation in several stages, culminating in the announcement of a debt purchasing programme at the substantial rate of €60 billion a month as from March 2015, for a total of more than €1,100 billion. As well as keeping long-term interest rates at historically low levels, this programme will favour the continuing weakening of the euro against a background of expected rises in key rates in the United States and the United Kingdom. This increases the competitiveness of EU products in international markets, even though disparate forces are still at play within the European Union.
This new situation, supported by the drop in oil prices at the end of 2014, provides a more fertile ground for growth in the euro zone. According to some forecasts, growth could reach 1.5% in 2015. However, not all countries will enjoy the same growth. France, in particular, is expected to experience a more modest rebound, of around 0.9%.
The measures implemented by the government in 2014 to strengthen the competitiveness of the French economy are beginning to show in corporate margins but have not yet produced results in terms of activity and investment. The gradual introduction of the competitiveness and employment tax credit (CICE – *credit d'impôt pour la compétitivité et l'emploi*) limited the rise in the cost of labour to 0.6% in France in 2014 compared with 2.3% in Germany. The French manufacturing margin recently increased by 2.5%.
For their part, households are beginning to feel the effects of the lower oil prices on their purchasing power, which increased by 1.2% during the year. Against this backdrop, the very low price inflation – 0.5% on average in 2014 – is another factor of support, although one that continues to be undermined by the difficulties that persist in the labour market, where the indicators remain blocked at red and the number of unemployed is close to the 3.5 million mark.
In this regard, the growth forecast for 2015 will not be strong enough in itself to reduce the unemployment rate, which still stands at 10.5% of the active population. The reforms proposed as part of the stability pact may help but without a firmer economic recovery, unemployment will remain a major issue. Neither will the growth momentum be strong enough to restore the public finances, which are expected to show a deficit of 4.2%.

COMMERCIAL BANKING STRATEGY

Despite an unpropitious economic environment, BRED's net banking income continued to grow in 2014. The development strategy initiated two years ago is bearing fruit, as can be seen from the more than 3% increase in net banking income for the commercial banking division. The new strategy responds in particular to behavioural changes in the Group's customers and is based on two fundamental principles: making banking more accessible to and practical for customers and offering greater added value in the support provided for their personal projects, over time.
The Group is working to develop the bank of the future – a bank based on close personal 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's business development is based on building customer loyalty and attracting new customers. Its strategy is underpinned by the proactive approach taken by the sales staff and their ability to identify and provide for all their customers' needs.
In 2014, the Bank achieved a very satisfactory increase in its customer bases, reflecting its strong momentum. The number of retail customers increased by 1.9%, with a 4.3% increase in active customers equipped with products. In the professional segment, the number of customers increased by 3.4% while the number of customers with a double banking relationship (covering their professional and personal needs) grew by 7.7%. In the corporate segment, the customer base grew by almost 1.0%.

Accessible and practical banking facilities

As has been confirmed by all the customer surveys, the personal account manager continues to be the lynchpin of the banking relationship. BRED's strategy is therefore based on complementary channels and 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, or by email, if they prefer.
To make this relationship even easier, since April 2013 the Bank has been offering customers a new remote banking service, BREDConnect. Customers can carry out all their day-to-day banking 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 to the branch. The new version of the website and mobile phone application also offers customers a safe electronic facility and budget management services, with the possibility of classifying expenses.
Customers can contact general advisors through the BRED Direct Customer Relationship Centre from 8 a.m. to 10 p.m. In 2013 and 2014, all the Bank's tele-advisors received comprehensive training to ensure the same quality of service as that provided by in-branch account managers. Lastly, a secure messaging service enables customers to communicate with their account managers online in total safety.

BRED Espace: a wholly online bank

BRED has also continued to develop its wholly online bank, which had 20,000 customers at the end of 2014, to ensure continuity of service for customers working or living abroad and for people from French overseas territories working or studying in France or returning to their home country.
BRED Espace combines operating excellence with the ease of access of an online bank, while ensuring the levels of support and advice sought by customers by offering them a single relationship with a personal account manager. If they wish, customers can also meet their account managers in person at one of BRED's high-street branches. Customers perceive this as a real benefit.

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.
We have developed workstation tools that enable our account managers to gain a better knowledge of customers' needs and expectations. We also encourage co-construction of unique, personalised solutions. This approach promotes the development of a close long-term relationship, which is the sole guarantee of the quality and suitability of advice given and which responds to an ever-increasing demand for personalised services.

In 2014, BRED continued to support its customers' personal projects by offering savings solutions with different investment horizons, to suit each individual's projects while conserving their capacity to cope with unexpected expenses and by focusing savings capacity on projects that are important to families, such as a home purchase, their children's future or preparing for retirement.
The Bank's staff receive constant training to ensure a proper understanding of customers' needs and the most appropriate solutions to support customers' projects over the long term. Purchasing a home continues to be one of the major projects in life: in 2014, BRED helped nearly 10,000 households in this respect and had a record year with a total of €1.2 billion in loans granted.
For professional customers, developing their business activity requires constant investment. Aware of this need, in 2014 BRED multiplied its efforts alongside tradesmen, small retailers, self-employed professionals and farmers to accompany them in a lasting relationship, thanks to appropriate solutions, from the start of their projects to the transfer of their businesses.

Whether customers are seeking to develop their business, save time, protect their business or prepare their future, BRED provides the response best adapted to each situation. BRED is attentive to the concerns of its customers, for whom each need is unique. This is why the Bank invests in personalising its responses; the solution proposed to a legal professional will be different to that proposed to a healthcare professional.

State-of-the-art wealth management

BRED Banque Privée was given new momentum in 2014, with the creation of a new department. The Bank's high-net-worth customers, served by advisors within the Cercles Patrimoniaux wealth management centres, seek support for building and managing their wealth, whether financial, real estate or professional. The Bank has adapted its organisation to their needs by gradually generalising the principle of a dual relationship: an in-branch personal account manager for handling day-to-day banking products and services, and a private banker at the Cercle Patrimonial for asset management and advisory services. The range of products and services has been expanded with an emphasis on open architecture, enabling BRED to offer customers the best funds and asset management styles in the market. BRED Banque Privée has contracted or renewed numerous partnerships with the leading asset management and investment firms in the market.

BRED constantly focuses on building its wealth management advisors' skills to develop top-level expertise in the most demanding fields and be able to advise its increasingly demanding customers at all times. In BRED Banque Privée's three business lines – asset management, wealth and tax advisory and financing – the staff develop top-level specific skills and keep up-to-date with the latest developments. BRED's private banking customers, whose number increased by 20% in 2014, all seek this level of excellence, whether they are business leaders, senior executives or retirees. A highly qualified team also advises business owners for valuing their assets and businesses with a view to disposal.

Committed to its corporate customers

BRED provides business leaders with advice and support over the long term, both with regard to their business and their assets. The advisors at the Group's 16 business centres for SMEs and MSBs and at the corporate banking division dedicated to large corporate and institutional customers, share their customers' enterprise spirit. They are there to support the business and its manager at each key moment in their existence and draw on all of BRED's skill centres to find solutions to help them to carry out their projects.

In 2014, BRED strengthened its capacity to structure "customised" financing solutions to enable its customers to seize all opportunities to develop their business or enhance their competitiveness. These solutions are designed so that they can be adapted rapidly to complex issues such as financing innovation, acquisitions, international exposure or project financing, as well as to take the best advantage of the various sources of financing (banking, bonds, institutional investors, etc.) available at any given moment. BRED has also continued with its proactive approach to cash management services, particularly for corporate banking customers, by working with them to develop innovative, agile and robust digital solutions, as testified by the growth in SEPA flow management and card payment contracts.

Enhancing the customer experience

With customer satisfaction as one of its main priorities, BRED regularly measures the quality of the services it provides and the quality perceived by its customers, which is the only real basis for building loyalty and encouraging recommendations.
All the Group's networks test the quality of customer reception and handling through a regular programme of mystery calls and visits.

Customer perception of our services remains very good, as confirmed by the annual quality survey. The survey showed that 90% of professional customers, 92% of individual retail customers and 98% of large corporate customers were satisfied with the way they were dealt with in their branch and would recommend BRED to others. Similarly, the quality of telephone and online relationship management, developed since 2013, has also continued to improve.
The system for gathering customers' views was expanded and transformed in 2014. Round tables were organised to enable customers to express their views on the organisation of the Bank's networks. BRED's commitment to a co-construction approach took concrete form by inviting customers to "user tests" at meetings, before taking a final decision on matters such as upgrades to the Bank's website or mobile phone application.
All these measures will be continued and further developed in 2015 with the introduction of a systematic "real-time" assessment of the customer experience by inviting customers to give their assessment just a few days after a contact experience with the bank.

Ever more firmly rooted in the regions it serves

Although the Bank's customers appreciate and make ever greater use of our online or mobile phone banking services, they remain deeply attached to the branch networks as there are times when nothing can replace a one-to-one meeting with the account manager.
The Bank therefore continues to invest in its sales network. It opened a new branch in Val de Reuil in 2014 and the pace will quicken in 2015 and 2016 with around 15 new branches scheduled to open. The network renovation programme was also 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 is also becoming an e-branch.

Constantly upgraded tools and processes

With the aim of better satisfying its customers' needs, BRED continued to upgrade its account managers' work tools in 2014. Relations and contracting with customers is being facilitated by generalised deployment of electronic signature and remote sales facilities. A programme known as "Efficience" was launched with the aim of reviewing all the Bank's processes and ensuring a more fluid customer experience by drawing in particular on digitalisation. What makes life easier for customers also makes life easier for account managers and improves the quality perceived by all.

A bank with an international focus

2014 featured the creation of two new representative offices, one for BRED in Burma and one for BRED's subsidiary, BCI Mer Rouge, in Ethiopia. These offices will provide a base for offering services to local banks and to French companies seeking to export to or invest in these countries, in accordance with local and international regulations. Under the aegis of a newly created International Department, all the commercial banking subsidiaries abroad and in French overseas territories continued to structure their risk control and organise their business expansion based on the BRED group's Conquête Interne – Conquête Externe (internal conquest – external conquest) method adjusted for the particularities of each country.
In 2015, BRED will pursue its policy of expansion in still emerging countries in south-east Asia, the Pacific and the Horn of Africa.

Also, BIC-BRED's Swiss branch is in the process of being transformed into a fully fledged bank with the aim of giving a new dimension to its international trade financing activity.

A bank that belongs to its customers

BRED is a cooperative bank and, as such, belongs to its cooperative shareholder-customers, whose number increases year by year as shown by the success of its capital increase in 2014, which confirmed the success already enjoyed in 2013. At the end of 2014, BRED had nearly 140,000 cooperative shareholders.
BRED's cooperative shareholders support the development of a banking model whose business performance is based on the real economy and long-term management in the interest of its customers and the regions it serves. For a cooperative bank such as BRED, protecting customers' interests and helping them achieve their projects is the guideline for its actions on a daily basis.

BRED ensures dialogue with its cooperative shareholders by organising shareholder meetings throughout the year. In 2014, each branch had the opportunity to meet cooperative shareholders and answer their questions.
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, taking on a significant number of young people under work-study schemes while maintaining a quota of 10% of hires that can be considered atypical in terms of training, experience or 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 training to enhance their skills.
A bank that belongs to its cooperative shareholders is also a bank that supports all its customers, even when they face financial difficulties. For many years now, BRED has operated a mechanism for helping vulnerable customers by putting in place appropriate solutions for consolidating their financial situation and helping them back to recovery. At the end of 2014, more than 2,600 customers were benefiting from this mechanism.
In the same way, the Group's cooperative values go hand in hand with the values of solidarity deployed by BRED in its regions. The Bank works alongside local associations and agents to help society in numerous areas. 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. BRED is also strongly committed to equal opportunities, in order to help talented people, regardless of their origins, achieve excellence. It works in many ways to facilitate social mobility, which is a factor of social inclusion and cohesion.

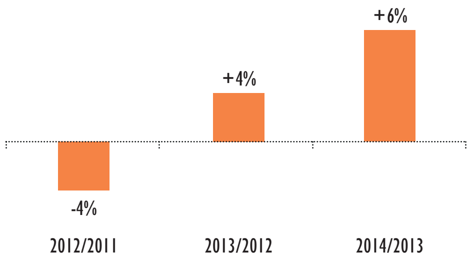
CONSOLIDATED INCOME STATEMENT KEY FIGURES

CONSOLIDATED INCOME STATEMENT (MANAGEMENT PRESENTATION, IFRS BASIS)

(€m)	2012	2013	**2014**	2014/2013
Net banking income	**901.3**	**954.8**	**972.3**	**1.8%**
Interest and similar income	542.1	584.6	592.7	1.4%
Fee income	484.7	475.3	480.0	1.0%
Banking expenses	-125.5	-105.1	-100.4	-4.4%
Operating expenses	**605.2**	**614.1**	**614.6**	**0.1%**
Personnel costs	353.3	358.2	358.5	0.1%
o/w incentive schemes	*12.7*	*14.3*	*15.0*	*5.0%*
o/w profit-sharing	*19.8*	*21.2*	*23.1*	*8.6%*
Other operating expenses	214.1	220.3	221.9	0.7%
Depreciation and impairment	37.8	35.5	34.1	-4.0%
Gross operating profit	**296.1**	**340.8**	**357.7**	**5.0%**
Cost of risk (excl. collective provisions)	-77.4	-80.9	-67.8	-16.2%
Collective provisions	21.4	-0.4	-18.2	n.s
Operating profit	**240.1**	**259.5**	**271.7**	**4.7%**
Gain (loss) on non-current assets	-0.3	1.1	0.0	n.s
Share of profit of associates	17.8	21.4	22.7	6.2%
Pre-tax profit on ordinary activities	**257.6**	**282.0**	**294.4**	**4.4%**
Income tax	-75.1	-97.8	-92.6	-5.3%
Consolidated profit for the year	**182.4**	**184.2**	**201.8**	**9.6%**
Profit attributable to equity holders of the parent company	**179.9**	**182.6**	**200.4**	**9.7%**

The BRED group's net banking income grew by 1.8% to €972.3 million.
Note that net banking income in 2013 included non-recurring income totalling €60 million, relating primarily to the sale of minority interests in Australian banks, whereas non-recurring items accounted for only €21 million of net banking income in 2014 and included in particular a reversal of €9.7 million of provisions linked to the fine-tuning of the provisioning model for home savings schemes.
Adjusted for non-recurring items, net banking income increased by a remarkable 6.3%, i.e. €56.1 million.

TREND IN NET BANKING INCOME EXCL. NON-RECURRING ITEMS – BRED GROUP



Commercial banking in France was the largest contributor to growth in recurring net banking income with an increase of €29.5 million, or around 4%, reflecting the vigour of BRED's sales activity despite unpropitious macroeconomic conditions.

Continuing the previous year's trend, the French branch network again recorded growth in net banking income, up by around 5% after a rise of 4% in 2013 and a contraction of 1% in 2012. The business centres and the wholesale banking division also contributed to the positive trend, with increases in net banking income of respectively 3% and 5%.

The capital markets department had a very good year with a €10.6 million rise in net banking income, thanks to increased business with customers and the good performance of the hedging strategies.

International and overseas commercial banking also recorded strong growth, with an increase of €5.9 million, or 15%, in net banking income before non-recurring items, boosted in particular by the take-off of BRED Fiji, which was set up in 2012.

In contrast, net banking income declined at the Group's international trade financing subsidiary, BIC–BRED, following the reduction in the volume of its commitments on Turkey. BIC–BRED is currently redeploying its activities to focus on its core business and cover a wider geographic base.

The contribution to net banking income from the Asset and Liability Management activity increased by €11.3 million due to repayment of the ECB's long-term refinancing operation (LTRO) and lower refinancing costs.

Recurring net banking income generated by consolidated management of investments increased by €1.8 million. This growth in net banking income was achieved while keeping operating expenses virtually unchanged (up by only €0.5 million, or 0.1%).

Personnel costs, restated for deconsolidation of SBE, were up by €3.7 million (1.1%), due mainly to the increase in employee profit-sharing and incentive schemes (up 7%) reflecting the improvement in the Bank's profitability.

The other operating expenses, adjusted for SBE, grew by €3.2 million or 1.5%, due partly to an increase in business providers' commissions linked to the Bank's origination development policy and partly to a rise in certain taxes (CFE, CVAE and local taxes).

Depreciation and impairment charges were down by €1.4 million (4.0%) due to reduced property investment pending delivery of the new administrative head office at Joinville-le-Pont at the beginning of 2015.

Gross operating profit came to €357.7 million, up by €16.9 million (5.0%) compared with 2013. Excluding non-recurring items, it was up by 14.3% to €338.9 million. At 63.2% in 2014 versus 64.3% in 2013, the cost-to-income ratio is in keeping with the target set in the BPCE group's 2014–2017 strategy plan.

The cost of risk excluding collective provisions was down to €67.8 million versus €80.9 million in 2013, despite the unfavourable economic conditions.

An allocation of €18.2 million was made to collective provisions in 2014, resulting mainly from the application of a predictive model that responds to the deteriorated economic conditions in France.

The share of profits of associates increased by €1.3 million, or 6.2%, reflecting the inclusion of SBE, formerly consolidated using the proportional method (€0.9 million) and the good performances of Socredo in Tahiti (€0.4 million) and Acleda in Cambodia (€0.3 million), in which BRED holds stakes of respectively 15% and 12% of the capital.

Income tax amounted to €92.6 million in 2014 compared with €97.8 million in 2013. The high tax charge in 2013 was attributable in particular to a charge of €6.3 million linked to the repurchase of cooperative investment certificates.

Net profit attributable to equity holders of the parent company totalled €200.4 million, up by a strong 9.7%. Non-recurring items contributed only €9.7 million to net profit in 2014 compared with €17.6 million in 2013. Net profit excluding non-recurring items was therefore up by 15.5% to €190.7 million.

The BRED group thus achieved a very good performance in 2014, buoyed by its commercial momentum, capacity to identify new markets and agile execution.

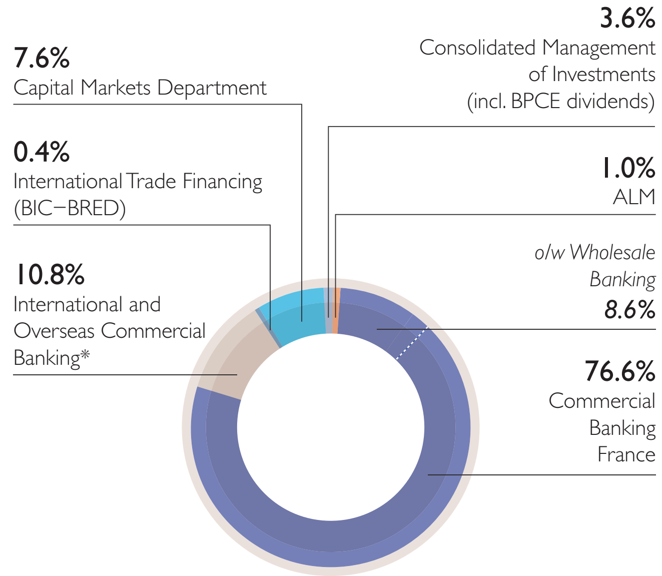
ANALYSIS OF RESULTS

The group formed by BRED and its subsidiaries is organised into six divisions:

- Commercial banking in France, which includes all the activities of the branches, wealth management centres, business centres, large corporate and institutional customers banking division and subsidiaries linked to these business lines.
- International and overseas commercial banking;
- International trade financing (BIC–BRED) ;
- ALM (asset-liability management);
- Capital markets department;
- Consolidated management of investments.

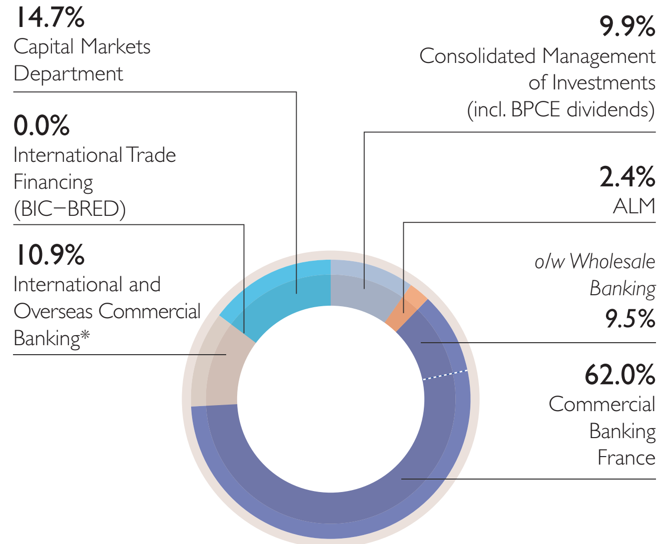
The contribution made by each division to the main aggregates of the BRED group's consolidated income statement under IFRS is presented below, after restatement for non-recurring items.

BREAKDOWN OF RECURRING NET BANKING INCOME BY DIVISION



** included up to the percentage of control regardless of the accounting consolidation method used*

BREAKDOWN OF PRE-TAX PROFIT ON ORDINARY ACTIVITIES EXCL. NON-RECURRING ITEMS BY DIVISION



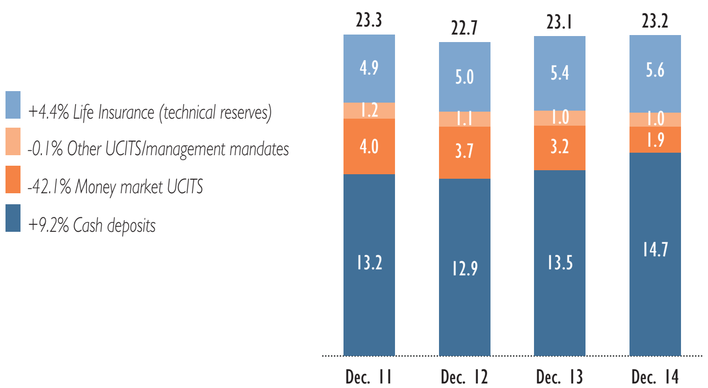
** included up to the percentage of control regardless of the accounting consolidation method used*

COMMERCIAL BANKING FRANCE

At the end of 2014, BRED's network comprised 335 local branches (including 76 in French overseas departments), 16 business centres (including five overseas), six BRED Premier branches (including five overseas), 11 asset management centres (including three overseas), a cercle premier wealth management centre and four centres for self-employed professionals in overseas departments. This division also includes subsidiaries whose businesses are connected to commercial banking (insurance, personal protection funds, asset management, etc.).

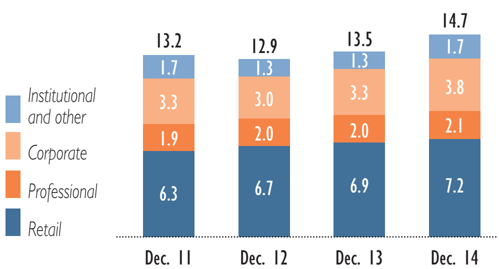
CUSTOMER DEPOSITS - COMMERCIAL BANKING FRANCE AND ITS SUBSIDIARIES

(in €bn, average value)



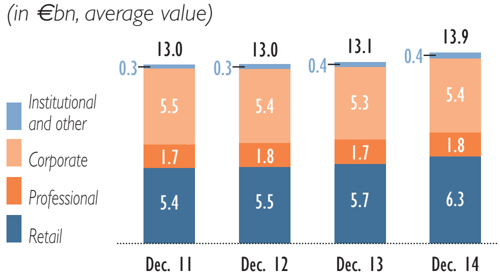
CASH DEPOSITS - COMMERCIAL BANKING FRANCE AND ITS SUBSIDIARIES

(in €bn, average value)



OUTSTANDING LOANS – COMMERCIAL BANKING FRANCE AND ITS SUBSIDIARIES

(in €bn, average value)



Customer cash deposits for the Commercial Banking France division totalled €14.7 billion at end-2014, up by €1.2 billion or 9.5% year on year. Demand deposits grew very strongly, up by 21% year on year, thanks to the Bank's robust sales momentum and corporate and institutional investors' shift away from treasury vehicles that no longer offer attractive returns. Inflows into regulated savings accounts were relatively stable (up by 2%) following repeated cuts in the interest rates on *Livret A* and *Livret Développement Durable* savings accounts.

Savings invested in life insurance grew by 4.5% to €5.6 billion in 2014.

Against a background of near-zero interest rates, assets under management in money market funds dropped by more than 40%, ending the year at €2.0 billion.

In terms of lending, outstanding loans increased by €0.8 billion, or 7% year on year, to €13.9 billion, reflecting the Bank's strong commitment to supporting its customers' projects.

In particular, home loans increased by 9.5% despite the depressed property market, thanks to the upturn in loan production initiated at the end of 2013.

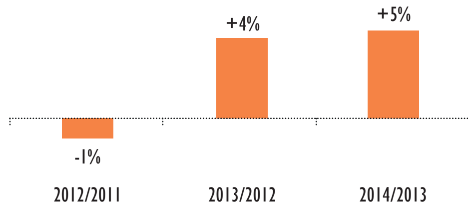
Consumer credit also grew, with a 4.5% increase in outstanding loans over 12 months. Lastly, after falling in 2013, equipment loans grew by 6% in 2014.

INCOME STATEMENT: MANAGEMENT PRESENTATION EXCL. NON-RECURRING ITEMS, IFRS BASIS

(€m)	2012	2013	**2014**	2014/2013
Interest and similar income	366.6	393.6	421.4	7.1%
Net fee income	341.4	356.0	357.6	0.5%
Net banking income	**708.0**	**749.6**	**779.0**	**3.9%**
Operating expenses	503.0	506.7	510.3	0.7%
Gross operating profit	**205.0**	**242.9**	**268.8**	**10.7%**
Cost of risk (excl. collective provisions)	-62.8	-69.9	-65.0	-7.1%
Operating profit	**142.1**	**172.9**	**203.8**	**17.8%**
Share of profit of associates	0.8	1.1	0.9	-13.0%
PROFIT ON ORDINARY ACTIVITIES (excl. profit-sharing and collective provisions)	**142.9**	**174.0**	**204.7**	**17.6%**

Continuing the positive trend achieved in 2013, net banking income, excluding non-recurring items, increased by €29.5 million, or nearly 4%, to €779 million for commercial banking in France. The branch network continued to be the main growth engine (up €22.9 million or around 5%) but the business centres (up €3.5 million or 3%) and the wholesale banking division (up €4.3 million or 5%) also performed very strongly.

TREND IN NET BANKING INCOME EXCL. NON-RECURRING ITEMS – BRANCH NETWORKS

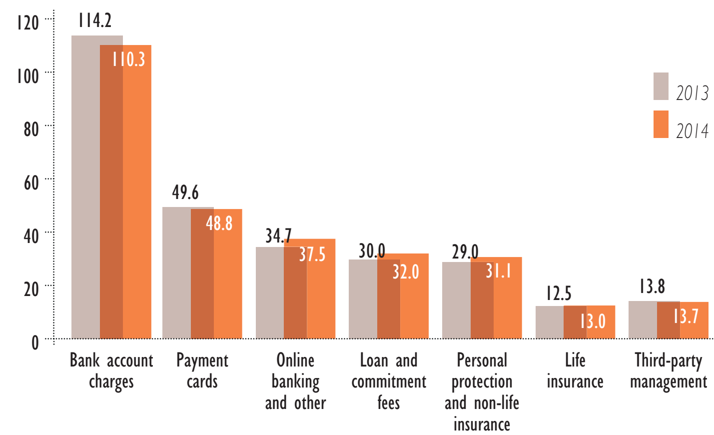


Excluding non-recurring items, interest income increased by €23.0 million (up 5.8%) to €418.6 million. The strong growth in average demand deposit (up 8.2%) and home loan (up 8.3%) outstandings generated a positive volume effect of €12 million. Also, the lower cost of customer deposits (down by 0.10 basis points over the year) resulted in a positive interest rate effect of €7 million.

The improvement in the interest margin was visible across all the commercial banking France entities, but was strongest at the branch network (up 7%), which benefited from substantial volume effects in both loans and deposits as well as the drop in regulated interest rates.

COMMERCIAL BANKING FRANCE – NET FEE INCOME EXCL. NON-RECURRING ITEMS (COMPANY SCOPE)

(in €bn)



Net fee income increased by €1.6 million (up 0.5%) for the commercial banking France division. The efforts made to attract new customers and increase the product penetration rate offset the regulatory capping of service fees. Fee income generated by BRED SA's lending activity grew by €2.0 million, or 7%, thanks to growth in outstanding loans and the strong development of financing solutions for mid-tier companies. Fee income generated by the sale of personal protection and non-life insurance products grew by €2.2 million (up 7.5%) thanks in particular to the strong performance of loan insurance. Life insurance also contributed €0.5 million (up 4%) to the growth in fee income.

Recurring operating expenses increased by €3.6 million (0.7%) for the commercial banking France division.

Excluding collective provisions, the cost of risk came to €65.0 million in 2014 compared with €69.9 million in 2013. The improvement was particularly strong at the business centres. The provisioning rate for non-performing loans remained at a prudent level of 70% while the provisioning rate for doubtful loans rose from 34% to 42%.

Commercial banking France posted pre-tax profit on ordinary activities (before non-recurring items, profit-sharing and collective provisions) of €204.7 million, i.e. 17% more than in 2013, reflecting the strong profitability of the BRED group's core businesses.

The summary income statements (not adjusted for non-recurring items) of the commercial banking France division's subsidiaries are presented below:

Prépar-Vie (wholly owned subsidiary)

Life insurance and personal protection

**INCOME STATEMENT:
ACCOUNTING PRESENTATION, IFRS BASIS**

(€m)	2012	2013	**2014**	2014/2013
Premium income	**37.6**	**36.7**	**43.6**	**18.8%**
Operating expenses	-14.0	-15.1	-16.4	
Gross operating profit	**23.6**	**21.6**	**27.2**	**25.9%**
Non-recurring items	0.3	0.3	-0.1	
Income tax	-9.9	-7.6	-10.5	
PROFIT FOR THE YEAR	**14.0**	**14.3**	**16.6**	**16.1%**

Like in 2013, the French life insurance market continued to grow in 2014, up by 7%, posting a net inflow of savings although at lower levels than those achieved several years ago.
Prépar-Vie recorded a 16.5% increase in gross premiums to €582 million. Personal protection premiums also recorded strong growth of nearly 6%, thanks to the growth in loan insurance.

The strong 19% increase in premium income was attributable mainly to a capital gain on investment property. 2014 also featured the reversal of €0.9 million of provisions linked to the financial markets compared with a charge of €2.5 million the previous year, i.e. a change of €3.4 million.
Operating expenses increased by 8.5%: as foreseen, development of the Euro-Croissance product is having a temporary negative impact on the accounts.
Net profit for the year nonetheless increased by 16% to €16.6 million.

Prépar IARD (wholly owned subsidiary)

Non-life insurance

**INCOME STATEMENT:
ACCOUNTING PRESENTATION, IFRS BASIS**

(€m)	2012	2013	**2014**	2014/2013
Premium income	**6.6**	**6.0**	**6.6**	**10.0%**
Operating expenses	0.5	0.5	0.5	
Gross operating profit	**6.1**	**5.5**	**6.1**	**10.9%**
Income tax	-2.1	-1.9	-2.1	
PROFIT FOR THE YEAR	**4.0**	**3.6**	**4.0**	**11.1%**

Prépar IARD's premium income grew by 10% to €6.6 million under the combined effect of a €0.2 million increase in earned premiums and a €0.2 million decrease in claims.

Against this backdrop, efficient control of operating expenses, which remained stable in 2013 and 2014, resulted in a strong 11% year-on-year increase to €4.0 million in net profit for the year.

Promepar (wholly owned subsidiary)

Wealth management and fund management

**INCOME STATEMENT:
ACCOUNTING PRESENTATION, IFRS BASIS**

(€m)	2012	2013	**2014**	2014/2013
Net banking income	**5.9**	**5.8**	**7.4**	**28.2%**
Operating expenses	3.7	3.9	4.5	
Gross operating profit	**2.2**	**1.9**	**2.9**	**52.3%**
Cost of risk				
Operating profit	**2.2**	**1.9**	**2.9**	**52.3%**
Income tax	-0.7	-0.7	-1.0	
PROFIT FOR THE YEAR	**1.5**	**1.2**	**1.9**	**57.8%**

Net banking income at Promepar recorded strong growth of more than 28% to €7.4 million. The fund management activity continued the growth trend begun in 2011, buoyed in particular by interest rate management and the success of the Promepar Monétaire fund.
In 2014, Promepar obtained an AIFM licence enabling it to offer its customers alternative investment fund structures when necessary.
At the end of the year, Promepar also created an SME and MSB investment fund focused on BRED's geographic scope.
The growth in assets under management required the strengthening of Promepar's operating infrastructure, thereby pushing operating expenses up by around 16%. Risk management and control resources were strengthened and the migration to new management software is almost complete.
Net profit for the year increased by a very satisfactory 58% to €1.9 million.

SOFIDER (wholly owned subsidiary)

Financing of residential housing and businesses in Réunion

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS BASIS

(€m)	2012	2013	**2014**	2014/2013
Net banking income	**17.6**	**20.8**	**18.3**	**-12.2%**
Operating expenses	5.2	5.7	5.6	
Gross operating profit	**12.4**	**15.1**	**12.7**	**-16.0%**
Cost of risk	-1.9	-2.7	-2.6	
Operating profit	**10.5**	**12.4**	**10.1**	**-18.7%**
Other items		0.1		
Income tax	-3.5	-4.7	-3.6	
PROFIT FOR THE YEAR	**6.9**	**7.9**	**6.4**	**-18.5%**

The economic environment remains fragile in Réunion. However, there were encouraging signs in the lending market with a 1.3% increase in outstanding loans to households.

Against this backdrop, SOFIDER recorded loan production of €119 million, 3.5% more than in 2013 thanks to a recovery in property investment and the opening of a third branch in the western part of the island (St-Paul). Outstanding loans increased by 1.2% year on year.

Net banking income nonetheless declined by 12% to €18.3 million, 2013 having featured reversals of regulated provisions amounting to €2.7 million. Adjusted for this item, net banking income was stable (up by 0.5%).

Operating expenses were down by 2.3% thanks to lower personnel costs and external services fees.

The cost of risk remained unchanged overall. Although net profit for the year was down by 18%, at €6.4 million it reflects a very good level of profitability given the size of this subsidiary.

INTERNATIONAL AND OVERSEAS COMMERCIAL BANKING

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS BASIS

(€m)	2012	2013	**2014**	2014/2013
Interest and similar income	35.9	31.4	35.8	14.1%
Net fee income	7.2	7.1	8.5	20.3%
Net banking income	**43.1**	**38.5**	**44.3**	**15.2%**
Operating expenses	32.7	33.5	38.3	14.3%
Gross operating profit	**10.4**	**4.9**	**6.0**	**21.8%**
Cost of risk excl. collective provisions	-3.3	-1.2	-3.3	ns
Operating profit	**7.1**	**3.8**	**2.7**	**-28.2%**
Share of profit of associates	17.8	21.4	21.8	1.9%
PROFIT ON ORDINARY ACTIVITIES (excl. profit-sharing and collective provisions)	**24.9**	**25.2**	**24.5**	**-2.6%**

This division comprises:

- BCI Mer Rouge, BRED Vanuatu, BRED Fiji, Banque Franco-Lao and the BRED IT platform based in Thailand, all fully consolidated;
- equity interests in Banque Calédonienne d'Investissement (49.9%), Acleda in Cambodia (12%), BCEL Public in Laos (10%) and Socredo in Tahiti (15 %), whose resulted are consolidated using the equity method only at the level of profit on ordinary activities;
- BRED's Paris-based activity of correspondent bank for foreign banks.

As the result of the accounting method applied for non-controlling interests, the intermediate management accounting balances (net banking income, gross operating profit and operating profit) do not give a full picture of this division's economic reality.

Customer deposits at the consolidated subsidiaries increased sharply by 13.5% to €594 million (December 2014 versus December 2013), thanks in particular to the contributions made by BRED Fiji (up €17 million), BCI Mer Rouge (up €34 million) and Banque Franco Lao (up €14 million). Outstanding loans increased by 11% to €455 million. This growth was driven by BRED Fiji (up €12 million), BRED Vanuatu (up €12 million) and Banque Franco-Lao (up €9 million).

The contribution made by this division's consolidated subsidiaries to the Group's recurring net banking income increased by 15% to €44.3 million in 2014. This performance was in particular attributable to the business recovery at BCI Mer Rouge, and the increase in business at BRED Fiji in its second year of operation.

Operating expenses excluding non-recurring items rose from €33.5 million to €38.3 million, reflecting mainly the development of BRED Fiji's activity and recruitment of additional staff at BRED IT.

After taking into account a cost of risk amounting to €3.3 million and the share of profit of associates, up by 2%, pre-tax profit on ordinary activities excluding non-recurring items came to €24.5 million, down slightly compared with €25.2 million in 2013.

The summary income statements (not adjusted for non-recurring items) of the international and overseas commercial banking division's main subsidiaries are presented below:

Pacific region

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

**INCOME STATEMENT:
ACCOUNTING PRESENTATION, LOCAL GAAP**

(€m)	2012	2013	**2014**	2014/2013
Net banking income	**68.6**	**72.3**	**81.4**	**12.6%**
Operating expenses	34.0	34.9	36.3	
Gross operating profit	**34.6**	**37.4**	**45.1**	**20.7%**
Cost of risk	-1.7	-2.6	-4.3	
Operating profit	**32.8**	**34.7**	**40.9**	**17.7%**
Other items			0.3	
Income tax	-13.7	-14.9	-18.4	
PROFIT FOR THE YEAR	**19.2**	**19.8**	**22.8**	**14.7%**

New Caledonia's economy continued to slow in 2014. Although businesses remained cautious with regard to their investment decisions, households appear to have regained their confidence despite the institutional uncertainties hanging over the region. Retail customers' demand for home loans picked up significantly, against a backdrop of sharply falling interest rates and boosted by a local tax law providing for tax relief on investments in rental property.

Banque Calédonienne d'Investissement benefited from this demand by granting €416 million of new loans, thus confirming its leadership with a 35% share of the market. Total outstanding customer loans accordingly ended the year at €1.8 billion, up by 4% compared with 2013. Customer deposits remained stable at €1.3 billion.

In 2014, the bank extended its range of products and services, with in particular a new agreement, "Banian Sécurité +", and continued to upgrade its branches and ATM network. The bank currently serves 70,000 customers through 31 outlets and employs 360 people.

Net banking income rose by more than 12% year-on-year to €81.4 million in 2014. This performance reflected a 17.5% increase in the net interest margin, thanks to the combined effects of a lower cost of deposits, growth in outstanding loans and a 7.5% increase in fee income.

Growth in operating expenses remained moderate at 4%, resulting in a very satisfactory cost-to-income ratio of 45%. The cost of risk amounted to €4.3 million in 2014 compared with €2.6 million in 2013.

Net profit for the year was up by nearly 15% to €22.8 million.

Plans for 2015 include relocation of the Koné branch, the opening of a new space dedicated to real estate professionals, "Carré Immo", and the launch of a new online banking platform.

BRED Vanuatu (85%-owned subsidiary)

**INCOME STATEMENT: ACCOUNTING PRESENTATION,
LOCAL GAAP, CONSTANT EXCHANGE RATES**

(€m)	2012	2013	**2014**	2014/2013
Net banking income	**8.7**	**9.5**	**9.5**	**-0.6%**
Operating expenses	5.0	5.4	5.7	
Gross operating profit	**3.7**	**4.1**	**3.7**	**-9.2%**
Cost of risk	-0.7	-0.6	-0.4	
Operating profit	**3.0**	**3.5**	**3.3**	**-6.2%**
Income tax				
PROFIT FOR THE YEAR	**3.0**	**3.5**	**3.3**	**-6.4%**

Economic growth remained stable at around 3% in Vanuatu, driven by tourism which is the country's main sector of activity.

The banking sector remains very competitive with Australian banks seeking to win back market share, which has led to a decline in margins for the entire sector.

BRED Vanuatu ended its fifth year of operation with market shares of 33% in loans and 30% in deposits.

The bank ended 2014 with outstanding loans of €149 million (up 8.5%) and customer deposits of €153 million (up 4%). BRED Vanuatu now has more than 18,600 customers and employs 110 people.

2014 also featured the successful migration of the bank's information system to an upgraded version offering numerous possibilities for developing new products, particularly in terms of the offer for retail customers and online banking services.

BRED Vanuatu's net banking income remained stable at €9.5 million but profit for the year was down by 6.5% to €3.3 million due to the impact of non-recurring items and expenses linked to upgrading its information system. Adjusted for these elements, net profit continued to grow.

In 2015, the bank will expand its offer for retail customers and SMEs, particularly in the areas of electronic payments and online banking. It should also benefit from new local infrastructure projects scheduled to be launched in the spring.

BRED Fiji (wholly owned subsidiary)

**INCOME STATEMENT: ACCOUNTING PRESENTATION,
LOCAL GAAP, CONSTANT EXCHANGE RATES**

(€m)	2012	2013	**2014**	2014/2013
Net banking income	**0.0**	**0.6**	**2.3**	**ns**
Operating expenses	-1.4	-3.5	-4.3	
Gross operating profit	**-1.4**	**-2.8**	**-2.0**	**-29.0%**
Cost of risk		-0.1	-0.1	
Operating profit	**-1.4**	**-3.0**	**-2.1**	**-30.0%**
Income tax				
PROFIT FOR THE YEAR	**-1.4**	**-3.0**	**-2.1**	**-30.0%**

2014 saw the first elections to be held in Fiji since 2009. President Bainimarama was re-elected with a majority in the parliament. The elections resulted directly in the return of some foreign investors who had stayed away from the country. This is expected to have a positive impact on the economy. After two years in operation, BRED Fiji had deposits amounting to €41 million, corresponding to a 73% increase in 2014, and a market share of 1.7%.
Outstanding loans amounted to €35 million (an increase of 54% in 2014) for a market share of 1.6%. The bank now has more than 20,000 customers and employs 90 people at its head office and three branches.

Its commercial offering continues to expand, with in particular the launch of a Visa debit card in 2014. The bank's successful business development resulted in net banking income of €2.3 million in 2014 compared with €0.6 million in 2013, and allowed BRED Fiji to reduce its losses to €2.1 million in 2014.
2015 will feature the launch of new offers in the areas of insurance and electronic payment facilities and the opening of three new branches in the west and south of the country. The SME market is another major focus for development.

South-east Asia

Banque Franco-Lao (54%-owned subsidiary)

INCOME STATEMENT: ACCOUNTING PRESENTATION, LOCAL GAAP

(€m)	2012	2013	2014	2014/2013
Net banking income	**3.0**	**4.8**	**4.8**	**-0.2%**
Operating expenses	2.8	3.9	4.2	
Gross operating profit	**0.2**	**0.9**	**0.6**	**-31.2%**
Cost of risk	-0.1	-0.3		
Operating profit	**0.1**	**0.6**	**0.6**	**-6.1%**
Income tax			-0.1	
PROFIT FOR THE YEAR	**0.1**	**0.6**	**0.5**	**-17.1%**

Economic growth in Laos remained strong at 7.2% in 2014. However, the Laos government experienced budgetary pressures that resulted in late payment of public contracts, creating difficulties for businesses, particularly in the building sector. In 2014 the product range was extended to Mastercard and Visa debit cards and insurance products, under a partnership with Allianz. The existing network of 20 branches was expanded with the addition of two new ones. Banque Franco-Lao now has more than 16,000 customers and employs 160 people.
Customer deposits increased by 32% (excluding currency effects) to €58 million in 2014. Outstanding loans increased by 21%, ending the year at €54 million.

Despite this strong business momentum, net banking income stagnated at €4.8 million (down by 0.2%) due to a lower level of financial income on reinvestment of surplus equity in a context of falling interest rates. Adjusted for this element, net banking income grew by more than 25%.

Expansion of the branch network and business offering resulted in a 7% increase in operating expenses.
The cost of risk was virtually zero as the result of a substantial write back in 2014 on a provision booked in 2013.
As Banque Franco-Lao has now exhausted the losses brought forward from its early years, the income tax charge contributed to the decrease in profit for the year, which was down by 17% to €0.5 million.
An online electronic payment solution will be rolled out for professional and corporate customers in 2015. The bank, which is among the most innovative in the country, is also working on employee savings and retirement savings offers, which are still at an embryonic stage in Laos.

Horn of Africa

BCI Mer Rouge (51%-owned subsidiary)

INCOME STATEMENT: ACCOUNTING PRESENTATION, LOCAL GAAP, CONSTANT EXCHANGE RATES

(€m)	2012	2013	2014	2014/2013
Net banking income	**30.2**	**24.6**	**20.9**	**-15.0%**
Operating expenses	13.9	15.4	14.7	
Gross operating profit	**16.3**	**9.1**	**6.1**	**-32.8%**
Cost of risk	-10.3	-6.3	-2.8	
Operating profit	**5.9**	**2.9**	**3.3**	**17.4%**
Non-recurring items		-0.7	-1.3	
Pre-tax profit on ordinary activities	**5.9**	**2.1**	**2.0**	**-2.9%**
Income tax	-1.7	-0.7	-1.0	
PROFIT FOR THE YEAR	**4.3**	**1.4**	**1.0**	**-26.9%**

In 2014, Djibouti posted robust economic growth of around 6%, buoyed in particular by the major infrastructure projects underway (construction of four ports, roads, subsidised housing, etc.), which have attracted substantial investment. Inflation remained under control at 2.5%.
BCI Mer Rouge continues to be the leading bank in the country, with 46% of deposits and 52% of outstanding loans.
Customer deposits increased by 11% during the year, ending 2014 at €342 million.
Outstanding loans increased by 4.5% to €217 million.
Net banking income came to €20.9 million. Although down by 15% compared with 2013, it should be noted that the 2012 and 2013 figures largely reflected gains on the unwinding of interest rate hedges. Adjusted for this item, net banking income was up by around 17%.

Operating expenses benefited from the efforts made to control overheads and a reduction in costs linked to completion of the migration of the bank's information system, and duly decreased by 5% compared with 2013. The cost of risk also declined, standing at €2.8 million in 2014. Risk monitoring procedures and the provisioning policy were strengthened.
Although pre-tax profit was down by a slight 3%, net profit dropped by 27% to €1.0 million, reflecting the adverse trend in income tax.
In 2015, the bank plans to extend its network by opening two new branches and expand its range of products and services. BCI Mer Rouge is also continuing its expansion within the region, with the opening of a representative office in Addis-Ababa (Ethiopia).

INTERNATIONAL TRADE FINANCING

BIC BRED (99.9%-owned subsidiary)

**INCOME STATEMENT:
ACCOUNTING PRESENTATION, LOCAL GAAP**

(€m)	2012	2013	2014	2014/2013
Net banking income	**8.4**	**7.3**	**4.4**	**-40.0%**
Operating expenses	4.4	4.2	4.5	
Gross operating profit	**4.0**	**3.0**	**-0.1**	**ns**
Cost of risk	3.2	-13.5	-0.3	
Operating profit	**7.2**	**-10.5**	**-0.4**	**ns**
Other items	-3.0	12.1		
Income tax	-1.1	-0.6	-0.4	
NET PROFIT	**3.0**	**1.0**	**-0.8**	**ns**

BIC-BRED is specialised in international trade finance. Based in Paris and Geneva, it operates mainly in Europe and some of the non-European Mediterranean countries. The bank services trade in a variety of commodities, including in particular oil products, metals, food and fertilisers.

The economic environment in 2014 featured a significant fall in the prices of certain commodities and depressed economic conditions in the main euro zone countries.

BIC BRED continued its policy of reducing commitments on Turkey. Moves to redeploy its activities to other zones have been initiated and began to bear fruit during the year, enabling outstanding loans to grow by €85 million to €209 million over the year. Average outstandings over the period contracted by 20% however, resulting in a temporary fall in net banking income, which stood at €4.4 million for 2014 compared with €7.3 million the previous year.

The cost of risk returned to normal levels following significant provisions booked in 2013 in respect of two disputes.

BIC BRED posted a net loss of €0.8 million in 2014. The bank has launched a major project to transform its Geneva branch into a fully-fledged bank in response to a request from the Swiss regulator.

In this respect, BRED is targeting controlled expansion of its international trade financing business.

ALM (Asset and Liability Management)

**INCOME STATEMENT: ACCOUNTING PRESENTATION
EXCL. NON-RECURRING ITEMS, IFRS BASIS**

(€m)	2012	2013	2014	2014/2013
Net banking income	**-10.3**	**-1.6**	**9.7**	**ns**
Operating expenses	-1.0	-1.3	-1.7	27.9%
PROFIT (LOSS) ON ORDINARY ACTIVITIES (excl. profit-sharing and collective provisions)	**-11.2**	**-2.9**	**8.0**	**ns**

The Asset and Liability Management division is responsible for the BRED group's refinancing and oversees its major financial balances, particularly with regard to solvency and liquidity. It ensures the protection of the Group's net banking income against interest rate and foreign exchange risks. By nature, its contribution to the Group's results varies depending on market conditions.

In 2014, repayment of the ECB's long-term refinancing operation (LTRO) and the fall in refinancing rates enabled the ALM division to generate €9.7 million of net banking income compared with a negative figure of €1.6 million in 2013.

CAPITAL MARKETS DEPARTMENT

**INCOME STATEMENT: MANAGEMENT PRESENTATION
EXCL. NON-RECURRING ITEMS, IFRS BASIS**

(€m)	2012	2013	2014	2014/2013
Interest and similar income	73.9	65.9	76.0	15.3%
Net fee income	0.5	0.4	0.9	ns
Net banking income	**74.4**	**66.3**	**76.9**	**16.0%**
Operating expenses	-25.6	-28.8	-31.2	8.2%
Gross operating profit	**48.7**	**37.5**	**45.7**	**22.0%**
Cost of risk excl. collective provisions	-0.7	7.8	2.9	ns
PROFIT ON ORDINARY ACTIVITIES (before profit-sharing and collective provisions)	**48.0**	**45.3**	**48.7**	**7.4%**

The Capital Markets Department once again posted strong results thanks to the good performance of the strategies implemented in recent years.

The investment solutions offered to corporate and institutional customers in the areas of brokerage and interest rate and foreign exchange risk management continued to develop throughout the year. Business volumes grew by 16% in swaps and investments in euro while brokerage volumes increased by more than 20%.

The liquidity management service offering customers money market investment solutions also continued to develop, with its scope extended to other currencies (GBP and USD). Its business volumes increased by 33%. The hedging strategies implemented to manage risk and adverse scenarios also contributed to earnings.

Lastly, an offer of financing solutions focused on debt origination was put in place during the year.

All these initiatives resulted in a 16% increase in net banking income – which climbed to €77 million – and a contribution of almost €49 million to profit on ordinary activities.

CONSOLIDATED MANAGEMENT OF INVESTMENTS

INCOME STATEMENT: MANAGEMENT PRESENTATION EXCL. NON-RECURRING ITEMS, IFRS BASIS

(€m)	2012	2013	**2014**	2014/2013
Interest and similar income	41.2	35.1	36.9	5.1%
Net fee income				ns
Net banking income	**41.2**	**35.1**	**36.9**	**5.1%**
Operating expenses	-7.1	-4.8	-4.9	1.1%
Gross operating profit	**34.1**	**30.3**	**32.0**	**5.8%**
Cost of risk excl. collective provisions	-0.7	-0.1	0.8	ns
Operating profit	**33.4**	**30.2**	**32.8**	**8.6%**
Gain (loss) on non-current assets	-0.3	1.1		ns
PROFIT ON ORDINARY ACTIVITIES (excluding profit-sharing and collective provisions)	**33.1**	**31.3**	**32.8**	**4.7%**

The Consolidated Management of Investments division comprises the investment activities (including NJR) and working capital activities (including operating property, COFIBRED and the holding in BPCE).

Despite a backdrop of falling interest rates, profit on ordinary activities generated by these activities was up by 5% to €33 million, the two main components being a dividend of €15 million on BPCE shares and a contribution of €11 million from NJR.

NJR (wholly owned subsidiary)

INCOME STATEMENT: ACCOUNTING PRESENTATION, LOCAL GAAP

(€m)	2012	2013	**2014**	2014/2013
Net banking income	**16.5**	**13.1**	**12.5**	**-4.5%**
Operating expenses	1.0	1.0	1.0	1.0%
Gross operating profit	**15.4**	**12.1**	**11.5**	**-4.9%**
Other items	-0.7			
Income tax	-1.0	-0.2	-0.1	
PROFIT FOR THE YEAR	**13.7**	**11.9**	**11.4**	**-3.9%**

In an ABS market boosted by the ECB's announced repurchasing programme, spreads continued to tighten significantly. Improved macroeconomic indicators in Spain and Ireland, the wholly satisfactory credit performances of most existing securitisations and the yield premium offered by these securities compared with fixed-income products in general also whetted investor interest.

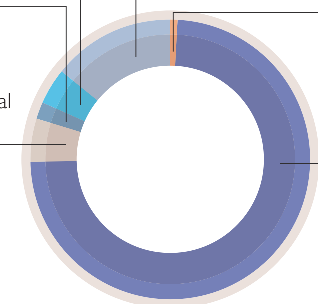
NJR's portfolio is being amortised at a very lively pace (€206 million or 24% in 2014). The portfolio's average spread remains very satisfactory at 106 bps while the average duration is stable at 2.7 years. NJR reinvested in various European senior ABS eligible as ECB collateral. As spreads tightened, several positions were also taken in CLOs and alternative assets.

In terms of credit risk, the portfolio continues to perform well. Most of the indicators are positive and the robustness of the securitised structures makes up for any possible default of underlying loans. NJR generated net profit of €11.4 million in 2014, only very slightly below the level in 2013.

RETURN ON EQUITY OF THE BUSINESS DIVISIONS

The BRED group's risk-weighted assets increased by 6% overall. 35% of this increase was attributable to the Commercial Banking France division, which recorded an increase in outstanding loans and which accounted for 73% of risk-weighted assets. Risk-weighted assets also increased for the Capital Markets Department and for Consolidated Management of Investments, due to the development of capital market activities for customers and to valuation effects linked to the upturn in the financial markets. Together, these two divisions accounted for 20% of total risk-weighted assets.

RISK-WEIGHTED ASSETS BY BUSINESS DIVISION



(€m)	**2014 Net profit(1)**	Capital employed	Net profit(2)/ Capital requirement
Commercial Banking France	102.8	1 048.8	9.8%
International and Overseas Commercial Banking	22.3	263.7	8.5%
International Trade Financing	-0.8	23.1	ns
ALM	5	9.1	ns
Capital Markets Department	29.5	154.5	19.1%
Consolidated Management of Investments	31.9	646.2	4.9%
TOTAL BRED	**190.7**	**2 145.2**	**8.9%**

(1) Net profit attributable to equity holders of the parent company (after tax at the standard rate and employee profit-sharing).
(2) Capital requirements calculated at 31 December 2014

Despite the increase in risk-weighted assets, the very good results of BRED's various business divisions resulted in an increase in the return on regulatory capital employed, which stood at 8.9%.

CONSOLIDATED BALANCE SHEET

ASSETS

(€bn)	2012	2013	2014
Cash and amounts due from central banks	4.2	3.1	1.7
Financial assets at fair value through profit or loss	5.5	5.2	6.3
Hedging derivatives	0.1	0.1	0.3
Available-for-sale financial assets	14.4	13.9	15.7
Loans and receivables due from credit institutions	5.9	7.0	9.7
Loans and receivables due from customers	14.1	14.2	14.8
Held-to-maturity financial assets	1.0	1.0	0.9
Deferred tax assets	0.2	0.2	0.2
Accrued income and other assets	0.4	1.3	1.4
Investments in associates	0.2	0.2	0.3
Investment property	0.2	0.2	0.2
Property, plant and equipment	0.2	0.1	0.3
Total assets	**46.3**	**46.5**	**51.8**

LIABILITIES

(€bn)	2012	2013	2014
Financial liabilities at fair value through profit or loss	1.0	2.1	3.4
Hedging derivatives	0.8	0.4	0.6
Amounts due to credit institutions	10.8	9.3	8.1
Amounts due to customers	20.4	21.9	25.7
Debt securities	3.5	2.4	2.9
Deferred tax liabilities			0.1
Accrued expenses and other liabilities	0.6	1.2	1.3
Technical reserves of insurance companies	5.6	5.9	6.4
Provisions	0.2	0.2	0.2
Subordinated debt	0.4	0.4	0.3
Shareholders' equity	3.0	2.6	2.9
Total liabilities	**46.3**	**46.5**	**51.8**

The BRED group's consolidated assets totalled €51.8 billion at 31 December 2014, corresponding to an increase of €5.4 billion over 12 months. Cash and amounts due from central banks decreased by €1.4 billion to end the year at €1.7 billion, negative ECB deposit rates having prompted the Group to optimise this item.

Financial assets and liabilities at fair value through profit or loss each increased by €1.2 billion and amounted to, respectively, €6.3 billion and €3.4 billion at the end of 2014. This change was linked mainly to the fall in interest rates and not to volume effects.
Available-for-sale financial assets amounted to €15.7 billion, corresponding to an increase of €1.9 billion year on year. They are composed for €13.5 billion of bonds and other fixed-income securities and for €2.2 billion of shares and other variable-income securities. Loans and receivables due from credit institutions were up by €2.7 billion to €9.7 billion. This increase was due essentially to the increase in securities received under repurchase agreements, which resulted from the strategy of reducing central bank deposits. Amounts due to credit institutions, including securities sold under repurchase agreements, totalled €8.1 billion, down by €1.2 billion relative to the previous year due in particular to repayment of the European Central Bank's targeted longer-term refinancing operation (TLTRO).

Loans and receivables due from customers stood at €14.8 billion at 31 December 2014 compared with €14.2 billion at the end of the previous year, reflecting the increase in outstanding home and equipment loans. Amounts due to customers, corresponding to customer deposits, totalled €25.7 billion, €3.8 billion more than at the end of 2013. As well as successfully marketing products generating stable deposits, BRED benefited from substantial deposits made by institutional customers.
Debt securities, consisting of certificates of deposit and medium-term notes issued by BRED to its customers, amounted to €2.9 billion at end-2014 compared with €2.4 billion at end-2013. Insurance companies' technical reserves were up by €0.5 billion to €6.4 billion, mainly reflecting the increase in savings invested in life insurance products and asset revaluation effects.

Shareholders' equity amounted to €2.9 billion, up by €292 million relative to the previous year. This increase resulted from the issuance of cooperative shares and incorporation of reserves for €54 million, an increase of €49 million in unrealised capital gains and other recyclable reserves, profit for the year of €200 million and payment of dividends on cooperative shares for €11 million.

Based on consolidated net profit for the year of €200 million and total assets of €51.8 billion at 31 December 2014, the rate of return on assets in 2014 was 0.39%.

CAPITAL ADEQUACY AND LIQUIDITY

Capital and reserves and prudential ratios

Consolidated capital and reserves and prudential capital

The capital adequacy ratio is now calculated according to Basel III regulations.
With regard to solvency requirements, these new regulations introduce:

- A stricter definition of the different levels of equity and a larger requirement for "core" capital known as CET1 (Common Equity Tier 1);
- Additional capital "buffers" corresponding to new prudential concepts: a counter-cyclical buffer requirement that can be adjusted by the national regulator if growth in lending is considered excessive at the top of the economic cycle; a systemic buffer for financial institutions whose collapse carries the risk of contagion to the financial system and a so-called capital conservation buffer designed to absorb losses in economic stress situations;
- A leverage ratio measuring a bank's equity relative to the size of its balance sheet, without taking into account the risk weightings of these assets.

OVERALL CAPITAL ADEQUACY RATIO: MINIMUM REGULATORY REQUIREMENTS

	2014	2015	2016	2017	2018	2019
CET1	4.00%	4.50%	4.50%	4.50%	4.50%	4.50%
Capital conservation buffer	n/a	n/a	0.62%	1.25%	1.88%	2.50%
Maximum counter-cyclical buffer	n/a	n/a	0.62%	1.25%	1.88%	2.50%
Systemic risk buffer (Groupe BPCE)	n/a	n/a	1.00%	1.00%	1.00%	1.00%
TIER 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
TIER 2	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL	**8.00%**	**8.00%**	**10.24%**	**11.50%**	**12.76%**	**14.00%**

n/a: not applicable

The reform will be phased in gradually from 2014 to 2019.
At 31 December 2014, the BRED group's consolidated capital and reserves under IFRS amounted to €2,874 million after appropriation of profit, compared with €2,588 billion at end-2013. The increase results from:

- The transfer to reserves of €189 million of profit for 2014 not distributed;
- An increase in capital of €48 million;
- A €49 million increase in unrealised capital gains and other recyclable reserves.

The regulations require a number of elements to be deducted from book capital for the calculation of prudential capital. These deductions amounted to €626 million net of franchise for CET1 and €192 million for Tier 2 capital.
The reduced amount of these deductions is linked mainly to the change of method applied to holdings in insurance companies, which are now risk weighted instead of being deducted from equity.
Prudential capital therefore amounted to €2,393 million at 31 December 2014, up by €303 million compared with 2013. Note that prudential capital is composed entirely of CET1 core capital.

(€m)	2012 Basel II	2013 Basel II	Proforma 2013 Basel III phase-in	**2014 Basel III phase-in**
Capital	520.3	573.3	573.3	627.2
Consolidated reserves	2,336.9	1,809.0	1,809.0	1,973.3
IAS/IFRS impact on consolidated reserves	-30.14	34.3	34.3	84.1
Profit for the period	179.9	182.6	182.6	200.4
Proposed distribution of dividends	-23.1	-11.2	-11.2	-11.1
Consolidated capital and reserves	**2,983.8**	**2,588.0**	**2,588.0**	**2,873.9**
Non-controlling interests	32.1	30.9	0.8	0.8
Temporary adjustments for non-controlling interests	-26.7	-33.7	25.4	29.8
Non-current assets and other deductions	30.1	-34.3	-34.4	-34.6
Equity interests in credit and financial institutions to be deducted from core capital[1]	-635.3	-473.7	-543.2	-490.0
Deferred tax asset on temporary differences			-29.8	-22.3
Other adjustments to deductions	-261.1	-256.1	-102.5	-79.5
CET1 phase-in adjustments			185.7	115.3
B2 Tier 1 / B3 Common Equity Tier 1	**2,122.9**	**1,821.1**	**2,090.0**	**2,393.4**
B3 Additional Tier 1 capital				
SECONDARY CAPITAL (Tier 2) before deductions	**385.6**	**289.2**	**247.5**	**179.7**
Equity interests in credit and financial institutions to be deducted from additional capital[1]	-635.3	-473.7	-94.2	-93.5
Other adjustments	249.7	184.5		12.4
Phase-in adjustments to CET1			-153.3	-98.6
Secondary capital (Tier two)	0	0	0	0
B2 Other additional capital[2]	**64.1**	**78.7**		
TOTAL PRUDENTIAL CAPITAL	**2,187.0**	**1,898.8**	**2,090.0**	**2,393.4**

Note: The "Danish compromise" treatment is applied to equity interests in insurance companies under Basel III regulations. The proforma ratio takes into account the Basel III changes applied at 31 December 2014.
[1] The rules for deduction of equity interests in financial institutions changed substantially between Basel II and Basel III.
[2] Other additional capital is no longer admitted under Basel III regulations.

a) As required by paragraph 1 of Article L.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.

b) 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.

Capital adequacy ratio

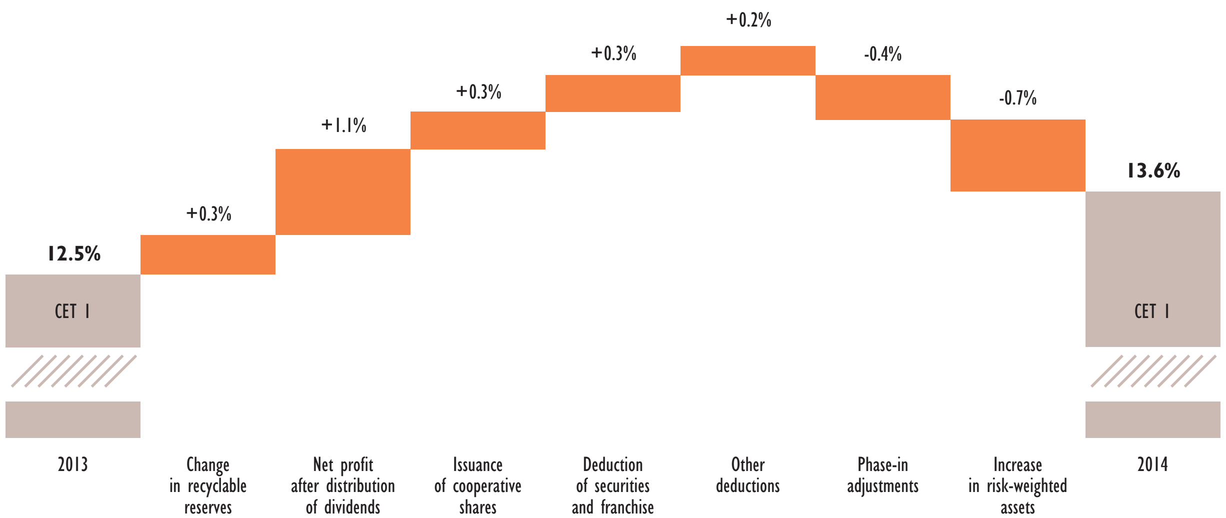
Capital employed increased by €66.4 million, i.e. around 5%, in 2014. Its composition remained virtually unchanged, with 79% accounted for by loans to customers.

As the BRED group's prudential capital is composed solely of CET1 core capital, its so-called overall capital adequacy ratio is strictly identical to its CET1 capital adequacy ratio. This ratio stood at 13.64% at the end of 2014, up by more than 1% year on year, compared with the minimum regulatory requirements of 8% for the overall ratio and 4% for the CET1 ratio.

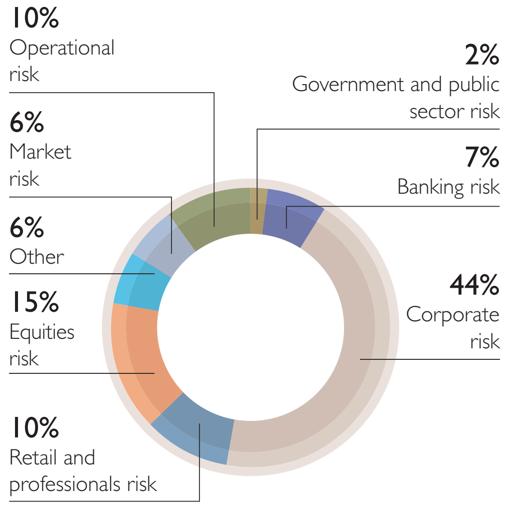
BRED's CET1 ratio positions it among the most strongly capitalised banks in the market. Furthermore, the improvement in this ratio despite an increase in risk-weighted assets testifies to BRED's exceptional capacity to create capital through the allocation of profit to reserves and issuance of cooperative shares to its shareholder-customers. This enables the Group to face the upcoming regulatory changes in all serenity without curbing its expansion in France or abroad.

(€m)	2012 Basel II	2013 Basel II	Proforma 2013 Basel III phase-in	**2014 Basel III phase-in**
Common Equity Tier One (CET1)	2,122.9	1,821.1	2,090.0	2,393.4
Additional Tier 1 capital				
Additional capital after deductions (Tier 2)	64.1	78.7		
PRUDENTIAL CAPITAL	**2,187.0**	**1,899.8**	**2,090.0**	**2,393.4**
Requirement for counterparty risk	1,057.7	1,021.8	1,127.0	1,197.4
Requirement for market risk	67.8	78.7	78.7	75.7
Requirement for operational risk	132.1	129.2	129.2	130.1
TOTAL CAPITAL REQUIREMENT	**1,257.6**	**1,229.7**	**1,336.9**	**1,403.3**
OVERALL CAPITAL ADEQUACY RATIO (1)	**13.91%**	**12.36%**	**12.51%**	**13.64%**
Common Equity Tier One ratio	13.50%	11.85%	12.51%	13.64%

CHANGES IN THE CAPITAL ADEQUACY RATIO BETWEEN 2013 AND 2014



RISK WEIGHTINGS EXCLUDING FRANCHISE – BASEL III CAPITAL ADEQUACY RATIO



Leverage ratio

The leverage ratio measures core Tier 1 equity relative to the bank's total assets (not risk-weighted).

The minimum requirements have not yet been officially decided but could be set at 3%. This ratio must be disclosed by European banks as from 1 January 2015 and the minimum requirements will come into effect as from 1 January 2018. The BRED group's leverage ratio was 4.74% at 31 December 2014.

Liquidity

Growth in customer deposits excluding financial customers outpaced growth in outstanding loans in 2014, thereby bringing the loans/deposits ratio down from 91.9% to 88.9% over the year, i.e. leading to surplus customer deposits of €2.0 billion. Including the deposits of financial customers, the loans/deposits ratio is 59.3% with surplus deposits of €11 billion.

This positive trend enabled the Group to reduce external refinancing by €0.6 billion, bringing this down to €1.8 billion at end-2014.

Since 2011 BRED has used instruments to measure and monitor the liquidity coverage ratio (LCR) introduced by Basel III. This ratio stood at 103.6% at 31 December 2014 compared with the minimum requirement of 60% that will come into force in October 2015. In addition, the pre-Basel III liquidity ratio, still in force, was 166.5% at end-2014 compared with 136.9% at end-2013, well above the minimum requirement of 100%.

BRED also continued to build its liquidity reserves. A new securitisation fund composed of mortgage loans and structured so as to qualify for inclusion in the 2014 Elide LCR 2B reserves was issued in November 2014 for €826 million. This brings available collateral to €7.8 billion.

REGULATORY DEVELOPMENTS

The European banking union project, launched in 2012, is aimed at strengthening the resilience of the financial system and sustainably restoring investor confidence.

The first step was completed on 4 November 2014 with the implementation of the Single Supervisory Mechanism (SSM), which placed 120 euro zone banks (including Groupe BPCE and BRED) under the supervision of the European Central Bank (ECB).

Prior to implementation of the SSM, the banks underwent a comprehensive asset quality review conducted by the ECB. This review had no particular impact on BRED's accounts.

The second pillar of European banking union aims to establish a banking failure resolution and recovery system in each country. The European directive of 15 May 2014 (BRRD) introduces, with effect from 1 January 2016, a bail-in system under which taxpayers will not be the first to finance a bank's rescue. Instead, this role will fall to shareholders and then, if necessary, to creditors, by transforming their debt into capital in order to rebuild the bank's capital resources. The BRRD also calls for each Member State to set up a national resolution fund equivalent to 1% of guaranteed deposits over the next 10 years as from 1 January 2015.

At international level, the Financial Stability Board (FSB) wishes to set a requirement for an additional cushion of mobilisable and convertible instruments, known as Total Loss Absorbing Capacity (TLAC), for global systemically important

banks (G-SIBs, of which Groupe BPCE is one). The amount of the TLAC could be double the amount of current capital requirements. It aims to ensure that each G-SIB has the capacity to continue its essential operations for the economy even after a loss that has consumed all its regulatory capital. The FSB's proposals, presented at the November 2014 G20 Summit in Brisbane, are subject to a consultation process until February 2015. Banks will reportedly have until 1 January 2019 to meet the new requirement.
In the euro zone, these measures will be supplemented by the 15 July 2014 regulation establishing a Single Resolution Mechanism (SRM) and Single Resolution Fund (SRF). The SRF will be gradually built up over a period of eight years (2016-2023) to an amount equivalent to 1% of the guaranteed deposits, i.e. approximately €55 billion. Allocations to the SRF and to the French deposit guarantee fund will constitute significant charges for BRED over the coming years.
The European Union is also continuing to examine structural reform of the European banking sector. In January 2014, the European Commission published a draft regulation on banking structural reform taking the Liikanen report into consideration. In particular, the proposed new rules would require banks to separate deposit-taking activities from certain potentially risky trading activities. This proposal is currently being negotiated by the various stakeholders, while some countries (including France) have already established laws to this effect. In France, the Decree of 8 July 2014 set the value threshold for trading in financial instruments beyond which an institution must ring fence its proprietary trading activities and reinforce the supervision of its capital markets activities (threshold equivalent to 7.5% of balance sheet assets).

OUTLOOK

In common with the rest of the French banking sector, BRED will be faced with a number of contrary trends in 2015. The fall in long-term rates, against a backdrop of stabilisation of interest rates on regulated savings, is a factor of erosion for the interest margin, and consequently for the net banking income, of a commercial banks. Also, the introduction of European banking union and the substantial allocations that will have to made to the resulting resolution and guarantee funds will undoubtedly have a negative impact on earnings.
BRED is nonetheless in an excellent position to continue its expansion despite these obstacles. The strategy initiated in 2013 combining a proactive sales approach and practicality has triggered a winning momentum that will continue in the coming year. BRED will also benefit from the gradual maturing of the international operations set up in recent years.
Lastly, in financial terms, BRED benefits from an excellent balance – rare among French banks – between customer loans and deposits, which ensures strong independence from the financial markets. The very comfortable levels of its capital adequacy and liquidity ratios enable it to play its part in financing the economy and to pursue its expansion.

CHANGES IN BRED BANQUE POPULAIRE'S PORTFOLIO OF EQUITY INTERESTS

Thresholds crossed

At 31 December 2014, the gross book value of BRED's portfolio of shareholdings in subsidiaries and associates amounted to €1,735.4 million, stable relative to 2013, and was equivalent to its net value.

SIGNIFICANT HOLDING THRESHOLDS CROSSED (UPSIDE) AND CONTROLLING INTERESTS ACQUIRED IN COMPANIES WHOSE REGISTERED OFFICE IS LOCATED IN FRANCE (AS A % OF CAPITAL)

	1 January 2014	During 2014	**31 December 2014**
Indirectly held through FIPROMER			
SCI Renaissance de Rivière Salée	0.0	50.0	50.0
SA HIBISCUS 2015	0.0	99.83	99.83
Indirectly held through COFIBRED 8 SAS			
SNC JASPE 3	0.0	100.0	100.0
SNC JASPE 4	0.0	100.0	100.0
SNC JASPE 5	0.0	100.0	100.0
SNC JASPE 6	0.0	100.0	100.0

INFORMATION ON OPERATIONS BY COUNTRY

The information relating to operations by country pursuant to Order No. 2014-158 of 20 February 2014 amending Article L.511-45 of the French Monetary and Financial Code is presented in Groupe BPCE's registration document.

72

CONSOLIDATED FINANCIAL STATEMENTS

74 / Consolidated financial statements
81 / Notes to the consolidated financial statements
172 / Statutory Auditors' report on the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 – IFRS

1.1 Consolidated statement of financial position

The data for the year ended 31 December 2013 has not been restated to reflect the impact of first application of IFRS 10 and 11, as it is not material. The impact of these standards is explained in note 2.3.

Assets

(€'000)	Notes	31 December 2014	31 December 2013
Cash and amounts due from central banks	5.1	1,674,262	3,085,712
Financial assets at fair value through profit or loss	5.2.1	6,321,984	5,153,081
Hedging derivatives	5.3	311,113	81,387
Available for sale financial assets	5.4	15,737,505	13,878,396
Loans and receivables due from credit institutions	5.6.1	9,717,804	6,988,728
Loans and receivables due from customers	5.6.2	14,827,223	14,223,071
Re-measurement adjustments on interest-rate risk hedged portfolio			
Held to maturity financial assets	5.7	897,840	954,301
Current tax assets		8,174	75
Deferred tax assets	5.9	199,516	166,920
Accrued income and other assets	5.10	1,379,801	1,319,271
Non-current assets held for sale	5.11		
Deferred profit-sharing	5.12		
Investments in associates	5.13	281,329	232,067
Investment property	5.14	168,467	184,399
Property, plant and equipment	5.15	262,417	149,584
Intangible assets	5.15	25,289	32,762
Goodwill	5.16	4,576	4,576
Total assets		**51,817,300**	**46,454,331**

The data for the year ended 31 December 2013 has not been restated to reflect the impact of first application of IFRS 10 and 11, as it is not material. The impact of these standards is explained in note 2.3.

Liabilities

(€'000)	Notes	31 December 2014	31 December 2013
Amounts due to central banks		1,437	6
Financial liabilities at fair value through profit or loss	5.2.2	3,352,023	2,132,459
Hedging derivatives	5.3	584,066	410,723
Amounts due to credit institutions	5.17.1	8,056,896	9,292,793
Amounts due to customers	5.17.2	25,699,411	21,852,949
Debt securities	5.18	2,937,180	2,403,405
Re-measurement adjustments on interest-rate risk hedged portfolio			
Current tax liabilities		2,513	12,211
Deferred tax liabilities	5.9	64,560	11,656
Accrued expenses and other liabilities	5.19	1,304,763	1,232,756
Liabilities directly linked to non-current assets held for sale	5.11		
Technical reserves of insurance companies	5.20	6,356,589	5,878,845
Provisions	5.21	201,610	208,579
Subordinated debt	5.22	332,343	385,992
Shareholders' equity		**2,923,909**	**2,631,957**
Equity attributable to equity holders of the parent company		**2,884,953**	**2,599,144**
Capital and share premium account		631,785	577,864
Consolidated reserves		1,968,678	1,804,338
Gains or losses recognised directly in equity		84,125	34,340
Profit for the year		200,365	182,602
Non-controlling interests (minority interests)		38,956	32,813
Total liabilities and equity		**51,817,300**	**46,454,331**

1.2 Consolidated income statement

The data for the year ended 31 December 2013 has not been restated to reflect the impact of first application of IFRS 10 and 11, as it is not material. The impact of these standards is explained in note 2.3.

(€'000)	*Notes*	**2014**	2013
Interest and similar income	6.1	788,131	1,133,004
Interest and similar expense	6.1	-354,321	-707,330
Fee and commission income	6.2	396,022	390,462
Fee and commission expense	6.2	-110,625	-117,384
Net gains or losses on financial instruments at fair value through profit or loss	6.3	173,896	131,863
Net gains or losses on available for sale financial assets	6.4	34,204	84,384
Income from other activities	6.5	834,860	739,519
Expenses on other activities	6.5	-789,903	-699,678
Net banking income		**972,264**	**954,840**
Operating expenses	6.6	-580,451	-578,523
Depreciation, amortisation and impairment for property, plant and equipment and intangible assets		-34,131	-35,547
Gross operating profit		**357,682**	**340,770**
Cost of risk	6.7	-85,974	-81,282
Operating profit		**271,708**	**259,488**
Share of profits of associates	6.8	22,714	21,388
Net gains or losses on other assets	6.9	13	1,141
Adjustments to goodwill	6.10		
Profit before tax		**294,435**	**282,017**
Income tax expense	6.11	-92,638	-97,816
Net profit of activities discontinued or being sold			
Net profit		**201,797**	**184,201**
Non-controlling interests		-1,432	-1,599
Profit attributable to equity holders of the parent company		**200,365**	**182,602**

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

The data for the year ended 31 December 2013 has not been restated to reflect the impact of first application of IFRS 10 and 11, as it is not material. The impact of these standards is explained in note 2.3.

(€'000)	**2014**	2013
Net profit	**201,797**	**184,200**
Revaluation differences on defined-benefit pension schemes	-22,873	-4,006
Tax impact of revaluation differences on defined-benefit pension schemes	7,875	1,392
Items that cannot be reclassified in income	**-14,998**	**-2,614**
Translation differences	9,897	-2,469
Changes in the value of available for sale financial assets	82,556	127,370
Changes in the value of hedging derivatives	6,867	-24,610
Income tax	-32,062	-36,214
Items that can be reclassified in income	**67,258**	**64,077**
Share of gains or losses of associates recognised directly in equity	1,132	3,040
Gains or losses recognised directly in equity (after tax)	**53,392**	**64,503**
Net profit and gains and losses recognised directly in equity	**255,189**	**248,703**
Attributable to equity holders of the parent company	250,150	248,913
Non-controlling interests	5,040	-210

1.4 Statement of changes in shareholders' equity

(€'000)	Capital and related premiums				Gains and losses recognised directly in equity						
						Change in fair value of instruments					
	Share capital	Share premiums	Consolidated reserves	Translation differences	Revaluation difference on employee benefits	Available for sale financial assets	Hedging derivatives	Net profit attributable to equity holders of the parent company	Equity attributable to equity holders of the parent company	Equity attributable to non-controlling interests	Consolidated shareholders' equity
Balance at 1 January 2013			**2,009,555**	**3,223**		**-72,302**	**38,920**		**2,983,750**	**36,907**	**3,020,657**
Changes in capital linked to relations with shareholders											
Capital increase	157,031		53,695						210,726		210,726
Reclassification											
Change of accounting method					-10,854				-10,854		-10,854
Impact of acquisitions and disposals on minority interests										2	2
Reduction of capital	-104,057	-479,464	-257,947						-841,468		-841,468
Sub-total	*52,974*	*-479,464*	*-204,252*		*-10,854*				*-641,596*	*2*	*-641,594*
Gains and losses recognised directly in equity											
Changes in gains and losses recognised directly in equity taken to profit and loss					8,240	84,322	-14,695		77,867	-1,985	75,882
Other changes			-965	-2,514					-3,479		-3,479
Sub-total			*-965*	*-2,514*	*8,240*	*84,322*	*-14,695*		*74,388*	*-1,985*	*72,403*
Other changes											
Profit for the year								182,602	182,602	1,599	184,201
Other changes										-3,710	-3,710
Sub-total								*182,602*	*182,602*	*-2,111*	*180,491*
Balance at 31 December 2013	**573,260**	**4,604**	**1,804,338**	**709**	**-2,614**	**12,020**	**24,225**	**182,602**	**2,599,144**	**32,813**	**2,631,957**
Appropriation of 2013 profit			**171,778**					**-182,602**	**-10,824**	**-178**	**-11,002**
Impact of IFRS 10 and 11											
Balance at 1 January 2014	**573,260**	**4,604**	**1,976,116**	**709**	**-2,614**	**12,020**	**24,225**		**2,588,320**	**32,635**	**2,620,955**
Changes in capital linked to relations with shareholders											
Capital increase	53,921		-6,149						47,772	31	47,803
Reclassification											
Change of accounting method											
Impact of acquisitions and disposals on minority interests			-1,287						-1,287		-1,287
Reduction of capital											,
Sub-total	*53,921*		*-7,436*						*46,485*	*31*	*46,516*
Gains and losses recognised directly in equity											
Changes in gains and losses recognised directly in equity taken to profit and loss					-15,055	56,921	2,167		44,033	575	44,608
Other changes				5,750					5,750	3,033	8,783
Sub-total				*5,750*	*-15,055*	*56,921*	*2,167*		*49,783*	*3,608*	*53,391*
Other changes											
Profit for the year								200,365	200,365	1,432	201,797
Other changes										1,249	1,249
Sub-total								*200,365*	*200,365*	*2,681*	*203,046*
Balance at 31 December 2014	**627,181**	**4,604**	**1,968,681**	**6,459**	**-17,669**	**68,941**	**26,392**	**200,365**	**2,884,953**	**38,956**	**2,923,909**

Comments:
2013: the change of method refers to application of IAS 19R.
2014: BRED completed a capital increase, which is described in the "Significant events" section (see note 1).

1.5 Statement of cash flows

The data for the year ended 31 December 2013 has not been restated to reflect the impact of first application of IFRS 10 and 11, as it is not material. The impact of these standards is explained in note 2.3.

(€'000)	**2014**	2013
Profit before tax	**294,435**	**282,015**
Depreciation and amortisation of property, plant, equipment and intangible assets	33,723	34,910
Goodwill impairment		
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	336,327	264,570
Share of net profit (loss) of associates	-14,422	-13,202
Net loss (gain) on investing activities	-21,661	-27,212
Net loss (gain) on financing activities		
Other movements	-144,685	336,275
Total non-cash items included in profit before tax	**189,281**	**595,341**
Cash flows arising from transactions with credit institutions	-4,061,672	-2,398,931
Cash flows arising from transactions with customers	3,120,289	1,291,056
Cash flows arising from other transactions involving financial assets or financial liabilities	-475,709	-219,517
Cash flows arising from other transactions involving non-financial assets or non-financial liabilities	-498,306	37,056
Tax paid	-114,173	-91,707
Net increase (decrease) in operating assets and liabilities	**-2,029,572**	**-1,382,044**
Net cash from (used in) operating activities (A)	**-1,545,856**	**-504,688**
Cash flows related to financial assets and equity interests	73,446	319,406
Cash flows related to investment property	4,700	-35,125
Cash flows related to property, plant, equipment and intangible assets	-141,041	-20,759
Net cash from (used in) investing activities (B)	**-62,895**	**263,523**
Cash flows from (to) the equity holders	36,801	-656,469
Cash flows from financing activities	-53,579	-19,992
Net cash from (used in) financing activities (C)	**-16,778**	**-676,461**
Effect of changes in foreign exchange rates (D)	**16,802**	**-5,394**
Net increase (decrease) in cash and cash equivalents (A + B + C + D)	-1,608,728	**-923,020**
Cash in hand, net 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 1 January	**3,465,686**	**4,388,707**
Cash in hand, net balances with central banks	**1,672,825**	**3,085,707**
Cash and net balance of accounts with central banks (assets)	1,674,262	3,085,712
Due to central banks (liabilities)	-1,437	-6
Net balance of demand transactions with credit institutions	**184,133**	**379,980**
Current accounts with overdrafts	666,541	698,138
Demand accounts and loans	1,203	2,361
Demand accounts in credit	-483,611	-320,519
Demand repurchase agreements		
Cash and cash equivalents at 31 December	**1,856,959**	**3,465,687**
Change in cash and cash equivalents	**-1,608,728**	**-923,020**

NOTE 1
GENERAL BACKGROUND

1.1 Significant events

Increase in the capital of BRED Banque Populaire

At the end of September 2014, BRED Banque Populaire raised its share capital to €627,180,772.20 through a cash capital increase and the capitalisation of reserves.
The cash capital increase took the form of the issue at par value of 4,729,870 shares of €10.10 each for a total amount of €47,771,687.00.
The capitalisation of reserves amounted to €6,148,831.10 through the increase from €10.10 to €10.20 of the par value of the shares.

1.2 Guarantee mechanism

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

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

Groupe BPCE is a cooperative group whose cooperative shareholders own the two retail banking networks, the Banque Populaire banks and the Caisses d'Epargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.
The Banque Populaire network consists of the Banque Populaire banks and the mutual guarantee companies granting them the exclusive benefit of their guarantees.
The Caisse d'Epargne network consists of the Caisses d'Epargne, the local savings companies and the Fédération Nationale des Caisses d'Epargne. The Banque Populaire banks are wholly owned by their cooperative shareholders.
The capital of the Caisses d'Epargne is wholly 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'Epargne 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 Caisses d'Epargne and Banque Populaire banks.
BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Epargne.
Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services 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, as well as their production entities. It also defines the Group's corporate strategy and growth policy.
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 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'Epargne 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 therefore manages the Banques Populaires Network Fund and the Caisses d'Epargne 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 10-year term deposit.

The **Caisses d'Epargne Network Fund** consists of a deposit by the Caisses in the books of BPCE in the form of an indefinitely renewable 10-year term deposit.

The **Mutual Guarantee Fund** consists of deposits made by the Banques Populaires and Caisses d'Epargne in the books of BPCE in the form of indefinitely renewable 10-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'Epargne and their subsidiaries to the Group's consolidated profit.

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

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 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 2014 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 2014 have been supplemented by the standards, amendments and interpretations mandatorily applicable for financial years beginning on or after 1 January 2014, in particular:

- new consolidation standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities".
  On 11 December 2012, the European Commission adopted EU regulation No. 1254/2012 relating to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" and on 4 April 2013 it adopted EU regulation No. 313/2013 concerning the phase-in measures applicable to these new standards. In terms of disclosures for non-consolidated structured entities, the amendments remove the obligation to present comparative data for periods preceding those in respect of which IFRS 12 was applied for the first time.
  IFRS 10 and IFRS 11 have been applied retrospectively. The impact of first application of IFRS 10 and IFRS 11 on the financial statements at 31 December 2013 is described in note 2.3.
  As a result of these new standards, on 11 December 2012 the European Commission adopted the amendment to EC regulation No. 1126/2008 concerning IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures".
  IFRS 12 is designed to ensure better disclosure relating to subsidiaries, joint arrangements, associates and structured entities. The application of IFRS 12 resulted, in the financial statements for the year ended 31 December 2014, in enhanced disclosure about Groupe BPCE interests in non-consolidated structured entities and other entities. The main enhancements are presented in note 2.3.
  The European Commission also adopted on 20 November 2013 regulation No. 1174/2013 concerning amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and revised IAS 27 "Separate Financial Statements";
- amendment to IAS 32 "Presentation: Offsetting Financial Assets and Financial Liabilities".
  On 13 December 2012 the European Commission adopted EU regulation No. 1256/2012, amending EC regulation No. 1126/2008 and, in particular, adopting amendments to IAS 32. These amendments are applicable retrospectively from 1 January 2014 and clarify the rules governing disclosure of the offsetting of financial assets and liabilities in the balance sheet.
  These clarifications in particular cover the concepts of the "legally enforceable right to offset" and "simultaneous settlement".
- amendment to IAS 39 and IFRS 9 "Novation of derivatives and continuation of hedge accounting".
  On 19 December 2013 the European Commission adopted EU regulation No. 1375/2013, amending EC regulation No. 1126/2008 and adopting amendments to IAS 39. These amendments, applicable from 1 January 2014, allow, on an exceptional basis, continuation of hedge accounting in cases where a derivative designated as a hedging instrument is transferred by novation from a counterparty to a central counterparty due to legislative or regulatory provisions. This amendment did not have a material impact on the Group's financial statements.

The other standards, amendments and interpretations adopted by the European Union and mandatorily applicable in 2014 did not have a material impact on the Group's financial statements.

The Group did not elect for early adoption of IFRIC 21 "Levies" in 2014. This interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" specifies the accounting conditions applicable to debt arising from public authority taxes and levies.

The entity must recognise this debt only when the originating event, as provided for in the legislation, takes place. If the obligation to pay this tax arises from an activity carried out over time, the liability is recognised progressively over the same period. Lastly, if the obligation to pay is triggered by reaching a certain threshold, the liability is only recognised when that threshold is reached.

The Group will adopt the interpretation of IFRIC 21 "Levies" in its consolidated financial statements from 1 January 2015. Applying this standard from 1 January 2014 would have had an estimated impact on equity, excluding estimated deferred tax assets and liabilities at that date, of €2.2 million in respect of the corporate social security and sol-

[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.*

idarity contributions under "C3S". The gross impact of this tax on the 2014 results is €3.4 million.

2.3 First application of IFRS10, IFRS 11 and IFRS 12

This note summarises the impact of first application of IFRS 10 and IFRS 11 on the consolidated statement of financial position at 31 December 2013 and on the consolidated income statement for the 2013 financial year.
IFRS 10 replaces IAS 27, "Consolidated and Separate Financial Statements", for the section on consolidated financial statements and the SIC 12 interpretation "Consolidation – Special Purpose Entities". It defines a single model of control applicable to all entities, whether or not they are structured entities. The control of an entity will now be analysed using three cumulative criteria: influence over relevant activities of the entity, exposure to the entity's variable returns, and the ability to influence the variable returns obtained by the entity.
IFRS 11 replaces IAS 31, "Interests in Joint Ventures" and SIC 13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". It bases the recording of partnerships on their substance, thereby making it necessary to analyse the rights and obligations of the joint agreement.

The impact on the balance sheet at 1 January 2014 and on the income statement for 2013 is shown in the tables below and is linked to SBE, which had been consolidated using the proportional method in 2013 and which is consolidated using the equity method as from 1 January 2014.

ASSETS

(€'000)	31 December 2013 reported	Impact of IFRS 10	Impact of IFRS 11	31 December 2013 restated
Cash and amounts due from central banks	3,085,712		-2,480	3,083,232
Financial assets at fair value through profit or loss	5,153,081			5,153,081
Hedging derivatives	81,387			81,387
Available for sale financial assets	13,878,396		-31,440	13,846,956
Loans and receivables due from credit institutions	6,988,728		-22,593	6,966,135
Loans and receivables due from customers	14,223,072		-213,929	14,009,143
Re-measurement adjustments on interest-rate risk hedged portfolio				
Held to maturity financial assets	954,301			954,301
Current tax assets	75			75
Deferred tax assets	166,920		-213	166,707
Accrued income and other assets	1,319,271		-1,512	1,317,759
Non-current assets held for sale				
Deferred profit-sharing				
Investments in associates	232,067		22,636,	254,703
Investment property	184,399		-15	184,384
Property, plant and equipment	149,584		-432	149,152
Intangible assets	32,762		-5,855	26,907
Goodwill	4,576			4,576
Total assets	**46,454,331**		**-255,834**	**46,198,497**

LIABILITIES

(€'000)	31 December 2013 reported	Impact of IFRS 10	Impact of IFRS 11	31 December 2013 restated
Amounts due to central banks				6
Financial liabilities at fair value through profit or loss	2,132,459			2,132,459
Hedging derivatives	410,723		-3,564	407,159
Amounts due to credit institutions	9,292,793		-104,223	9,188,570
Amounts due to customers	21,852,949		-145,367	21,707,582
Debt securities	2,403,405			2,403,405
Re-measurement adjustments on interest-rate risk hedged portfolio				
Current tax liabilities	12,211		-167	12,044
Deferred tax liabilities	11,656			11,656
Accrued expenses and other liabilities	1,232,756		-1,992	1,230,764
Technical reserves of insurance companies	5,878,845			5,878,845
Provisions	208,579		-458	208,121
Subordinated debt	385,992		-62	385,930
Shareholders' equity	**2,631,957**			**2,631,957**
Equity attributable to equity holders of the parent company	**2,599,144**			**2,599,144**
Capital and share premium account	577,864			577,864
Consolidated reserves	1,804,338			1,804,338
Gains or losses recognised directly in equity	34,340			34,340
Profit for the year	182,602			182,602
Non-controlling interests	32,813			32,813
Total liabilities and equity	**46,454,331**		**-255,834**	**46,198,497**

INCOME STATEMENT

(€'000)	Financial year ended 31 December 2013 reported	Impact of IFRS 10	Impact of IFRS 11	Financial year ended 31 December 2013 restated
Net banking income	**954,839**		**-6,858**	**947,981**
Operating expenses	-578,523		4,957	-573,566
Depreciation, amortisation and impairment for property, plant and equipment and intangible assets	-35,547		-129	-35,676
Gross operating profit	**340,769**		**-1,773**	**338,997**
Cost of risk	-81,282		154	-81,128
Operating profit	**259,487**		**-1,619**	**257,868**
Share of profits of associates	21,388		1,068	22,456
Net gains or losses on other assets	1,141			1,141
Profit before tax	**282,016**		**-551**	**281,466**
Income tax expense	-97,816		551	-97,265
Net profit	**184,201**			**184,201**
Non-controlling interests	-1,599			-1,599
Profit attributable to equity holders of the parent company	**182,602**			**182,602**

STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

(€m)	Financial year ended 31 December 2013 reported	Impact of IFRS 10	Impact of IFRS 11	Financial year ended 31 December 2013 restated
Net profit	**184,200**			**184,200**
Revaluation differences on defined-benefit pension schemes	-4,006		-8	-4,014
Tax impact of revaluation differences on defined-benefit pension schemes	1,392		-10	1,382
Items that cannot be reclassified in income	**-2,614**		**-18**	**-2,632**
Items that can be reclassified in income	**64,077**		**1,001**	**65,078**
Share of gains or losses of associates recognised directly in equity	3,040		-984	2,057
Gains or losses recognised directly in equity (after tax)	**64,503**			**64,503**
Net profit and gains or losses recognised directly in equity	**248,703**			**248,703**
Attributable to equity holders of the parent company	248,913			248,913
Non-controlling interests	-210			-210

The Group has also reviewed the information presented in the notes to the consolidated financial statements and has made certain amendments to meet disclosure obligations provided for in IFRS 12.
Note 3.3 relating to consolidation rules details the case, where applicable, of consolidated entities for which the balance sheet date is different to that of the consolidating entity.
Likewise, note 16 on the scope of consolidation and note 5.13 on investments in associates were amended and supplemented in accordance with IFRS 12. New notes were added relating to non-controlling interests (note 5.24) and interests in non-consolidated structured entities (note 17).

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 2014, 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 3.4).

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 2014. The Group's consolidated financial statements for the year ended 31 December 2014 were approved by the Board of Directors on 30 March 2015. They will be presented for approval to the General Meeting of Shareholders on 27 May 2015.

NOTE 3
CONSOLIDATION PRINCIPLES AND METHODS

3.1 Consolidating entity

The consolidating entity is BRED Banque Populaire S.A.

3.2 Scope of consolidation – consolidation and valuation methods

The BRED group's financial statements include the financial statements of all the entities over which it exercises control or significant influence and whose consolidation has a material impact on the Group's financial statements.
The scope of entities consolidated by the BRED group is provided in note 3.4 – Scope of consolidation of the BRED group.

3.2.1 Entities controlled by the Group

The subsidiaries controlled by the BRED group are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, when it is exposed or entitled to variable returns due to its links with the entity, and when it has the ability to exercise its power over the entity to influence the amount of returns it obtains.
The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control exercised. These potential voting rights may result, for example, from options to purchase existing ordinary shares, the conversion of bonds into new ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account to calculate the percentage of ownership.
Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or holds half or less than half of an entity's voting rights and has a majority within its governing bodies, or is in a position to exercise dominant influence.

Specific case of structured entities

Entities described as structured entities are those organised in such a way that voting rights are not a key criterion when determining who has control. This is the case in particular when voting rights apply only to administrative duties and relevant activities are managed through contractual agreements.
A structured entity frequently exhibits some or all of the following characteristics:

- well-defined activities;
- a specific and clearly defined aim, such as implementing a tax-efficient lease, carrying out research and development, providing an entity with a source of capital or funding, or offering investment opportunities to investors and transferring to them the risk and advantages associated with the structured entity's assets;
- insufficient equity for the structured entity to finance its activities without subordinated financial support;

- financing through the issue, to investors, of multiple instruments interrelated by contract and which create concentrations of credit risk or other risk ("tranches").

The Group therefore considers, among others, collective investment vehicles within the meaning of the French Monetary and Financial Code and equivalent bodies governed by foreign law as structured entities.
Before the introduction of the new consolidation standards, the Group had exclusive control when it was in a position to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This definition applied to all entities with the exception of special purpose entities for which Interpretation SIC 12 introduced control indicators. The assessment of control was based on voting rights under IAS 27 whereas SIC 12 placed great importance on entitlement to the majority of the economic benefits and exposure to the majority of the risks linked to the special purpose entity.

Full consolidation method
The full consolidation of a subsidiary in the Group's consolidated financial statements starts at the date on which the Group takes control of the entity and ends on the day on which the Group loses control of the said entity.
The portion of interest not directly or indirectly attributable to the Group corresponds to non-controlling interests.

Income and all components of other items of comprehensive income (gains and losses recognised directly in equity) are divided between the Group and the non-controlling interests. The comprehensive income of subsidiaries is divided between the Group and non-controlling interests, including when this division results in the allocation of a loss to non-controlling interests.
Changes to the percentage of interests in subsidiaries that do not result in a change in control are recognised as transactions affecting equity.
The impact of such transactions is recognised in equity at its after-tax amount and does not therefore affect the consolidated profit attributable to equity holders of the parent company.

Exclusion from the scope of consolidation
Non-material controlled entities are excluded from the scope.
Employee pension funds and supplementary health insurance plans are excluded from the scope of consolidation insofar as IFRS 10 does not apply to either post-employment benefit funds or other long-term employee benefit plans, to which IAS 19 "Employee Benefits" applies.
Likewise, interests acquired with a view to their subsequent short-term disposal are recorded as available for sale and recognised in accordance with the provisions of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

3.2.2 Investments in associates and joint ventures

Definitions
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control over those policies. It is presumed to exist when the Group holds, directly or indirectly, 20% or more of an entity's voting rights.
A joint venture is a partnership in which the parties that exercise joint control over the entity have rights over its net assets.
Joint control is the contractually agreed sharing of control over a company which exists only when decisions on relevant activities must be unanimously agreed by the parties sharing control.

Equity method
The income, assets and liabilities of investments in associates and joint ventures are accounted for in the Group's consolidated financial statements using the equity method.
An investment in an associate or a joint venture is initially recognised at its acquisition cost and subsequently adjusted for the Group's share in the income and other comprehensive income of the associate or joint venture.
The equity method is applied from the date on which the entity becomes an associate or a joint venture. The share of net profit or loss of entities accounted for under the equity method is included in the Group's consolidated profit or loss.
When a Group entity carries out a transaction with a Group joint venture or associate, the profit or loss resulting from this transaction is recognised up to the level of the interests held by third parties in the associate or joint venture.
The provisions of IAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether impairment testing is required for its investment in an associate or joint venture. If necessary, the total carrying amount of the investment (including goodwill) is tested for impairment according to the provisions of IAS 36 "Impairment of Assets".

Exception to the equity method
When the investment is held by a venture capital organisation, an investment fund, an investment company with variable share capital or a similar entity such as an insurance assets investment fund, the investor may choose not to recognise the investment using the equity method. In such cases, revised IAS 28 authorises the investor to recognise the investment at its fair value (with changes in fair value recognised in income) in accordance with IAS 39.
These investments are therefore recognised under "Financial assets at fair value through profit or loss".

3.2.3 Investments in joint activities

Definition
A joint activity is a partnership where the parties with joint control over an entity have direct rights over the assets and direct obligations in respect of the liabilities of the said entity.

Method of accounting for joint activities
An investment in a joint enterprise is accounted for by consolidating all the interests held in the joint activity, i.e. the share of interest in each asset, liability and element of income to which the investor is entitled. These interests are allocated by nature to the various lines of the consolidated balance sheet, the consolidated income statement and the statement of net income and gains and losses recognised directly in equity.
Note that before the introduction of the new consolidation standards, jointly controlled companies were consolidated using the proportional method.

3.3 Consolidation rules

The consolidated financial statements are prepared using uniform accounting methods for similar transactions in comparable circumstances. Where material, consolidation adjustments are made to ensure the consistency of the measurement methods applied by the consolidated entities.

3.3.1 Currency translation of accounts of foreign entities

The consolidated financial statements are expressed in euro.
Balance sheet items of foreign subsidiaries and branches whose functional currency is not the euro are translated using the exchange rate in force at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, using the approximate transaction price if there are no significant fluctuations.
Translation differences arise from a difference in:
- net income for the period translated at the average rate and at the year-end rate;
- equity (excluding net profit for the period) translated at the historical exchange rate and at the year-end rate.

The portion attributable to equity holders of the parent company is recorded in equity under "Translation differences" and the portion attributable to minority shareholders under "Non-controlling interests".

3.3.2 Elimination of intra-group transactions

The impact of intra-Group transactions on the consolidated balance sheet and consolidated income statement has been eliminated. Dividends and capital gains and losses on intra-Group asset disposals have also been eliminated. Where appropriate, capital losses on asset disposals reflecting effective impaitment have been maintained.

3.3.3 Business combinations

Transactions carried out before 1 January 2010

Business combinations are accounted for using the purchase method, except those involving mutual entities or entities under joint control, which are explicitly excluded from the scope of the previous version of IFRS 3.

The cost of a business combination is the aggregate amount of the fair values, at the acquisition date, of assets transferred, liabilities incurred or assumed, and equity instruments issued to obtain control of the acquired entity. Costs arising directly from the transaction are included in the acquisition cost.

All the acquired entities' identifiable assets, liabilities and contingent liabilities are recognised at fair value at the acquisition date. The initial measurement of a business combination may be adjusted within 12 months of the acquisition date.

Goodwill representing the difference between the cost of the business combination and the acquirer's share in the assets, liabilities and contingent liabilities at fair value is recognised in the acquirer's balance sheet when positive and directly in income when negative.

If the Group changes the percentage of its interest in an entity it already controls, the additional acquisition of securities gives rise to the recognition of additional goodwill, which is determined by comparing the acquisition cost of the shares with the Group's share of the net assets acquired.

Goodwill is recognised in the functional currency of the acquired entity and is translated at the year-end exchange rate.

On the acquisition date, goodwill is allocated to one or more cash generating units (CGUs) likely to enjoy the benefits of the acquisition. Cash generating units have been defined within the Group's main business lines and correspond to the finest level used by the Management to monitor an activity's return on investment.

Goodwill is tested for impairment at least once a year, and whenever there is objective evidence of impairment.

Impairment tests consist in comparing the carrying amount (including allocated goodwill) of each CGU or group of CGUs with its recoverable amount, which corresponds to the higher of fair value and value in use.

The fair value less costs to sell is defined as the fair value of the amount, less selling costs, for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, on the basis of available market information and taking account of any specific circumstances. The value in use is calculated using the most appropriate method, generally by discounting estimated future cash flows.

A permanent goodwill impairment loss is recognised in income if the recoverable amount of the CGU drops below its carrying amount.

Transactions carried out after 1 January 2010

The treatments described above are amended as follows by revised IFRS 3 and revised IAS 27:

- combinations between mutual entities are now included within the scope of IFRS 3;
- costs directly linked to business combinations are now recognised in net profit or loss for the period;
- any considerations that may be payable are now included in the acquisition cost at their fair value at the date of acquisition of a controlling interest, even if they are only potential. Depending on the settlement method, the consideration transferred is recognised against:
  - capital and later price revisions will not be booked, or
  - liabilities and later adjustments are recognised against income (financial debts) or according to the appropriate standards (other debt outside the scope of IAS 39);
- on an entity's acquisition date, non-controlling interests may be valued:
  - either at fair value (method resulting in allocation of a share of the goodwill to non-controlling interests), or
  - at the share in the fair value of the acquired entity's identifiable assets and liabilities (method similar to that applicable to transactions prior to 31 December 2009).

The choice between these two methods must be made for each business combination.

Whichever method is chosen when the acquisition is made, increases in the percentage interest in an entity already controlled will be systematically recognised in equity:

- at the date on which control of a company is acquired, any share previously held by the Group must be revalued at fair value through profit or loss. Consequently, in the event of a step acquisition, the goodwill is determined by referring to the fair value at the date on which control was acquired;
- when the Group loses control of a consolidated company, any share that the Group retains must be revalued at fair value through profit or loss.

3. 4. Scope of consolidation of the BRED group

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

Entities whose contribution to the financial statements is not material are not included in the consolidation scope. The material nature of the consolidated entities is assessed according to the principle of ascending materiality. According to this principle, all entities included in the scope of a lower level are included in the consolidation scope of higher levels even though they are not material for the higher level.

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.

In 2014, the consolidation scope included 43 companies, including 38 fully or proportionally consolidated companies and 5 consolidated using the equity method.

Changes in the consolidation scope since 1 January 2014: deconsolidation of LF14 and BGF+

Consolidated under the full method

Parent company

BRED Banque Populaire – 18, quai de la Rapée – 75012 Paris

FINANCIAL UNDERTAKINGS – CREDIT INSTITUTIONS

	Nationality	Voting interest (%)	Ownership interest (%)
Banque Franco Lao-23 Singha Road – 159 Nongbone – Vientiane-Laos	Fo	54.00	54.00
BCI Mer Rouge – place Lagarde – Djibouti	Fo	51.00	51.00
BIC BRED – 18, quai de la Rapée – 75012 Paris	F	99.95	99.95
BRED Bank Fidji 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	7.04
Socama Normandie – 8, bld Salvador Allende – 27000 Evreux	F	100.00	7.00
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

(F: French) (Fo: Foreign)

FINANCIAL INSTITUTIONS OTHER THAN CREDIT INSTITUTIONS

	Nationality	Voting interest (%)	Ownership interest (%)
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	Fo	100.00	100.00
Promepar Gestion – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00

(F: French) (Fo: Foreign)

OTHER FINANCIAL UNDERTAKINGS

	Nationality	Voting interest (%)	Ownership interest (%)
Brd China Ltd – 78 Yang He Yi Cun, Jiangbei Dt, Chongquing China	Fo	100.00	100.00
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
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	Fo	100.00	100.00
Perspectives et Participations – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00
Prepar 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

(F: French) (Fo: Foreign)

NON-FINANCIAL UNDERTAKINGS – INSURANCE

	Nationality	Voting interest (%)	Ownership interest (%)
Prépar IARD – 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

(F: French) (Fo: Foreign)

Consolidated under the equity method

CREDIT INSTITUTIONS

	Nationality	Voting interest (%)	Ownership interest (%)
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
SBE – 22, rue de Courcelles – 75008 Paris	F	50.00	50.00
Socredo – 115, rue Dumont d'Urville – Papeete – Tahiti –Polynesia	F	15.00	15.00

(F: French) (Fo: Foreign)

OTHER NON-FINANCIAL COMPANIES

	Nationality	Voting interest (%)	Ownership interest (%)
Aurora – 149, avenue Louise – 1050 Brussels – Belgium	Fo		100.00

(F: French) (Fo: Foreign)

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 December 2014**	31 December 2013
Gross amount of securitised receivables	90,986	121,019
Discount on securitised receivables	-9,225	-10,462
Cash	-6,629	-3,713
TOTAL ASSETS	**75,131**	**106,844**
Amaren II bonds in investment securities	75,131	106,844
Impact on equity: elimination of the discount	9,225	10,462

The Elide debt securitisation fund, created in 2007 and including the new Elide 3, Elide 4 and Elide 5 sub-funds, created in 2011, 2012 and 2014 respectively, and the Eridan debt securitisation fund created in 2010, are consolidated using the full consolidation method.

NOTE 4

ACCOUNTING PRINCIPLES AND MEASUREMENT 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 if the borrower encounters financial difficulties, a discount is applied to reflect the difference between the present value of the estimated 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 mainly 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, financing commitment fees. Financing 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;
- held to maturity financial assets;
- loans and receivables; and
- 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 for the purpose of selling or repurchasing them in the near term; and
- 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 set maturities 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 segment, 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, leading the entity to 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 or 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 or losses on available for sale financial assets".

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 instruments under conditions that are potentially unfavourable. This obligation must arise from specific contractual terms and conditions, and not from purely economic constraints.
In addition, when an instrument qualifies as equity:

- its remuneration is treated as a dividend, and therefore impacts equity, along with the tax relating to this remuneration;
- it cannot be an underlying eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is fixed at its historical value resulting from its conversion to euros at its initial date of transfer to equity.

Finally, when these instruments are issued by a subsidiary, they are included in "non-controlling interests". When their remuneration is of a cumulative nature, it is charged to "profit or loss attributable to equity holders of the parent company" and increases the income of "non-controlling interests". However, when their remuneration is not of a cumulative nature, it is deducted from consolidated reserves "attributable to equity holders of the parent company".

Financial liabilities at fair value through profit or loss
These are financial liabilities held for trading or classified in this category on a voluntary basis at initial recognition using the fair value option available under IAS 39. The qualifying criteria used when applying this option are described in note 4.1.4 "Financial assets and liabilities designated at fair value through profit or loss by option". These liabilities are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, and gains or losses on these instruments are recognised in "Net gains or losses on financial instruments at fair value through profit or loss".

Debt instruments issued
Debt instruments issued, if they have not been classified as financial liabilities at fair value through profit or loss or as equity, 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; subsequently it is measured at amortised cost at each balance sheet date using the effective interest method.

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 relevant 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:

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 extracted from the host contract and accounted for separately 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;
- 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; and
- 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 or 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 in the same manner and period as 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 or losses on financial instruments at fair value through profit or loss".
Accrued interest on a derivative instrument is recognised in profit and loss in the same manner and period as 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 dual-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, or 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 under a specific heading in "Gains and losses recognised directly in equity". The ineffective portion is recognised in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss".
Accrued interest on the hedging derivative instrument is recognised in profit and loss under net interest income in the same manner and period as the accrued interest on the hedged item.
The hedged items continue to be accounted for using the treatment applicable to their specific accounting 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 or 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 of 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, the revaluation of the hedged item is recorded in "Re-measurement adjustments on interest rate risk hedged portfolios", under balance sheet assets for hedges of a portfolio of financial assets and under balance sheet liabilities for hedges of a portfolio of financial liabilities.
The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffectiveness relating to dual-curve valuation of collateralised derivatives is taken into account.
Effectiveness is tested in two ways:

- asset-base 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 profit or loss 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 or 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 – DVA*, or the risk of our own default on derivatives transactions).

In 2014, the Group changed the parameters used for measuring CVA, which it now measures based on market parameters. This change had no material impact on the Group's accounts.

Moreover, 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 trading in the asset or liability takes 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 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, major 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 markets, 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 input data for the asset or liability unrelated to the market price, such as:
  - interest rates and interest rate curves observable at standard intervals,
  - implied volatilities,
  - 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:

- plain vanilla interest rate swaps and CMS;
- forward rate agreements;
- plain vanilla swaptions;
- plain vanilla 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).

▶ Level 2 non-derivative 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 or implied volatility levels of options, 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 contributor);
- they are updated regularly;
- they are representative of recent transactions; and
- 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 observable transactions have taken place.

LEVEL 3 FAIR VALUE

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

Over-the-counter instruments valued using infrequently used 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 non-observable 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.

Transfers between fair value levels

Information on transfers between fair value levels is provided in note 5.5.3. The amounts indicated in this note 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 recognised 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 used, the portion of day-one profit neutralised on initial recognition and not yet recognised is taken to profit or loss.

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 to realise the fair value indicated and in practice such value could not generally be realised.

These fair values are calculated solely for the purpose of disclosure in the notes to the financial statements. They are not indicators used to steer the commercial banking activities, for which the management model is based mainly 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 the 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; and
  - 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 other loans**
  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 non-observable 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 generally not taken into account.

INSTRUMENTS RECLASSIFIED TO "LOANS AND RECEIVABLES" HAVING THE LEGAL STATUS OF "SECURITIES"

The illiquidity of such instruments, which is a prerequisite for their classification in "Loans and receivables", was assessed at the reclassification date.

Subsequent to reclassification, some instruments may become liquid again and be measured at Level I fair value.

In other cases, their fair value is measured using models identical to those described above for instruments measured at fair value on the balance sheet.

4.1.7 Impairment of financial assets

Impairment of securities

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 events having occurred after initial recognition of the asset and that the loss event (or events) has (have) 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.

The Group considers that a decline of over 50% or lasting for over 36 months in the value of a security relative to its historical cost is objective evidence of lasting impairment, resulting in recognition of a loss in the income statement.

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 or losses on available for sale financial assets". Any unrealised gains subsequent to recognition of impairment losses are deferred under "Gains and losses recognised directly in equity" until disposal of the securities.

Impairment losses are recognised in respect of debt instruments such as 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 not pay the coupon or may 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. Such 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 and receivables.

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 "trigger 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) and, independently of the existence of a missed payment, the existence of a known credit risk or dispute;
- these events lead to the recognition of 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 into 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 intention 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 or 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 or losses at the reclassification date is immediately written back to profit or loss for the period.

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 on its balance sheet 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

Lent securities are not derecognised in the assignor's accounts. They continue to be recognised in the category in which they were initially classified and valued accordingly. For the borrower, the securities borrowed are not recognised.

Transactions leading to substantial changes in financial assets

When an asset undergoes substantial changes (in particular following a renegotiation or a remodelling due to financial difficulties) it is derecognised, to the extent that the rights to the initial cash flows have in substance expired. The Group considers that this is the case for:

- changes leading to a change of counterparty, especially if the new counterparty's credit quality is very different from that of the former counterparty;
- changes aimed at shifting from a highly structured indexation to a simple indexation, to the extent that the two assets do not bear the same risks.

Transactions leading to substantial changes in 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 rents 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.

Capital gains or 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 equipment 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 asset 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 asset recognition 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 5 to 10 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.

Charges 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 as a whole for regulated home savings accounts.

A provision is recognised for the associated risks, calculated by discounting future potential earnings from at-risk outstandings:

- 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 for 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 interest income and expense.

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 incident penalties, etc.); or
- 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 return over its 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 or losses are recognised in income, except in the following two cases:

- only the portion of the foreign exchange gains or losses calculated based on the amortised cost of available for sale financial assets is recognised in income, with any additional gains or losses being recognised directly in equity;
- foreign exchange gains or losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign operation are recognised directly in equity.

Non-monetary assets carried at historical cost are translated using the exchange rate at the transaction date, while non-monetary assets carried at fair value are translated using the exchange rate in effect at the date on which the fair value was determined. Foreign exchange gains or losses on non-monetary items are recognised in income if gains or losses relating to the items are recorded in income, and directly in equity if gains or losses relating to the items are recorded directly 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 asset is of such a specialised nature that only the lessee can use it 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; and
- 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 on long-term benefits are recognised immediately in the income statement.

The annual expense recognised in respect of defined-benefit plans includes the current-year service cost, the net interest cost (the effect of discounting the obligations) and the past service cost.

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 through profit or loss 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 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 when 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; and
- changes in the fair value of derivatives designated as cash flow hedges,

for which the corresponding deferred taxes are recognised as unrealised gains or 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 using the measurement and accounting rules defined therein.

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 capital gains attributable to policyholders is determined on the basis of the characteristics of the contracts likely to generate such capital 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 the 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 December 2014**	31 December 2013
Cash	184,103	179,830
Amounts due from central banks	1,490,159	2,905,382
Total cash and amounts due from central banks	**1,674,262**	**3,085,712**

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 derivatives traded by the Group to manage its risk exposure.

(€'000)	31 December 2014 Trading	31 December 2014 Fair value option	31 December 2014 Total	31 December 2013 Trading	31 December 2013 Fair value option	31 December 2013 Total
Treasury bills and similar securities	845,292		845,292	1,234,106		1,234,106
Bonds and other fixed-income securities	1,237,833	33,281	1,271,114	1,307,959	33,018	1,340,977
Fixed-income securities	**2,083,125**	**33,281**	**2,116,406**	**2,542,065**	**33,018**	**2,575,083**
Shares and other variable-income securities	**413,935**	**1,119,485**	**1,533,420**	**236,547**	**1,382,278**	**1,618,825**
Loans to credit institutions						
Loans to customers						
Loans						
Repurchase agreements						
Trading derivatives	**2,672,158**		**2,672,158**	**959,173**		**959,173**
Total financial assets at fair value through profit or loss	**5,169,218**	**1,152,766**	**6,321,984**	**3,737,785**	**1,415,296**	**5,153,081**

CONDITIONS FOR DESIGNATING FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS BY OPTION

(€'000)	Accounting mismatch	Fair value measurement	Embedded derivatives	Financial assets at fair value by option
Fixed-income securities		33,281		33,281
Shares and other variable-income securities		1,119,485		1,119,485
Loans and repurchase agreements				
Total at 31 December 2014		**1,152,766**		**1,152,766**

LOANS AND RECEIVABLES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS BY OPTION, AND CREDIT RISK

(€'000)	31 December 2014 Credit risk exposure	31 December 2014 Associated credit derivatives	31 December 2014 Changes in fair value attributable to credit risk	31 December 2014 Changes in fair value of associated credit derivatives	31 December 2013 Credit risk exposure	31 December 2013 Associated credit derivatives	31 December 2013 Changes in fair value attributable to credit risk	31 December 2013 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

Financial liabilities in the trading book comprise liabilities related to short sales, repurchase agreements and derivatives.

(€'000)	31 December 2014	31 December 2013
Securities sold short	636,725	5,091
Other financial liabilities		945,823
Financial liabilities held for trading	**636,725**	**950,914**
Trading derivatives	**2,715,298**	**1,181,545**
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	**3,352,023**	**2,132,459**

CONDITIONS FOR DESIGNATING FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS BY OPTION

(€'000)	Accounting mismatch	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 at 31 December 2014				

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS BY OPTION, AND CREDIT RISK

(€'000)	31 December 2014 Fair value	31 December 2014 Contractual amount due at maturity	31 December 2014 Difference	31 December 2014 Difference attributable to credit risk	31 December 2013 Fair value	31 December 2013 Contractual amount due at maturity	31 December 2013 Difference	31 December 2013 Difference attributable to credit risk
Interbank term accounts and loans								
Customer term accounts and loans								
Debt securities								
Subordinated debt								
Repurchase agreements and other financial liabilities								
Total								

5.2.3 Trading derivatives

The notional amount of financial instruments is merely an indication of the volume of the Group's business in this area and does 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 December 2014 Notional amount	31 December 2014 Positive fair value	31 December 2014 Negative fair value	31 December 2013 Notional amount	31 December 2013 Positive fair value	31 December 2013 Negative fair value
Interest rate instruments	225,728,492	2,373,878	2,603,206	287,888,165	751,260	990,149
Equity instruments	718,120	2,850	2,964	472,987	1,722	2,073
Currency instruments	14,819,201	254,824	68,190	5,954,714	158,599	74,172
Other instruments	6,116			2,853		
Forward transactions	**241,271,929**	**2,631,552**	**2,674,360**	**294,318,719**	**911,581**	**1,066,394**
Interest rate instruments	3,129,945	26,388	25,067	7,596,684	31,364	100,067
Equity instruments	109,311	10,352	11,091	70,073	12,754	14,068
Currency instruments	332,009	1,294	3,254	216,335	2,309	516
Other instruments						
Options	**3,571,265**	**38,034**	**39,412**	**7,883,092**	**46,427**	**114,651**
Credit derivatives	**251,942**	**2,572**	**1,526**	**266,833**	**1,165**	**500**
Total trading derivatives	**245,095,136**	**2,672,158**	**2,715,298**	**302,468,644**	**959,173**	**1,181,545**

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.

(€'000)	31 December 2014 Notional amount	31 December 2014 Positive fair value	31 December 2014 Negative fair value	31 December 2013 Notional amount	31 December 2013 Positive fair value	31 December 2013 Negative fair value
Interest rate instruments	20,504,839	234,242	555,363	18,460,267	26,708	396,905
Currency instruments	32,857					
Forward transactions	**20,537,696**	**234,242**	**555,363**	**18,460,267**	**26,708**	**396,905**
Interest rate instruments	2,000			2,000		
Options	**2,000**			**2,000**		
Fair value hedges	**20,539,696**	**234,242**	**555,363**	**18,462,267**	**26,708**	**396,905**
Interest rate instruments	717,130	76,871	28,703	1,020,844	54,679	13,818
Currency instruments						
Forward transactions	**717,130**	**76,871**	**28,703**	**1,020,844**	**54,679**	**13,818**
Interest rate instruments						
Options						
Cash flow hedges	**717,130**	**76,871**	**28,703**	**1,020,844**	**54,679**	**13,818**
Credit derivatives	**68,647**			**127,096**		
Total derivative hedging instruments	**21,325,473**	**311,113**	**584,066**	**19,610,207**	**81,387**	**410,723**

5.4 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that have not been classified in any other category ("Financial assets at fair value", "Held to maturity financial assets or Loans and receivables").

(€'000)	31 December 2014	31 December 2013
Treasury bills and similar securities	7,888,090	7,343,065
Bonds and other fixed-income securities	5,677,085	4,551,277
Impaired securities	13,005	11,606
Fixed-income securities	**13,578,180**	**11,905,948**
Equities and other variable-income securities	**2,260,728**	**2,071,883**
Loans to credit institutions		
Loans to customers		
Loans		
Available for sale financial assets, gross	**15,838,908**	**13,977,831**
Impairment of fixed-income securities and loans	-2,559	-2,442
Permanent impairment of equities and other variable-income securities	-98,844	-96,993
Available for sale financial assets, net	**15,737,505**	**13,878,396**
Gains or losses recognised directly in equity on available for sale financial assets (before tax)	**587,593**	**335,472**

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:

	31 December 2014				31 December 2013			
(€'000)	**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	1,709,057	785,744	2,259	2,497,060	2,256,157	518,911	3,544	2,778,612
fixed-income securities	*1,295,238*	*785,628*	*2,259*	*2,083,125*	*2,019,732*	*518,789*	*3,544*	*2,542,065*
variable-income securities	*413,819*	*116*		*413,935*	*236,425*	*122*		*236,547*
Derivative instruments		2,562,851	109,307	2,672,158	2,245	889,078	67,850	959,173
interest rate derivatives		*2,292,382*	*107,884*	*2,400,266*	*2,245*	*712,547*	*67,832*	*782,624*
equity derivatives		*11,779*	*1,423*	*13,202*		*14,458*	*18*	*14,476*
currency derivatives		*256,118*		*256,118*		*160,908*		*160,908*
credit derivatives		*2,572*		*2,572*		*1,165*		*1,165*
other derivatives								
Other financial assets								
Financial assets held for trading	**1,709,057**	**3,348,595**	**111,566**	**5,169,218**	**2,258,402**	**1,407,989**	**71,394**	**3,737,785**
Securities	1,106,361	1,142	45,263	1,152,766	1,373,031	2,245	40,020	1,415,296
fixed-income securities	*33,281*			*33,281*	*33,018*			*33,018*
variable-income securities	*1,073,080*	*1,142*	*45,263*	*1,119,485*	*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	**1,106,361**	**1,142**	**45,263**	**1,152,766**	**1,373,031**	**2,245**	**40,020**	**1,415,296**
Interest rate derivatives		311,113		311,113		81,387		81,387
Equity derivatives								
Currency derivatives								
Credit derivatives								
Other derivatives								
Hedging derivatives		**311,113**		**311,113**		**81,387**		**81,387**
Investments in associates	2,392	2,234	771,617	776,243	21	173	775,345	775,539
Other securities	13,019,797	1,460,405	481,060	14,961,262	11,410,676	1,173,463	518,717	13,102,856
fixed-income securities	*12,226,876*	*1,070,284*	*278,461*	*13,575,621*	*10,664,524*	*870,491*	*368,491*	*11,903,506*
variable-income securities	*792,921*	*390,121*	*202,599*	*1,385,641*	*746,152*	*302,972*	*150,226*	*1,199,350*
Other financial assets								
Available for sale financial assets	**13,022,189**	**1,462,639**	**1,252,677**	**15,737,505**	**11,410,697**	**1,173,636**	**1,294,062**	**13,878,395**

(€'000)	31 December 2014 Price quoted in an active market (level 1)	Valuation techniques using observable data (level 2)	Valuation techniques using non-observable data (level 3)	Total	31 December 2013 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 LIABILITIES								
Securities	636,725			636,725	5,091			5,091
Derivative instruments	4,206	2,605,174	105,918	2,715,298	77,003	1,050,917	53,625	1,181,545
interest rate derivatives	*4,206*	*2,521,615*	*102,452*	*2,628,273*	*77,003*	*959,868*	*53,345*	*1,090,216*
equity derivatives		*10,589*	*3,466*	*14,055*		*15,861*	*280*	*16,141*
currency derivatives		*71,444*		*71,444*		*74,688*		*74,688*
credit derivatives		*1,526*		*1,526*		*500*		*500*
other derivatives								
Other financial liabilities					945,180	643		945,823
Financial liabilities held for trading	**640,931**	**2,605,174**	**105,918**	**3,352,023**	**1,027,274**	**1,051,560**	**53,625**	**2,132,459**
Securities								
Other financial liabilities								
Financial liabilities designated at fair value through profit or loss by option								
Interest rate derivatives		584,066		584,066		410,697	26	410,723
Equity derivatives								
Currency derivatives								
Credit derivatives								
Other derivatives								
Hedging derivatives		**584,066**		**584,066**		**410,697**	**26**	**410,723**

5.5.2 Analysis of financial assets and liabilities classified in level 3 of the fair value hierarchy

		Gains and losses recognised during the period								
		In the income statement			Transactions during the period		Transactions during the period			
(€'000)	1 January 2014	On transactions in progress at the balance sheet date	On transactions that matured or were redeemed during the period	In equity	Purchases/Issues	Sales/Redemptions	To another reporting category	From and to another level	Other changes	**31 December 2014**
FINANCIAL ASSETS										
Securities	3,544	270	3			-1,558				2,259
fixed-income securities	3,544	270	3			-1,558				2,259
variable-income securities										
Derivative instruments	67,850	32,688	8,769							109,307
interest rate derivatives	67,832	31,266	8,786							107,884
equity derivatives	18	1,422	-17							1,423
currency derivatives										
credit derivatives										
other derivatives										
Other financial assets										
Financial assets held for trading	**71,394**	**32,958**	**8,772**			**-1,558**				**111,566**
Securities	40,020	5,243								45,263
fixed-income securities										
variable-income securities	40,020	5,243								45,263
Other financial assets										
Financial assets designated at fair value through profit or loss by option	**40,020**	**5,243**								**45,263**
Interest rate derivatives										
Equity derivatives										
Currency derivatives										
Credit derivatives										
Other derivatives										
Hedging derivatives										
Investments in associates	775,345				896	-3,639			-985	771,617
Other securities	518,717	49	308	-898	342,871	-381,860			1,873	481,060
fixed-income securities	368,491	49	314	-13,660	200,234	-276,967				278,461
variable-income securities	150,226		-6	12,762	142,637	-104,893			1,873	202,599
Other financial assets										
Available for sale financial assets	**1,294,062**	**49**	**308**	**-898**	**343,767**	**-385,499**			**888**	**1,252,677**

		Gains and losses recognised during the period			Transactions during the period		Transactions during the period			
		In the income statement								
(€'000)	1 January 2014	On transactions in progress at the balance sheet date	On transactions that matured or were redeemed during the period	In equity	Purchases/Issues	Sales/Redemptions	To another reporting category	From and to another level	Other changes	**31 December 2014**
FINANCIAL LIABILITIES										
Securities										
Derivative instruments	53,625	39,445	12,848							105,918
interest rate derivatives	53,345	37,909	11,198							102,452
equity derivatives	280	1,536	1,650							3,466
currency derivatives										
credit derivatives										
other derivatives										
Other financial liabilities										
Financial liabilities held for trading	**53,625**	**39,445**	**12,848**							**105,918**
Securities										
Other financial liabilities										
Financial liabilities designated at fair value through profit or loss by option										
Interest rate derivatives	26		-26							
Equity derivatives										
Currency derivatives										
Credit derivatives										
Other derivatives										
Hedging derivatives	**26**		**-26**							

At 31 December 2014, financial instruments measured using a technique based on non-observable data included 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.

5.5.3 Analysis of fair value hierarchy transfers

No fair value hierarchy transfers were made in 2014.

5.5.4 Sensitivity of level 3 fair values to changes in the main 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 €6.068 billion. The cumulative impact of the sensitivity of level 3 derivatives to the main factors (interest rates, inflation, equities, etc.) would be a decrease of €3.203 billion in the event of a 100 basis point rise in the underlying factors and an increase of €3.404 billion 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. Information about credit risk is provided in note 7.1.

5.6.1 Loans and receivables due from credit institutions

(€'000)	**31 December 2014**	31 December 2013
Loans and receivables due from credit institutions	9,725,464	6,996,390
Individual impairment	-7,660	-7,662
Impairment on a portfolio basis		
Total loans and receivables due from credit institutions	**9,717,804**	**6,988,728**

The fair value of loans and receivables due from credit institutions is presented in note 14.

BREAKDOWN OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

(€'000)	**31 December 2014**	31 December 2013
Current accounts with overdrafts	666,948	698,295
Repurchase agreements	7,461,806	4,793,731
Loans and advances	1,584,708	1,491,475
Securities classified as loans and receivables		
Subordinated loans and participating loans		886
Other loans and receivables due from credit institutions		
Impaired loans and receivables	4,342	4,341
Total loans and receivables due from credit institutions	**9,717,804**	**6,988,728**

Receivables on transactions with the network amounted to €981.0 million at 31 December 2014 compared with €805.6 million at 31 December 2013.
At 31 December 2014, 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 €672.7 million versus €595.0 million at 31 December 2013.

5.6.2 Loans and receivables due from customers

(€'000)	**31 December 2014**	31 December 2013
Loans and receivables due from customers	15,510,387	14,862,003
Individual impairment	-587,363	-561,856
Impairment on a portfolio basis	-95,801	-77,076
Total loans and receivables due from customers	**14,827,223**	**14,223,071**

The fair value of loans and receivables due from customers is presented in note 14.

BREAKDOWN OF GROSS LOANS AND RECEIVABLES DUE FROM CUSTOMERS

(€'000)	**31 December 2014**	31 December 2013
Loans to financial sector customers	**1,288,523**	**1,088,242**
Short-term credit facilities	6,886	4,550
Equipment loans	1,283,986	1,185,341
Home loans	4,639,964	4,310,119
Export credits	6,253,309	5,878,908
Repurchase agreements	128,167	80,981
Finance leases		132,074
Other credits	127,179	120,125
Subordinated loans	726,558	947,687
Other facilities to customers		
Securities classified as loans and receivables	**13,166,049**	**12,659,785**
Other loans and receivables due from customers	**117,447**	**167,121**
Impaired loans and receivables	**6,836**	**5,287**
Total loans and receivables due from customers	**931,532**	**941,568**
Total loans and receivables due from customers	**15,510,387**	**14,862,003**

The breakdown by heading of the 2013 amounts has been adjusted for the sake of comparison.

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 December 2014**	31 December 2013
Treasury bills and similar securities		
Bonds and other fixed-income securities	897,840	954,301
Gross amount of held to maturity financial assets	**897,840**	**954,301**
Impairment		
Total held to maturity financial assets	**897,840**	**954,301**

The fair value of held to maturity financial assets is presented in note 14.

5.8 Reclassification of financial assets

Portfolio of reclassified financial assets

In 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.

PORTFOLIO OF RECLASSIFIED FINANCIAL ASSETS

(€'000)	Carrying amount at reclassification date	**Carrying amount at 31 December 2014**	Carrying amount at 31 December 2013	**Fair value at 31 December 2014**	Fair value at 31 December 2013
Reclassified assets at 31 December 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	521,227	113,593	163,518	114,193	163,488
Total securities reclassified at 31 December 2013	**521,227**	**113,593**	**163,518**	**114,193**	**163,488**
Assets reclassified in 2014					
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 2014					
Total securities reclassified	**521,227**	**113,593**	**163,518**	**114,193**	**163,488**

PROFIT OR LOSS ARISING FROM RECLASSIFIED FINANCIAL ASSETS IN 2014

(€'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	1,090		1,090
TOTAL	**1,090**		**1,090**

CHANGES IN FAIR VALUE THAT WOULD HAVE BEEN RECOGNISED IF THESE FINANCIAL ASSETS HAD NOT BEEN RECLASSIFIED

(€'000)	**31 December 2014**	31 December 2013
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 or losses recognised directly in equity		
▶ *Available for sale financial assets reclassified as loans and receivables*	600	-30
Total	**600**	**-30**

5.9 Deferred tax

Deferred tax assets and liabilities on timing differences arise from the recognition of the items shown in the table below (positive figures indicate deferred tax assets, while negative figures in brackets represent deferred tax liabilities):

(€'000)	**31 December 2014**	31 December 2013
Unrealised capital gains on UCITS	21,963	21,073
Provisions for employee-related liabilities	26,951	31,490
Provisions for regulated home savings products	7,678	11,086
Non-deductible customer-related provisions	11,134	10,705
Provisions for employee profit-sharing	7,921	7,130
Provisions for business goodwill and leasing rights	12,925	12,703
Provisions for sector risk	32,788	26,389
Other non-deductible provisions	17,216	22,477
Other sources of timing differences	-968	-1,337
Deferred tax resulting from timing differences	**137,608**	**141,716**
Deferred tax resulting from the capitalisation of tax losses carried forward		3,554
Fair value of financial instruments	-34,630	-8,716
Insurance provisions	13,768	8,556
IAS 19 – Post-employment benefits	7,875	1,405
Other balance sheet valuation adjustments	-609	-315
Deferred tax resulting from application of IFRS valuation methods	**-13,596**	**4,484**
Deferred tax on interest-free loans	**10,944**	**9,065**
Net deferred tax	**134,956**	**155,265**
Deferred tax recognised		
As assets on the balance sheet	199,516	166,920
As liabilities on the balance sheet	-64,560	-11,655

The breakdown in 2014 is more detailed than in 2013 and the 2013 figures have been adjusted accordingly.

5.10 Accrued income and other assets

(€'000)	31 December 2014	31 December 2013
Collection accounts	86,255	99,830
Prepaid expenses	34,198	39,012
Accrued income	24,310	23,061
Other accruals	23,748	45,196
Accrual accounts - assets	**168,512**	**207,099**
Guarantee deposits paid	993,570	977,360
Securities settlement accounts - debit balances		
Reinsurers' share of technical reserves	10,791	8,663
Other debtors	206,928	126,149
Other assets	**1,211,289**	**1,112,172**
Total accrued income and other assets	**1,379,801**	**1,319,271**

5.11 Non-current assets classified as held for sale and associated liabilities

None

5.12 Deferred profit-sharing

(€'000)	31 December 2014	31 December 2013
Deferred profit-sharing - assets		
Deferred profit-sharing - liabilities	-440,842	-270,608
Deferred profit-sharing[1]	**-440,842**	**-270,608**
of which deferred profit-sharing recognised in equity on full consolidation		

[1] By convention, net deferred profit-sharing is presented as a negative figure when it is active.

5.13 Investments in associates

5.13.1 Partnerships and other associates

The Group's main investments in joint ventures and associates are as follows:

(€'000)	31 December 2014	31 December 2013
Acleda	62,472	50,096
BCEL	17,721	15,096
BCI	120,300	109,150
SBE	21,676	
Socredo	40,525	39,089
Other		
Financial companies	**262,694**	**213,432**
Aurora	18,635	18,635
Non-financial companies	**18,635**	**18,635**
Total investments in associates	**281,329**	**232,067**

5.13.2 Financial data for the main partnerships and associates

Summarised financial data for material joint ventures and/or companies under significant influence are as follows, based on the latest available data published by the entities in question:

MATERIAL COMPANIES

	Associates					
(€'000)	Banque Calédonienne d'Investissement (BCI) 31 December 2014	Banque Calédonienne d'Investissement (BCI) 31 December 2013	ACLEDA 31 December 2014	ACLEDA 31 December 2013	Socredo 31 December 2014	Socredo 31 December 2013
Valuation method	Equity method	Equity method	Equity method	Equity method	Equity method	Equity method
Dividends received	**3,551**	**3,432**	**3,676**	**2,997**		
Main aggregates						
Total assets	***2,187,931***	***2,017,445***	***2,476,970***	***1,624,208***	***2,109,551***	***2,049,436***
Total debt	***1,946,850***	***1,798,707***	***2,112,512***	***1,360,778***	***1,839,386***	***1,788,840***
Income statement						
Operating income or net banking income	81,516	72,314	72,017	69,188	16,191	10,192
Income tax	-17,593	-12,021	-13,329	-13,294	-6,621	-3,009
Net profit	23,685	22,776	58,688	55,894	9,569	7,182
Carrying value of associates						
Shareholders' equity of associates	241,081	218,738	364,458	263,430	270,165	260,596
Percentage of ownership	49.90%	49.90%	12.25%	12.25%	15.00%	15.00%
Group share of the shareholders' equity of associates	120,300	109,150	44,646	32,270	40,525	39,089
Goodwill			17,826	17,826		
Value of investments in associates	**120,300**	**109,150**	**62,472**	**50,096**	**40,525**	**39,089**
Market value of investments in associates						

Summarised financial data for non-material joint ventures and companies under significant influence at 31 December 2014 are as follows:

NON-MATERIAL COMPANIES

(€'000)	Joint ventures	Associates
Carrying amount of investments in associates	21,676	36,356
Total amount of share in		
Net profit (a)	929	1,677
o/w discontinued activities		
Gains and losses recognised directly in equity (b)	-893	329
Comprehensive income (a) + (b)	36	2,007

Summarised financial data for non-material joint ventures and companies under significant influence at 31 December 2013 are as follows:

NON-MATERIAL COMPANIES

(€'000)	Joint ventures	Associates
Carrying amount of investments in associates		33,639
Total amount of share in		
Net profit (a)		2,187
o/w discontinued activities		
Gains and losses recognised directly in equity (b)		241
Comprehensive income (a) + (b)		2,428

5.13.3 Nature and scope of major restrictions

The Group has not been faced with any major restrictions.

5.14 Investment property

(€'000)	**31 December 2014** Gross amount	Accumulated depreciation and impairment	Carrying amount	31 December 2013 Gross amount	Accumulated depreciation and impairment	Carrying amount
Investment property measured at fair value						
Investment property measured at historical cost	172,064	-3,597	168,467	187,775	-3,376	184,399
Total investment property	**172,064**	**-3,597**	**168,467**	**187,775**	**-3,376**	**184,399**

The fair value of investment property, of which the measurement principles are described in note 4.2, is classified in level 3 of the IFRS 13 fair value hierarchy.

5.15 Property, plant and equipment and intangible assets

(€'000)	**31 December 2014** Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	31 December 2013 Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Property, plant and equipment						
Land and buildings	275,925	-91,956	183,969	151,872	-87,317	64,555
Movable property made available under finance leases						
Equipment, furniture and other property, plant and equipment	273,602	-195,154	78,448	260,342	-175,313	85,029
Total property, plant and equipment	**549,527**	**-287,110**	**262,417**	**412,214**	**-262,630**	**149,584**
Intangible assets						
Leasehold rights	28,099	-26,589	1,510	27,532	-25,976	1,556
Software	55,787	-45,165	10,622	52,401	-38,393	14,008
Other intangible assets	34,457	-21,300	13,157	38,968	-21,770	17,198
Total intangible assets	**118,343**	**-93,054**	**25,289**	**118,901**	**-86,139**	**32,762**

5.16 Goodwill

Goodwill generated by transactions during the financial year is analysed in the note relating to the consolidation scope.

(€'000)	**31 December 2014**
Opening net value	**4,576**
Acquisitions	
Disposals	
Impairment	
Reclassifications	
Translation differences	
Other adjustments	
Closing net value	**4,576**

(€'000)	Net carrying amount **31 December 2014**	31 December 2013
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 December 2014**	31 December 2013
Demand deposits	511,714	356,500
Repurchase agreements		
Related liabilities	3	6
Amounts due to credit institutions - repayable on demand	**511,717**	**356,506**
Term loans and deposits	1,980,162	2,566,706
Repurchase agreements	5,553,544	6,342,355
Related liabilities	11,473	27,226
Amounts owed to credit institutions - repayable at agreed maturity dates	**7,545,179**	**8,936,287**
Total amounts due to credit institutions	**8,056,896**	**9,292,793**

The fair value of amounts due to credit institutions is presented in note 14.
Amounts owed in respect of transactions with the network came to €914.6 million at 31 December 2014 versus €608.2 million at 31 December 2013.

5.17.2 Amounts due to customers

(€'000)	**31 December 2014**	31 December 2013
Credit balances on ordinary accounts	**10,934,146**	**9,090,876**
"Livret A" regulated savings accounts	980,836	966,829
Regulated home savings plans (PEL) and regulated home savings accounts (CEL)	1,539,576	1,451,794
Other regulated savings accounts	2,061,646	2,146,224
Related liabilities		
Regulated savings accounts	**4,582,058**	**4,564,847**
Demand deposits and loans	7,198,590	4,291,032
Term deposits and loans	1,633,449	2,403,827
Related liabilities	40,654	41,552
Other customer accounts	**8,872,693**	**6,736,411**
Repurchase agreements	**1,296,928**	**1,446,447**
Other amounts due to customers	**13,586**	**14,368**
Total amounts due to customers	**25,699,411**	**21,852,949**

The fair value of amounts due to customers is presented in note 14.

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 December 2014**	31 December 2013
Bonds	196,400	196,400
Interbank instruments and negotiable debt securities	2,738,551	2,205,691
Other debt securities	0	0
Total	**2,934,951**	**2,402,091**
Related liabilities	2,229	1,314
Total debt securities	**2,937,180**	**2,403,405**

The fair value of debt securities is presented in note 14.

5.19 Accrued expenses and other liabilities

(€'000)	**31 December 2014**	31 December 2013
Collection accounts	280,135	208,787
Prepaid income	114,303	101,192
Accounts payable	77,871	73,393
Other accruals	29,793	26,176
Accrual accounts - liabilities	**502,102**	**409,548**
Securities settlement accounts - credit balances	5,914	5,491
Guarantee deposits received	541,787	409,108
Sundry creditors	254,960	408,609
Other insurance-related liabilities		
Other liabilities	**802,661**	**823,208**
Total accrued expenses and other liabilities	**1,304,763**	**1,232,756**

5.20 Technical reserves of insurance companies

(€'000)	**31 December 2014**	31 December 2013
Non-life insurance technical reserves	**5,138**	**4,666**
Technical reserves of life insurance contracts in euro	5,025,871	4,730,273
Technical reserves of life insurance contracts in unit-linked accounts	884,738	873,298
Life insurance technical reserves	**5,910,609**	**5,603,571**
Technical reserves of financial contracts		
Deferred profit-sharing	**440,842**	**270,608**
Total insurance technical reserves	**6,356,589**	**5,878,845**

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 policies' redemption value.

Technical reserves of financial contracts are mathematical provisions calculated 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)	1 January 2014	Increase	Used	Unused reversals	Other movements	31 December 2014
Provisions for employee benefit obligations	**100,487**	**4,405**		**-20,489**	**22,538**	**106,941**
Provisions for regulated home savings products	32,198			-9,701	-197	22,300
Provisions for off-balance sheet commitments	4,788	10,324	-19	-10,552	28,166	32,707
Provisions for contingencies on real estate development projects						
Provisions for restructuring costs						
Provisions for litigation	42,857	4,301		-10	-26,355	20,793
Other	28,249	184	-56	-8,175	-1,333	18,869
Other provisions	**108,092**	**14,809**	**-75**	**-28,438**	**281**	**94,669**
Total provisions	**208,579**	**19,214**	**-75**	**-48,927**	**22,819**	**201,610**

5.21.1 Deposits held in regulated home savings products

(€'000)	31 December 2014	31 December 2013
Deposits held in regulated home savings plans (PEL)		
less than 4 years	369,165	467,632
more than 4 years and less than 10 years	516,141	277,319
more than 10 years	454,788	514,601
Deposits held in PEL regulated home savings plans	**1,340,094**	**1,259,552**
Deposits held in CEL regulated home savings accounts	146,383	194,713
Total deposits held in regulated home savings products	**1,486,477**	**1,454,265**

5.21.2 Loans granted in connection with regulated home savings products

(€'000)	31 December 2014	31 December 2013
Loans granted under PEL regulated home savings plans	4,429	5,610
Loans granted under CEL regulated home savings accounts	7,300	9,359
Total loans granted in connection with regulated home savings products	**11,729**	**14,969**

5.21.3 Provisions for regulated home savings products

(€'000)	1 January 2014	Additions/ Reversals	Other	31 December 2014
Provisions for regulated home savings plans				
less than 4 years	9,910	-6,667	-29	3,214
more than 4 years and less than 10 years	1,806	1,751	-34	3,523
more than 10 years	15,243	-7,920	-106	7,217
Provisions for regulated home savings plans	**26,959**	**-12,836**	**-168**	**13,954**
Provisions for regulated home savings accounts	**4,985**	**3,390**	**-29**	**8,346**
Provisions for PEL regulated home savings loans	253	-253		
Provisions for CEL regulated home savings loans				
Provisions for regulated home savings loans	**253**	**-253**		
Total provisions for regulated home savings products	**32,197**	**-9,699**	**-197**	**22,300**

The information reported in the "Other" column corresponds to outstanding loans at 1 January 2014 of SBE, which has since been deconsolidated.

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 December 2014	31 December 2013
Term subordinated debt	317,445	369,674
Undated subordinated debt	0	0
Mutual guarantee deposits	5,271	5,698
Subordinated and similar debt	**322,716**	**375,372**
Related liabilities	9,627	10,620
Revaluation of the hedged component	0	0
Total subordinated debt	**332,343**	**385,992**

The fair value of subordinated debt is presented in note 14.

CHANGES IN SUBORDINATED AND SIMILAR DEBT DURING THE YEAR

(€'000)	1 January 2014	Issued	Repaid	Other changes[(1)]	**31 December 2014**
Term subordinated debt	369,674	271	-52,500		317,445
Undated subordinated debt					
Mutual guarantee deposits	5,698		-365	-62	5,271
Related liabilities	10,620			-993	9,627
Revaluation of the hedged component					
Total subordinated debt	**385,992**	**271**	**-52,865**	**-1,055**	**332,343**

(1) *Other changes mainly include the revaluation of term and undated subordinated debts that are hedged.*

5.23 Ordinary shares and other equity instruments issued

5.23.1 Cooperative shares

(€'000)	**31 December 2014**			31 December 2013		
	Number	**Par value**	**Capital**	Number	Par value	Capital
Cooperative shares						
At 1 January	56,758,441	10,10	573,260	41,622,857	10,00	416,229
Capital increase	4,729,870	10,10	47,772	15,135,584	10,00	151,356
Capital decrease						
Other changes		0,10	6,149		0,10	5,675
At 31 December	**61,488,311**	**10,20**	**627,181**	**56,758,441**	**10,10**	**573,260**

5.23.2 Undated deeply subordinated notes classified as equity

None

5.24 Non-controlling interests

Information relating to subsidiaries and consolidated structured entities for which non-controlling interests are material with regard to total Group shareholders' equity is shown below:

Data at 31 December 2014		Non-controlling interests					Summarised financial data for wholly owned subsidiaries and structured entities			
Name of entity	Location	Percentage of non-controlling interests	Percentage of control of non-controlling interests (if different)	Income attributed during the period to holders of non-controlling interests	Amount of the subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Total assets	Total debts (total liabilities and shareholders' equity)	Net profit (loss)	Comprehensive income
BRED Vanuatu	Vanuatu	15.00%	15.00%	-493	2,700	178	174,483	158,467	3,289	5,992
BCI Mer Rouge	Djibouti	49.00%	49.00%	-514	10,186		255,072	239,816	1,049	1,758
Banque Franco Lao	Laos	46.00%	46.00%	-241	13,489		100,531	87,245	524	1,732
Other entities				-183	6,616					
Total				**-1,432**	**32,991**	**178**	**530,087**	**485,529**	**4,862**	**9,483**

Data at 31 December 2013		Non-controlling interests					Summarised financial data for wholly owned subsidiaries and structured entities			
Name of entity	Location	Percentage of non-controlling interests	Percentage of control of non-controlling interests (if different)	Income attributed during the period to holders of non-controlling interests	Amount of the subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Total assets	Total debts (total liabilities and shareholders' equity)	Net profit (loss)	Comprehensive income
BRED Vanuatu	Vanuatu	15.00%	15.00%	-530	2,700	179	147,550	136,010	3,532	4,218
BCI Mer Rouge	Djibouti	49.00%	49.00%	-527	10,186	2,102	214,875	202,925	1,076	635
Banque Franco Lao	Laos	58.60%	54.00%	-262	13,489		83,897	74,465	633	71
Other entities				-279	6,586					
Total				**-1,599**	**32,962**	**2,281**	**446,322**	**413,400**	**5,241**	**4,924**

5.25 Change in gains and losses recognised directly in equity

CHANGE IN GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

BRED group (€'000)	2014	2013
Revaluation differences on defined-benefit pension schemes	-22,873	-4,006
Tax impact of revaluation differences on defined-benefit pension schemes	7,875	1,392
Translation difference	9,897	-2,469
Change in the value of available for sale financial assets	82,556	127,370
Change in value over the period affecting equity		
Change in value over the period affecting income		
Change in the value of hedging derivatives	6,867	-24,610
Income taxes	-32,062	-36,214
Share of gains or losses recognised directly in the equity of associates	1,132	3,040
Gains or losses recognised directly in equity (after income tax)	**53,392**	**64,503**

TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

BRED group	2014			2013		
(€'000)	Gross	Income tax	Net	Gross	Income tax	Net
Revaluation differences on defined-benefit pension schemes	-22,873	7,875	-14,998	-4 006,,	1,392	-2,614
Translation differences	9,897		9,897	-2,469		-2,469
Change in the value of available for sale financial assets	82,556	-29,697	52,859	127,370	-44,887	82,483
Change in the value of hedging derivatives	6,867	-2,366	4,502	-24,610	8,673	-15,937
Share of gains or losses recognised directly in the equity of associates	2,357	-1,224	1,132	3,040		3,040
Total gains or losses recognised directly in equity	**78,804**	**-25,412**	**53,392**	**99,325**	**-34,822**	**64,503**
Attributable to equity holders of the parent company			**49,785**			**66,311**
Non-controlling interests			**3,608**			**-1,808**

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.

	2014			2013		
(€'000)	Income	Expense	Net	Income	Expense	Net
Loans and receivables - customers	532,298	-110,134	422,164	526,155	-126,556	399,599
Loans and receivables - credit institutions	55,408	-36,908	18,500	51,386	-45,102	6,284
Finance leases	15,137		15,137	16,643		16,643
Debt securities and subordinated debt		-38,161	-38,161		-36,761	-36,761
Hedging derivatives	155,348	-161,528	-6,180	480,072	-494,984	-14,912
Available for sale financial assets	29,940		29,940	58,748		58,748
Held to maturity financial assets						
Impaired financial assets						
Other interest income and expense		-7,590	-7,590		-3,927	-3,927
Total interest income and expense	**788,131**	**-354,321**	**433,810**	**1,133,004**	**-707,330**	**425,674**

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.

This heading includes 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 net interest income.

(€'000)	2014 Income	2014 Expense	2014 Net	2013 Income	2013 Expense	2013 Net
Interbank and cash transactions	4,939	-882	4,057	3,777	-1,518	2,259
Customer transactions	139,624		139,624	143,478		143,478
Financial services	26,960	-6,314	20,646	25,196	-5,197	19,999
Sales of life insurance products	2,184		2,184	2,642		2,642
Payment services	166,715	-95,104	71,611	171,578	-100,301	71,277
Securities transactions	22,869		22,869	13,558	-2	13,556
Fiduciary services	1,778		1,778	1,833		1,833
Financial instrument and off-balance sheet transactions	25,435	-3,797	21,638	22,314	-4,819	17,495
Other	5,518	-4,528	990	6,086	-5,547	539
Total fees and commissions	**396,022**	**-110,625**	**285,397**	**390,462**	**-117,384**	**273,078**

6.3 Net gains or losses on financial instruments at fair value through profit or loss

This heading includes gains or 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 or losses on hedging transactions include gains or 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)	2014	2013
Gains or losses on financial instruments at fair value through profit or loss (excluding hedging derivatives)	**149,303**	**111,957**
Gains or losses on financial instruments held for trading	108,854	72,430
Gains or losses on financial instruments designated at fair value through profit or loss by option	40,449	39,527
Gains or losses on hedging transactions	**-3,094**	**-1,221**
▶ Ineffective portion of fair value hedges	-3,113	-1,151
- *Changes in the fair value of the hedging instrument*	-19,051	115,244
- *Changes in fair value of the hedged items attributable to the risks hedged*	15,938	-116,395
▶ Ineffective portion of cash flow hedges	19	-70
▶ Ineffective portion of hedges of net investments in foreign operations		
Gains or losses on foreign exchange transactions	**27,687**	**21,127**
Total gains or losses on financial instruments at fair value through profit or loss	**173,896**	**131,863**

(€'000)	2014	2013
Balance at start of period		
Deferred profit or loss on new transactions		
Recognised in profit or loss during the year		
Balance at end of period		

6.4 Net gains or 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)	2014	2013
Gains or losses on disposals	18,731	82,401
Dividends received	18,132	5,981
Impairment in value of variable-income securities	-2,659	-3,998
Total net gains or losses on available for sale financial assets	**34,204**	**84,384**

6.5 Income and expense from other activities

This heading includes in particular:

- ▶ income and expense from investment property (rental income and expense, gains or losses on disposal, depreciation and impairment losses);
- ▶ income and expense from insurance activities (in particular earned premiums, paid benefits and claims, and changes in insurance technical reserves);
- ▶ income and expense from operating leases; and
- ▶ income and expense from property development activities (revenue, purchases consumed).

(€'000)	2014 Income	2014 Expense	2014 Net	2013 Income	2013 Expense	2013 Net
Income and expense from insurance activities	**630,379**	**-765,132**	**-134,753**	**545,000**	**-675,638**	**-130,638**
Income and expense from real estate activities						
Income and expense from leasing transactions						
Income and expense from investment property	**6,050**	**-1,008**	**5,042**	**4,702**	**-1,129**	**3,573**
Share of joint ventures	2,617	-13	2,604	2,573		2,573
Transfers of expenses and income	1,322	-21	1,301	1,301	-115	1,186
Other operating income and expense	186,251	-19,244	167,007	181,834	-18,801	163,033
Additions to and reversals from provisions booked to other operating income and expense	8,241	-4,485	3,756	4,109	-3,995	114
Other operating banking income and expense	**198,431**	**-23,763**	**174,668**	**189,817**	**-22,911**	**166,906**
Total income and expense from other activities	**834,860**	**-789,903**	**44,957**	**739,519**	**-699,678**	**39,841**

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.

	Banking presentation 2014					
(€'000)	Net banking income	Operating expenses	Gross operating profit	Cost of risk	Insurance presentation 2014	Insurance presentation 2013
Earned premiums	639,077		639,077		639,077	553,263
Revenue or income from other activities						
Other operating income						
Net financial income (loss) before finance costs	227,256	-3,534	223,722		223,722	212,101
Total income on ordinary activities	**866,333**	**-3,534**	**862,799**		**862,799**	**765,364**
Claims and benefits expenses	-459,494	-2,297	-461,791		-461,791	-475,746
Expenses on other activities	-321,245		-321,245		-321,245	-215,748
Net income and expense of outward reinsurance	-325		-325		-325	-2,800
Policy acquisition costs	-16,738	-4,573	-21,311		-21,311	-17,165
Administrative expenses	-18,695	-2,695	-21,390		-21,390	-22,312
Other recurring operating income and expense	236	-3,867	-3,631		-3,631	-4,147
Total other operating income and expense	**-816,261**	**-13,432**	**-829,693**		**-829,693**	**-737,918**
Operating profit (loss)	**50,072**	**-16,966**	**33,106**		**33,106**	**27,446**

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 reclassified 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)	**2014**	2013
Personnel costs	**-358,630**	**-357,038**
Taxes and duties	-29,777	-26,740
External services	-189,606	-191,075
Other expenses	-2,438	-3,670
Other administrative expenses	**-221,821**	**-221,485**

The breakdown of personnel costs is provided in note 8.1.

6.7 Cost of risk

This item records net impairment charges for credit risks, regardless of whether the impairment is calculated on an individual 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)	**2014**	2013
Net charge to provisions and provisions for impairment	-85,036	-82,200
Recoveries of bad debts written off	4,168	7,391
Irrecoverable loans not covered by provisions for impairment	-5,106	-6,473
Total cost of risk	**-85,974**	**-81,282**

COST OF RISK FOR THE PERIOD BY TYPE OF ASSET

(€'000)	**2014**	2013
Interbank transactions	-70	216
Customer transactions	-85,973	-87,686
Other financial assets	69	6,188
Total cost of risk	**-85,974**	**-81,282**

6.8 Share of net profit or loss of associates

(€'000)	**2014**	2013
Acleda	7,189	6,847
BCEL	1,677	2,187
BCI	11,484	11,277
SBE	929	
Socredo	1,435	1,077
Financial companies	**22,714**	**21,388**
Aurora		
Non-financial companies		
Total share of net profit or loss of associates	**22,714**	**21,388**

6.9 Gains or losses on other assets

This heading records gains or losses on the disposal of property, plant and equipment and intangible assets used in operations as well as capital gains or losses on the disposal of consolidated investments.

(€'000)	**2014**	2013
Gains or losses on the disposal of property, plant and equipment and intangible assets used in operations	13	1,141
Gains or losses on the disposal of consolidated investments		
Total gains or losses on other assets	**13**	**1,141**

6.10 Change in the value of goodwill

None

6.11 Income tax expense

(€'000)	**2014**	2013
Current tax	-96,352	-102,580
Deferred tax	3,714	4,764
Total income tax expense	**-92,638**	**-97,816**

RECONCILIATION BETWEEN THE TAX CHARGE IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE

	2014		2013	
	(€'000)	Tax rate	(€'000)	Tax rate
Net profit attributable to equity holders of the parent company	200,365		182,602	
Change in value of goodwill				
Share of minority interests in consolidated companies	1,432		1,599	
Share of net profit or loss of associates	-22,714		-21,388	
Income tax	92,638		97,816	
Profit before tax and changes in value of goodwill (a)	**271,721**		**260,629**	
Standard income tax rate in France (B)		**38.00%**		**38.00%**
Theoretical tax expense (income) at the tax rate in force in France (AxB)	**-103,254**		**-99,039**	
Impact of permanent differences and other taxes(1)	10,616		1,223	
Income tax expense (credit)	**-92,638**		**-97,816**	
Effective tax rate (income tax expense divided by taxable income)		**34.09%**		**37.53%**

Note: the Group tax rate is 34.43%.
(1) of which a tax deduction of €5.9 million in respect of dividends paid by BPCE in 2014.

NOTE 7
RISK EXPOSURE

Information relating to the capital and its management and to regulatory ratios is presented in the risk management section.

7.1 Credit risk and counterparty risk

Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. These include:
- breakdown of the loan portfolio by category of gross exposure and approach;
- breakdown of gross exposure by category and approach with distinction between credit and counterparty risk;
- breakdown of gross exposure by geographic region;
- concentration of credit risk by borrower;
- breakdown of exposure by credit rating.

This information forms an integral part of the consolidated financial statements certified by the Statutory Auditors.

7.1.1 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.
Commitments exposed to credit risk 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 outstanding loans is provided in the risk management report.

7.1.2 Overall exposure to credit risk and counterparty risk

The table below summarises the credit risk exposure of all the Group's financial assets.
This credit risk exposure corresponds to the net carrying amount of these assets without taking into account the impact of any unrecognised netting or collateral.

(€'000)	**Net outstandings at 31 December 2014**	Net outstandings at 31 December 2013
Financial assets at fair value through profit or loss (excluding variable-income securities)	4,754,363	3,501,238
Hedging derivative instruments	311,113	81,387
Available for sale financial assets (excluding variable-income securities)	10,246,579	9,623,229
Interbank transactions	9,729,226	6,983,177
Customer transactions	15,106,308	14,286,303
Held to maturity financial assets		
Balance sheet exposures	**40,147,589**	**34,475,334**
Financial guarantees given	1,892,019	1,921,411
Off-balance sheet commitments	3,057,151	2,871,470
Exposures in respect of off-balance sheet commitments and financial guarantees given	**4,949,170**	**4,792,881**
Overall credit risk exposure	**45,096,759**	**39,268,215**

7.1.3 Impairment and provisions for credit risk

(€'000)	31 December 2013	Charges	Used reversals	Unused reversals	Other changes	31 December 2014
Available for sale financial assets	4,522		-780		117	3,859
Interbank transactions	7,677				-17	7,660
Customer transactions	636,837	135,510	-18,024	-71,875	1,065	683,513
Held to maturity financial assets						
Other financial assets						
Impairment losses deducted from assets	**649,036**	**135,510**	**-18,804**	**-71,875**	**1,165**	**695,032**
Provisions for off-balance sheet commitments and financial guarantees given[(1)]	**4,737**	**10,324**	**-19**	**-10,552**	**27,477**	**31,967**
Total impairment and provisions for credit risk	**653,773**	**145,834**	**-18,823**	**-82,427**	**28,642**	**726,999**

[(1)] The amounts shown under "Other changes" correspond to a reclassification proceeding mainly from provisions for litigation and disputes.

7.1.4 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 accounts;
- 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	TOTAL
Debt instruments					
Loans and advances	347,656	4,162			351,818
Other financial assets					
Total at 31 December 2014	**347,656**	**4,162**			**351,818**

7.1.5 Restructuring due to financial difficulties

The table below shows the assets (excluding assets held for trading) and financing commitments that have undergone changes to the terms of their initial contract or refinancing that constitutes a concession in the presence of a debtor's financial difficulties (forbearance exposures).

	31 December 2014		
(€'000)	Restructuring	Impairment and provisions	Guarantees received
Balance sheet	179,572	-29,040	67,108
Off-balance sheet	12,145		163

7.2 Market risk

Some of the information relating to market risk required by IFRS 7 is 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 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; and
- 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.

(€'000)	31 December 2014	31 December 2013
Market risk in respect of interest rate positions under the standard approach	45,853	47,274
Market risk in respect of equity positions under the standard approach	13,381	20,331
Market risk in respect of foreign exchange positions under the standard approach	16,468	11,088
Market risk in respect of commodity positions under the standard approach	44	30
Total market risks	**75,746**	**78,723**

7.3 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.

7.4 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 refinancing procedures and liquidity risk management arrangements are described in the risk management report.
The table below shows the amounts by contractual maturity date.
Financial instruments marked to market in the income statement and held in the trading book, variable-income available for sale financial assets, doubtful loans, hedging derivatives and re-measurement adjustments on interest rate risk-hedged portfolios are placed in the "No fixed maturity" column. These financial instruments are:

▶ either held for sale or redeemed prior to their contractual maturity;
▶ or held for sale or redeemed at an indeterminable date (particularly where they have no contractual maturity);
▶ or measured on the balance sheet for an amount impacted by revaluation effects.

Accrued interest not yet due is shown in the "Less than 1 month" column.

The amounts shown are the contractual amounts excluding forecast interest.

							31 December 2014
(€'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	1,674,262						1,674,262
Financial assets at fair value through profit or loss - trading book						5,169,218	5,169,218
Financial assets at fair value through profit or loss - fair value option				6,758	70,426	1,075,582	1,152,766
Hedging derivatives						311,113	311,113
Available for sale financial assets	218,913	264,011	3,303,775	6,315,826	3,033,123	2,601,857	15,737,505
Amounts due from credit institutions	6,714,169	688,909	1,853,976	202,144	248,470	10,136	9,717,804
Amounts due from customers	2,320,358	674,219	1,318,157	4,830,626	5,416,121	267,742	14,827,223
Re-measurement adjustments on interest rate risk-hedged portfolios							
Held to maturity financial assets	11,485		5,102	174,514	706,739		897,840
Financial assets by maturity	**10,939,187**	**1,627,139**	**6,481,010**	**11,529,868**	**9,474,879**	**9,435,648**	**49,487,731**
Central banks	1,437						1,437
Financial liabilities at fair value through profit or loss - trading book						3,352,023	3,352,023
Financial liabilities at fair value through profit or loss - fair value option							
Hedging derivatives						584,066	584,066
Amounts due to credit institutions	4,569,203	613,945	739,234	852,799	266,647	1,015,068	8,056,896
Amounts due to customers	23,669,602	308,470	541,958	1,038,375	141,006		25,699,411
Subordinated debt	14,357		20,650	296,219	1,117		332,343
Debt securities	314,866	1,406,819	852,721	353,821	8,953		2,937,180
Re-measurement adjustments on interest rate risk-hedged portfolios							
Financial liabilities by maturity	**28,569,465**	**2,329,234**	**2,154,563**	**2,541,214**	**417,723**	**4,951,157**	**40,963,356**
Financing commitments given to credit institutions	9,197	116,000	450,000	486,500			1,061,697
Financing commitments given to customers	16,684	7,917	16,076	1,934,288	1,399	38,042	2,014,406
Financing commitments given	**25,881**	**123,917**	**466,076**	**2,420,788**	**1,399**	**38,042**	**3,076,103**
Guarantee commitments given to credit institutions		111	4,708		30	118,545	123,394
Guarantee commitments given to customers	1,696,654	3,608	26,490	404	177	38,549	1,765,882
Guarantee commitments given	**1,696,654**	**3,719**	**31,198**	**404**	**207**	**157,094**	**1,889,276**

NOTE 8
EMPLOYEE BENEFITS

8.1 Personnel costs

(€'000)	**2014**	2013
Wages and salaries	-196,694	-194,912
Costs of defined-benefit and defined-contribution plans	-42,041	-40,701
Other social security costs and taxes	-81,800	-85,972
Profit-sharing and incentive plans	-38,095	-35,453
Total personnel costs	**-358,630**	**-357,038**

The CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi) is deducted from payroll costs. It amounted to €4.3 million in respect of 2014. The use made of this tax credit is described in section 6 "Corporate Social Responsibility" of the annual report.

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 (CARBP), covers the pension benefits deriving from the closure of the banking pension scheme on 31 December 1993.

The pension plans managed by CARBP are partly covered by an insurance policy for annuities paid to beneficiaries having passed a reference age and for obligations related to younger beneficiaries. An exceptional contribution of €17.7 million was paid to increase this cover.

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 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 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

(€'000)	Defined-benefit pension plans				Other long-term employee benefits				
	CARBP supplementary pension	CGP supplementary pension	Other supplementary pensions and plans	Supplementary pension and other plans	End-of-career awards	Long-service awards	Other benefits	**2014**	2013
Actuarial liabilities	117,788		4,114	121,902	40,194	5,154		167,250	142,693
Fair value of plan assets	51,208		1,404	52,612	9,030			61,642	43,550
Fair value of reimbursement rights									
Effect of ceiling on assets									
Net amount reported on the balance sheet	**66,580**		**2,710**	**174,514**	**31,164**	**5,154**		**105,608**	**99,143**
Employee benefit obligations: liabilities	66,580		2,839	69,419	31,164	5,154		105,737	99,513
Employee benefit obligations: assets			209	209				209	370

8.2.2 Change in amounts recognised on the balance sheet

CHANGE IN ACTUARIAL LIABILITIES

(€'000)	Defined-benefit pension plans				Other long-term employee benefits				
	CARBP supplementary pension	CGP supplementary pension	Other supplementary pensions and plans	Supplementary pension and other plans	End-of-career awards	Long-service	Other benefits	**2014**	2013
Actuarial liabilities at start of year	**100,123**		**3,853**	**awards**	**Other benefits**	**4,334**		**142,693**	**152,762**
Current-year service cost					1,740	273		2,013	2,324
Past service cost									
Interest cost	2,934		119	3,053	971	110		4,134	4,537
Benefits paid	-4,062		-56	-4,118	-3,536	-136		-7,790	-7,592
Other	0		10	10	161	636		807	303
Changes recognised in profit or loss	**-1,128**		**73**	**-1,055**	**-664**	**883**		**-836**	**-427**
Revaluation differences - Demographic assumptions	-390			-390	968			578	92
Revaluation differences - Financial assumptions	20,378		105	20,483	5,757			26,240	-7,024
Revaluation differences - Past-experience effects	-1,195		80	-1,115	-68			-1,183	-3,505
Changes recognised directly in equity that cannot be reclassified in income	**18,793**		**185**	**18,978**	**6,657**			**25,635**	**-10,438**
Translation differences					**24**			**24**	**-27**
Changes in scope					**-197**	**-63**		**-260**	
Other			**3**	**3**	**-9**			**-6**	**823**
Actuarial liabilities at end of year	**117,788**		**4,114**	**121,902**	**40,194**	**5,154**		**167,250**	**142,693**

CHANGE IN PLAN ASSETS

(€'000)	Defined benefit – pension plans					Other long-term employee benefits			
	CARBP supplementary pension	CGP supplementary pension	Supplementary pension and other plans	Supplementary pension and other plans	End-of-career awards	Long-service awards	Other benefits	**2014**	2013
Fair value of plan assets at start of year	**30,168**		**1,413**	**31,581**	**11,969**			**43,550**	**42,651**
Interest income	1,021		15	1,036	304			1,340	1,216
Contributions received	17,683			17,683				17,683	
Benefits paid	-325			-325	-3,315			-3,640	-2,754
Other			-53	-53				-53	341
Changes recognised in profit or loss	**18,379**		**-38**	**18,341**	**-3,011**			**15,330**	**-1,197**
Revaluation differences - return on plan assets	2,661		29	2,690	72			2,762	2,096
Changes recognised directly in equity that cannot be reclassified in income	**2,661**		**29**	**2,690**	**72**			**2,762**	**2,096**
Translation differences									
Changes in scope									
Other									
Fair value of plan assets at end of year	**51,208**		**1,404**	**52,612**	**9,030**			**61,642**	**43,550**

REVALUATION DIFFERENCES ON PENSION PLANS

(€'000)	CARBP supplementary pension and other plans	CGPCE supplementary pension and other plans	Other supplementary pensions and plans	Supplementary pension and other plans	End-of-career awards	**2014**	2013
Cumulative revaluation differences at start of year	**15,211**		**497**	**15,708**	**-7,677**	**8,031**	**18,468**
Revaluation differences generated during the year	18,793		185	18,978	6,657	25,635	-10,438
Cumulative revaluation differences at end of year	**34,004**		**682**	**34,686**	**-1,013**	**33,673**	**8,031**

(€'000)	CARBP supplementary pension and other plans	CGPCE supplementary pension and other plans	Other supplementary pensions and plans	Supplementary pension and other plans	End-of-career awards	**2014**	2013
Cumulative revaluation differences at start of year	**3,346**		**30**	**3,376**	**650**	**4,026**	**1,993**
- of which actuarial differences	*3,346*		*30*	*3,376*	*650*	*4,026*	*1,930*
- of which impact of asset ceiling							
Revaluation differences generated during the year	2,661		29	2,690	72	2,762	2,096
Adjustments to asset ceiling							
Cumulative revaluation differences at end of year	**6,007**		**59**	**6,066**	**722**	**6,788**	**4,026**
- of which actuarial differences	*6,007*		*59*	*6,066*	*722*	*6,788*	*4,026*
- of which impact 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.

8.2.3 Actuarial expense under defined-benefit plans

(€'000)	Defined-benefit pension plans				Other long-term employee benefits				
	CARBP supplementary pension	CGP supplementary pension	Other supplementary pensions and plans	Supplementary pension and other plans	End-of-career awards	Long-service awards	Other benefits	**2014**	2013
Current-year service costs					-1,740	-273		-2,013	-2,324
Past service cost									
Interest cost	-2,934		-119	-3,053	-971	-110		-4,134	-4,537
Interest income	1,021		15	1,036	304	0		1,340	1,216
Benefits paid	3,737		56	3,793	221	136		4,150	4,838
Contributions received	17,683		0	17,683				17,683	
Other (including asset ceiling)			-63	-63	-161	-636		-860	38
Total expense for the period	**19,507**		**-111**	**19,396**	**-2,347**	**-883**		**16,166**	**-770**

8.2.4 Other information

MAIN ACTUARIAL ASSUMPTIONS

	CARBP 31 December 2014	CARBP 31 December 2013
Discount rate	1.57%	1.57%
Inflation rate	1.80%	1.90%
Mortality tables used	TGH05 TGF05	TGH05 TGF05
Duration	15.5	14.3

TEST OF SENSITIVITY OF ACTUARIAL LIABILITIES

In % and €'000	CARBP	
	%	amount
1% increase in the discount rate	-13.62	(16,048)
1% decrease in the discount rate	+17.36	20,445
1% increase in the inflation rate	+17.08	20,120
1% decrease in the inflation rate	-11.78	(13,873)

PAYMENT SCHEDULE - (NON-DISCOUNTED) BENEFITS PAID TO BENEFICIARIES

(€'000)	CARBP plan
Y+1 to Y+5	23,539
Y+6 to Y+10	24,081
Y+11 to Y+15	23,470
Y+16 to Y+20	21,705
>Y+20	59,548

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

by significant plan

	CARBP		End-of-career awards	
	Weight by category (as a %)	Fair value of assets (€'000)	Weight by category (as a %)	Fair value of assets (€'000)
Equities	34.20	17,513	9.00	813
Debt instruments	51.60	26,423	84.10	7,594
Real estate	0.00	0	3.50	316
Other assets	14.20	7,271	3.40	307
Total	**100.00**	**51,207**	**100.00**	**9,030**

8.3 Share-based payments

None

NOTE 9
SEGMENT REPORTING

9.1 Income statement segment information

BRED Banque Populaire's operations are organised into six business divisions:
- Commercial Banking France, which includes all the businesses of the branches, wealth management centres, business centres, wholesale banking and the associated subsidiaries;
- International and Overseas Commercial Banking;
- International Trade Financing (BIC BRED);
- Asset/Liability Management (ALM);
- Capital Markets Department;
- Consolidated Management of Investments.

(€m)	Commercial Banking France			International and Overseas Commercial Banking			International Trade Financing		
	2013	**2014**	Change 2014/2013	2013	**2014**	Change 2014/2013	2013	**2014**	Change 2014/2013
Interest	398.9	428.7	7.5%	38.1	35.8	-6.0%	3.4	2.3	-32.5%
Fee income	357.6	371.3	3.8%	7.1	8.5	20.3%	3.8	2.0	-46.8%
Net banking income	**756.4**	**800.0**	**5.8%**	**45.2**	**44.3**	**-1.9%**	**7.2**	**4.3**	**-40.1%**
Operating expenses	-511.6	-510.3	-0.3%	-35.8	-38.3	6.9%	-4.2	-4.5	6.4%
Gross operating profit	**244.8**	**289.8**	**18.4%**	**9.3**	**6.0**	**-35.6%**	**3.0**	**-0.2**	**-105.1%**
Provisions (excl. collective provisions)	-66.7	-68.2	2.3%	-5.6	-3.3	-40.5%	-14.4		-100.0%
Operating profit	**178.1**	**221.6**	**24.4%**	**3.8**	**2.7**	**-28.3%**	**-11.4**	**-0.2**	**-98.7%**
Gain or loss on non-current assets			ns			ns			ns
Share of profit (loss) of associates		0.9	ns	21.4	21.8	1.9%			ns
Profit on ordinary activities	**178.1**	**222.5**	**24.9%**	**25.2**	**24.5**	**-2.7%**	**-11.4**	**-0.2**	**-98.7%**

(€m)	ALM			Capital Markets Department			Consolidated Management of Investments		
	2013	**2014**	Change 2014/2013	2013	**2014**	Change 2014/2013	2013	**2014**	Change 2014/2013
Interest	-1.6	9.7	ns	65.9	76.0	15.3%	81.3	36.9	-54.6%
Fee income			ns	0.4	0.9	146.6%			ns
Net banking income	**-1.6**	**9.7**	**ns**	**66.3**	**76.9**	**16.0%**	**81.3**	**36.9**	**-54.6%**
Operating expenses	-1.3	-1.7	27.9%	-28.8	-31.8	10.4%	-11.1	-4.9	-55.9%
Gross operating profit	**-2.9**	**8.0**	**ns**	**37.5**	**45.1**	**20.3%**	**70.2**	**32.0**	**-54.4%**
Provisions (excl. collective provisions)			ns	7.8	2.9	-62.5%	-2.1	0.8	-137.5%
Operating profit	**-2.9**	**8.0**	**ns**	**45.3**	**48.1**	**6.0%**	**68.2**	**32.8**	**-51.9%**
Gain or loss on non-current assets			ns			ns	1.1		-100.0%
Share of profit (loss) of associates			ns			ns			ns
Profit on ordinary activities	**-2.9**	**8.0**	**ns**	**45.3**	**48.1**	**6.0%**	**69.3**	**32.8**	**-52.7%**

The breakdown was refined in 2014 and the 2013 data has been adjusted accordingly for the purpose of comparison.

9.2 Segment analysis of consolidated balance sheet by geographic region

The geographic analysis of segment assets and liabilities is based on the location where business activities are accounted for.

ASSETS

(€m)	2013			**2014**					
	France	French overseas	International	**France**	**French overseas**	**International**	o/w Europe	o/w North America	o/w rest of world
Financial assets	19,271	14	782	22,444	27	798	787		10
Loans and advances to credit institutions	9,204	690	180	10,436	704	252	67		185
Loans and advances to customers	11,138	2,572	513	11,357	2,820	650	195		455
Accrual accounts and other assets	2,149	-144	-519	2,295	-139	-569	-388		-180
Non-current assets	176	294	134	88	503	151	27		123
Total assets	**41,938**	**3,426**	**1,090**	**46,620**	**3,915**	**1,282**	**688**		**593**

LIABILITIES

(€m)	2013			**2014**					
	France	French overseas	International	**France**	**French overseas**	**International**	o/w Europe	o/w North America	o/w rest of world
Financial liabilities	2,543		1	3,936					
Amounts due to credit institutions	8,224	642	427	7,000	635	423	466		-43
Amounts due to customers	18,689	2,692	470	22,273	2,830	596			596
Debt securities	2,290		114	2,820		117			117
Securities transactions and other liabilities	6,972	219	-55	**7,540**	**220**	**-31**	-55		24
Provisions, shareholders' equity and equivalent	2,785	309	132	2,956	328	174	89		86
Total liabilities	**41,503**	**3,862**	**1,089**	**46,525**	**4,013**	**1,279**	**500**		**780**

9.3 Segment analysis of consolidated income by geographic region

The geographic analysis of segment results is based on the location where business activities are accounted for.

(€m)	2013	2014
France	627	709
French overseas	264	202
Other European countries	19	18
North America		
Rest of world	44	43
Total	**955**	**972**

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 December 2014	31 December 2013
Financing commitments given		
credit institutions	1,061,697	932,177
customers	2,014,406	1,939,293
▶ Confirmed credit facilities	1,991,949	1,894,902
▶ Other commitments	22,457	44,391
Total financing commitments given	**3,076,103**	**2,871,470**
Financing commitments received		
credit institutions	6,688,087	5,171,754
customers	69,118	188,932
Total financing commitments received	**6,757,205**	**5,360,686**

GUARANTEE COMMITMENTS

(€'000)	31 December 2014	31 December 2013
Guarantee commitments given		
credit institutions	123,394	223,779
customers	1,765,882	1,702,369
other securities pledged as collateral	4,802,266	6,107,907
Total guarantee commitments given	**6,691,542**	**8,034,055**
Guarantee commitments received		
credit institutions	2,014,576	2,027,948
customers	392,318	317,709
other securities received as collateral	1,958,577	984
Total guarantee commitments received	**4,365,471**	**2,346,641**

Guarantee commitments are off-balance sheet commitments.
"Securities pledged as collateral" are now included in note 12 "Financial assets transferred and not fully derecognised and other financial assets pledged as collateral", and "securities received as collateral" are included in note 12 "Financial assets received as collateral that can be sold or re-pledged".

NOTE 11
RELATED PARTY TRANSACTIONS

Related parties are all companies consolidated by the Group, including associates consolidated using the equity method and BPCE.

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 3.4).
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; and
- ▶ companies over which the Group exercises significant influence (i.e. associates, consolidated using the equity method)

	2014			2013		
(€'000)	**Entities exercising joint control or significant influence**	**Joint ventures**	**Associates**	Entities exercising joint control or significant influence	Joint ventures	Associates
Loans and advances	534,190		197,735	331,844	4,720	
Other financial assets	693,425	18,000	183,084	693,425	18,000	170,606
Other assets	9,826		45,001	25,115		
Total assets with related parties	**1,237,441**	**18,000**	**425,820**	**1,050,384**	**22,720**	**170,606**
Debt	903,066	23,924	56,911	651,725		
Other financial liabilities	135,165			188,658		
Other liabilities						
Total liabilities towards related parties	**1,038,231**	**23,924**	**56,911**	**840,383**		
Interest and similar income and expense	-18,713		8,088	-16,886	28	
Fees and commissions	194	-130		100		
Net gain or loss on financial transactions	15,608	512	8,196	4,284	512	7,484
Net income from other activities				239		
Total net banking income with related parties	**-2,911**	**382**	**16,284**	**-12,263**	**540**	**7,484**
Commitments given	450,000		84,510	450,000		
Commitments received				12,500		
Commitments in respect of forward financial instruments		65,000	234,519			
Total commitments involving related parties	**450,000**	**65,000**	**319,029**	**462,500**		

NOTE 12

TRANSFERRED FINANCIAL ASSETS, OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL AND ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR RE-PLEDGED

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	**31 December 2014**
(€'000)	Net carrying amount	Net carrying amount	Net carrying amount	Net carrying amount	**Net carrying amount**
Financial assets pledged as collateral					
Financial assets held for trading		**74,495**	**708,141**		**782,636**
Financial assets designated at fair value through profit or loss by option					
Hedging derivatives					
Fixed-income securities	215,864	7,222,037	1,760,211		9,198,112
Equity interests					
Other variable-income securities					
Other financial assets					
Available for sale financial assets	**215,864**	**7,222,037**	**1,760,211**		**9,198,112**
Loans and receivables		**22,738**	**2,333,914**		**2,356,652**
Treasury bills and similar securities					
Bonds and other fixed-income securities	351,308				351,308
Assets held to maturity	**351,308**				**351,308**
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**567,172**	**7,319,270**	**4,802,266**		**12,688,708**
Of which transferred financial assets not wholly derecognised	**567,172**	**7,319,270**	**2,333,914**		**10,220,356**

The liabilities arising from financial assets pledged as collateral in the context of repurchase agreements amounts to €7.3 billion.

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 collateral (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 collateral 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 as collateral in the form of a pledge. The main mechanism concerns securities pledged as collateral for European Central Bank (ECB) refinancing operations.

12.1.3 Financial assets received as collateral that can be sold or re-pledged

	Reusable financial instruments		
(€'000)	Fair value of reusable financial instruments not reused	Fair value of reused financial instruments	Total reusable financial instruments
Fixed-income securities	4,579,503	560,159	5,139,662
Variable-income securities	2,568,679	97,878	2,666,557
Loans and advances			
Other			
Total financial assets received as collateral that can be sold or re-pledged	**7,148,182**	**658,037**	**7,806,219**

The assets in question are mainly securities received under repurchase agreements and borrowed securities.

12.2 Wholly derecognised financial assets for which the Group retains an ongoing commitment

None

NOTE 13
NETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments under netting agreements mainly comprise repurchase agreements and over-the-counter derivatives transactions.
This is particularly the case for over-the-counter derivatives or repurchase agreements under master agreements in respect of which the net settlement criteria or completion of simultaneous settlement of the asset and liability cannot be demonstrated or for which the netting right can only be exercised in the event of the default, insolvency or bankruptcy of one of the parties to the agreement.
Following a note published by IFRIC, it has been necessary for BRED to review in greater detail the netting rules applied to its derivatives. The impact on the balance sheet of grossing up its derivatives amounts to around €1.3 billion.

13.1 Financial assets

FINANCIAL ASSETS UNDER NETTING AGREEMENTS NOT OFFSET IN THE BALANCE SHEET

	31 December 2014				31 December 2013			
(€m)	Net amount of financial assets re-cognised 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 re-cognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (*cash collateral*)	Net exposure
Derivatives	2,804	2,260	302	243	583	174	233	175
Repurchase agreements	7,423	7,419		4	4,898	4,889		10
Other assets								
TOTAL	**10,228**	**9,679**	**302**	**247**	**5,481**	**5,063**	**233**	**185**

13.2 Financial liabilities

	31 December 2014				31 December 2013			
(€'000)	Net amount of financial assets re-cognised 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 re-cognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (*cash collateral*)	Net exposure
Derivatives	3,207	2,260	792	155	1,164	174	842	147
Repurchase agreements	6,828	6,793		35	7,782	7,752		29
Other liabilities								
TOTAL	**10,035**	**9,053**	**792**	**190**	**8,946**	**7,927**	**842**	**177**

NOTE 14
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES 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 to realise the fair value indicated and in practice such value could not generally be realised.
These fair values are calculated solely for the purpose of disclosure in the notes to the financial statements. They are not indicators used to steer the commercial banking activities, for which the management model is based on the receipt of expected cash flows.
The simplified assumptions used to measure the fair value of instruments at amortised cost are described in note 4.1.6.

	31 December 2014				31 December 2013			
(€'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	Price quoted in an active market (level 1)	Measurement techniques using observable data (level 2)	Measurement techniques using non-observable data (level 3)
Financial assets at amortised cost								
Loans and receivables due from credit institutions	9,713,814		8,974,036	739,778	7,024,215		6,317,630	706,585
Loans and receivables due from customers	16,249,679		3,332,627	12,917,052	15,190,749		1,371,508	13,819,241
Held to maturity financial assets	1,109,042	1,109,042			1,019,826	1,019,826		
Financial liabilities at amortised cost								
Amounts due to credit institutions	8,120,817		8,120,817		9,369,371		9,369,371	
Amounts due to customers	25,699,528		21,109,355	4,590,173	21,851,915		17,365,026	4,486,889
Debt securities	2,940,146		2,940,146		2,399,767		2,399,767	
Subordinated debt	430,690		430,690		455,940		455,940	

NOTE 15
CONSOLIDATION SCOPE

15.1 Changes in the consolidation scope in 2014

In 2014, the main changes in the consolidation scope were as follows:

Changes in scope related to the first application of IFRS 10 and IFRS 11
First-time application of IFRS 10 and IFRS 11 resulted in a change in the consolidation method applied to SBE, which had formerly been consolidated using the proportional method and is now consolidated using the equity method with effect from 1 January 2014.
The impact on the financial statements of these changes in the consolidation scope is disclosed in note 2.3.

Other changes in the consolidation scope
There were no other material changes.

15.2 Guaranteed UCITS

Guaranteed UCITS are funds designed to reach a specific amount at the end of a given period, determined by applying a predefined calculation formula based on financial market indicators and, where appropriate, to distribute income determined using the same methods. The investment targets of these funds are guaranteed by a credit institution.
Analysis of the overall economics of these funds using the criteria defined by IFRS 10 shows that the Group does not have power over the relevant activities (the management latitude is limited) and is not exposed to their variable returns (a strong risk monitoring system having been put in place). It does not therefore consolidate these structures.

15.3 Other interests in consolidated subsidiaries and structured entities

Major restrictions
The Group has not been faced with any major restrictions relating to its holdings in subsidiaries, whether structured or not.

NOTE 16
INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

16.1 Nature of interests in non-consolidated structured entities

A non-consolidated structured entity is a structured entity that is not controlled and therefore is not accounted for using the full consolidation method. Consequently, the interests held in a joint venture or associate classified as a structured entity fall within the scope of this note.

Structured entities that are controlled but not consolidated for reasons of threshold also fall within the scope of this note. They include all structured entities in which BRED holds an interest and is involved with in one or more of the following capacities:
- ▶ originator/structurer/arranger;
- ▶ placement agent;
- ▶ manager;
- ▶ or, in any other capacity that has a major impact on the structuring or management of the transaction (e.g. providing financing, guarantees or structuring derivatives, tax investor, major investor, etc.).

In the specific case of asset management, investments in private equity, venture capital and real estate funds are disclosed, unless they are not material for the BRED group.
An interest in an entity corresponds to any type of contractual or non-contractual relationship that exposes the Group to a risk of fluctuating returns linked to the entity's performance. Interests in another entity may be attested to by, inter alia, the holding of equity or debt instruments, or by other links, such as funding, cash advances, credit enhancement, granting of guarantees or structured derivatives.
In note 16.2, the BRED group discloses all the transactions recorded on its balance sheet in respect of risks linked to the interests held in the structured entities included in the scope described herein.

The structured entities with which the Group has a relationship can be divided into four categories: entities created for the asset management activity, securitisation vehicles, entities created as part of structured financing and entities created for other types of transactions.
- ▶ Asset management
  Management of financial assets (also known as portfolio management) consists of managing capital or funds entrusted by investors by investing in equities, bonds, cash open-ended funds (SICAV), hedge funds, etc.
  The asset management activity that draws on structured entities is represented by collective management or fund management. More specifically, it comprises undertakings for collective investment within the meaning of the French Monetary and Financial Code (other than securitisation structures) and equivalent undertakings governed by foreign law. This includes in particular entities such as UCITS, real estate funds and private equity funds.
- ▶ Securitisation
  Securitisation transactions are generally established in the form of structured entities in which assets or derivatives representing credit risks are isolated.
  These entities are designed to diversify the underlying credit risks and split them into different levels of subordination (tranches), generally with a view to marketing them to investors seeking a certain level of return, in line with the level of risk accepted.
  These assets of these vehicles and the liabilities they issue are rated by the rating agencies, which monitor that the level of risk borne by each risk tranche sold is in keeping with its risk rating.
  The types of securitisation transactions used and which involve structured entities are as follows:
  - transactions where the Group (or a subsidiary) sells on its own behalf to a dedicated vehicle, in cash or synthetic form, the credit risk relating to one of its asset portfolios;
  - securitisation transactions carried out on behalf of third parties. These transactions consist of housing assets belonging to another company in a dedicated structure, generally a securitisation fund (Fonds Commun de Créances – FCC). The fund issues units that can, in certain cases, be subscribed to directly by investors, or subscribed to by a multi-seller conduit which refinances the acquisition of these units by issuing short-term notes (commercial paper).
- ▶ Structured financing (of assets)
  Structured financing covers all the activities and products put in place to provide financing to economic agents while reducing risk through the use of complex structures. This includes the financing of movable assets (aeronautic, marine or terrestrial transport, telecommunications, etc.) and real estate assets and of the acquisition of target companies (LBO financing).
  The Group may create a structured entity to house a specific financing transaction on behalf of a customer. This is a contractual and structural organisation. The particularities of these types of financing concern the management of risk by using concepts such as limited recourse or waivers of recourse, contractual and/or structural subordination and the use of dedicated legal structures, in particular to hold a single finance lease contract representing the financing granted.
- ▶ Other activities (grouping the remaining activities)

16.2 Nature of risks relating to interests in non-consolidated structured entities

The assets and liabilities recorded in the Group's various balance sheet accounts in respect of interests in non-consolidated structured entities help determine the risks linked to these entities.

Maximum exposure to the risk of loss is calculated based on the amounts recorded in this respect on the assets side of the balance sheet, plus financing and guarantee commitments given and minus guarantee commitments received.

The "Notional amount of derivatives" line item corresponds to the notional amounts of options sales relating to structured entities.

The data in question is presented below, aggregated based on the related type of activity.

(€'000)	Securitisation	Asset management	Structured financing	Other activities	**Total at 31 December 2014**
Financial assets at fair value through profit or loss		653,691	30,330		684,021
Trading derivatives		631	30,330		30,961
Trading financial instruments (excluding derivatives)		653,060			653,060
Financial instruments designated at fair value through profit or loss by option					
Available for sale financial assets	75,291	368,478	21,715	28,484	493,968
Loans and receivables		17,240	145,280		162,520
Held to maturity financial assets					
Other assets	27				27
Total assets	**75,318**	**1,039,409**	**197,325**	**28,484**	**1,340,536**
Financial liabilities at fair value through profit or loss		21,177			21,177
Provisions					
Total liabilities		**21,177**			**21,177**
Financing commitments given			734		734
Guarantee commitments given		81,571			81,571
Guarantees received					
Notional amount of derivatives					
Maximum loss exposure		**81,571**	**734**		**82,305**
Size of structured entities	**75,131**	**27,137,599**	**229,002**	**43,454**	**27,485,186**

The size criterion used varies according to the structured entity's activity:

- securitisation: the total amount of liabilities issued by the entity;
- asset management: the net assets of collective investment vehicles (other than securitisation vehicles);
- structured financing: the total amount of outstanding financing due by the entities to all the banks;
- other activities: the entity's balance sheet total.

At 31 December 2014, BRED also had investments in securitisation vehicles outside Groupe BPCE in the form of debt securities, for a total amount of €1,006 million.

In 2014, the Group did not grant any financial support without contractual obligations to unconsolidated structured entities in which it holds an interest, nor did it help them to obtain financial support.

16.3 Income and carrying amount of assets transferred to sponsored non-consolidated structured entities

A structured entity is considered sponsored by a Group entity when the two following conditions are met:

- it is involved in the creation and structuring of the structured entity;
- it contributes to the success of the entity by transferring assets to it or by managing relevant activities.

When the Group entity's role is limited to that of advisor, arranger, custodian or placement agent, the structured entity is not considered to be sponsored.

The BRED group is not the sponsor of any structured entities.

NOTE 17

STATUTORY AUDITORS' FEES

	TOTAL					KPMG					PWC				
	2014		2013		% change	**2014**		2013		% change	**2014**		2013		% change
(€'000)	**Amount**	**%**	Amount	%		**Amount**	**%**	Amount	%		**Amount**	**%**	Amount	%	
Audit															
Statutory audit & review of company and consolidated financial statements	985	78.9	903	89.9	9.0	500	80.0	472	84.8	5.9	**484**	**77.9**	431	96.2	12.4
- Issuer	*456*		*466*			*210*		*233*			*246*		*233*		
- Fully consolidated subsidiaries	*529*		*437*			*290*		*239*		*21.5*	*238*		*198*		*20.4*
Other audit procedures and services linked directly to the statutory audit assignment	263	21.1	101	10.1	159.6	125	20.0	84	15.2	48.4	**137**	**22.1**	17	3.8	
- Issuer	*193*		*31*			*55*		*14*			*137*		*17*		
- Fully consolidated subsidiaries	*70*		*70*			*70*		*70*							
Sub-total	1,247	100.0	1,004	100.0	24.2	625	100.0	557	100.0	12.4	**622**	**100.0**	448	100.0	38.8
Services provided by the audit network to fully consolidated subsidiaries															
- Legal, tax, labour															
- Other															
Sub-total															
Total	**1,247**	**100.0**	**1,004**	**100.0**	**24.2**	**625**	**100.0**	**557**	**100.0**	**12.4**	**622**	**100.0**	**448**	**100.0**	**38.8**

The amounts shown correspond to the charges borne by the entities, inclusive of non-recoverable VAT.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2014

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 2014, 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, the 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 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 2014.

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 the 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
Your Group holds positions in 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 accounting rules and methods relating to securities and financial instruments. We examined the control systems applicable to the accounting classification of 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 those methods had been correctly applied.

Provisions for employee benefit obligations
Your 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,
28 April 2015

THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG S.A.

Marie-Christine Jolys, Partner

PricewaterhouseCoopers Audit

Agnès Hussherr, Partner
Nicolas Montillot, Partner

174

COMPANY FINANCIAL STATEMENTS

176 / Company financial statements
179 / Notes to the company financial statements
216 / Statutory Auditors' report on the company financial statements

BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

Assets

(€'000)	Notes	31 December 2014	31 December 2013
Cash and balances with central banks		1,599,155	3,002,583
Treasury bills and similar securities	3.3	9,227,544	7,928,455
Amounts due from credit institutions	3.1	10,231,174	7,458,839
Amounts due from customers	3.2	11,079,421	10,427,380
Bonds and other fixed-income securities	3.3	5,789,881	6,197,373
Shares and other variable-income securities	3.3	658,451	476,582
Equity interests and other long-term investments	3.4	749,138	749,182
Investments in affiliates	3.4	986,233	986,233
Finance and operating leases	3.5		
Intangible fixed assets	3.6	5,888	6,290
Property, plant and equipment	3.6	227,511	116,217
Other assets	3.8	1,176,236	1,093,149
Prepayments and accrued income	3.9	899,829	936,326
Total assets		**42,630,461**	**39,378,609**

OFF-BALANCE SHEET ITEMS

(€'000)	Notes	31 December 2014	31 December 2013
Commitments given			
Financing commitments	4.1	3,107,048	2,871,002
Guarantee commitments	4.1	1,943,649	1,857,914
Commitments in respect of securities		1,023,832	616,158

Liabilities

(€'000)	Notes	31 December 2014	31 December 2013
Due to central banks			
Amounts due to credit institutions	**3.1**	**8,286,211**	**9,408,700**
Transactions with customers	**3.2**	**25,112,178**	**21,346,610**
Debt securities	**3.7**	**3,236,451**	**2,662,124**
Other liabilities	**3.8**	**1,983,644**	**2,123,587**
Accruals and deferred income	**3.9**	**1,392,065**	**1,333,626**
Provisions	**3.10**	**232,304**	**235,091**
Subordinated debt	**3.11**	**327,627**	**381,120**
Fund for general banking risks (FGBR)	**3.12**	**148,243**	**133,833**
Capital and reserves (excluding FGBR)	**3.13**	**1,911,738**	**1,753,918**
Share capital		627,181	573,260
Share premium account		4,604	4,604
Reserves		1,009,580	887,375
Revaluation reserve			
Regulated provisions and investment subsidies		24,677	39,087
Retained earnings		106,360	110,000
Net profit for the year		139,336	139,592
Total liabilities		**42,630,461**	**39,378,609**

OFF-BALANCE SHEET ITEMS

(€'000)	Notes	31 December 2014	31 December 2013
Commitments received			
Financing commitments	4.1	6,688,087	5,164,257
Guarantee commitments	4.1	2,047,074	1,479,583
Commitments in respect of securities		658,206	567,020

INCOME STATEMENT

(€'000)	Notes	31 December 2014	31 December 2013
Interest and similar income	5.1	703,598	937,470
Interest and similar expense	5.1	-363,738	-708,149
Income from finance leases and operating leases	5.2		
Expense on finance leases and operating leases	5.2		
Income from variable-income securities	5.3	17,226	42,195
Fee and commission income	5.4	390,041	380,766
Fee and commission expense	5.4	-88,566	-93,880
Gains or losses on trading securities	5.5	131,228	171,547
Gains or losses on available for sale securities and similar	5.6	17,988	52,692
Other operating banking income	5.7	13,697	13,411
Other operating banking expense	5.7	-1,882	-761
Net banking income		**819,591**	**795,290**
Operating expenses	5.8	-504,132	-501,103
Depreciation, amortisation and impairment of non-current assets		-26,547	-28,803
Gross operating profit		**288,912**	**265,384**
Cost of risk	5.9	-81,206	-55,532
Operating profit		**207,706**	**209,852**
Gains or losses on non-current assets	5.10	-95	4,571
Pre-tax profit on ordinary activities		**207,611**	**214,423**
Non-recurring items	5.11		
Income tax	5.12	-68,275	-74,911
Net transfer to/from the fund for general banking risks and regulated provisions			81
Net profit for the year		**139,336**	**139,592**

NOTE 1
GENERAL BACKGROUND

1.1 Significant events

Increase in the capital of BRED Banque Populaire

At the end of September 2014, BRED Banque Populaire raised its share capital to €627,180,772 through a cash capital increase and the capitalisation of reserves.

The cash capital increase took the form of the issue at par value of 4,729,870 shares of €10.10 each for a total amount of €47,771,687.

The capitalisation of reserves amounted to €6,148,831.10 through the increase from €10.10 to €10.20 of the par value of the shares.

1.2 Groupe BPCE guarantee mechanism

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

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

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

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

The Caisse d'Epargne network consists of the Caisses d'Epargne and the local savings companies.

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

The capital of the Caisses d'Epargne is wholly 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'Epargne 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'Epargne and Banque Populaire banks.

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

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services 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 policy.

In respect of the Group's financial functions, BPCE is also 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 best counterparty for these transactions in the interests of the Group. It also provides banking services to other group entities.

Guarantee mechanism

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 mutual financial support within the Banque Populaire and Caisse d'Epargne 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 supplement that of the two networks' existing funds, as well as the contributions of affiliates to the fund's initial capital and reconstitution.
BPCE therefore manages the Banques Populaires Network Fund, the Caisses d'Epargne et de Prévoyance Network Fund and 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 10-year term deposit.
The **Caisses d'Epargne et de Prévoyance Network Fund** also consists of a deposit by the savings banks in the books of BPCE in the form of an indefinitely renewable 10-year term deposit.
The **Mutual Guarantee Fund** consists of deposits made by the Banques Populaires and Caisses d'Epargne in the books of BPCE in the form of indefinitely renewable 10-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'Epargne and their subsidiaries to the Group's consolidated profit.

The total amount of deposits made with BPCE in respect of the Banques Populaires Network Fund, the Caisses d'Epargne et de Prévoyance Network Fund and the Mutual Guarantee Fund may not be less than 0.15% or more than 0.3% of the Group's total risk weighted assets.
Solely in connection with the guarantee and shared support mechanism, each deposit made by a Banque Populaire or Caisse d'Epargne gives rise to the allocation of an equivalent amount to the fund for general banking risks of the entity concerned.
The mutual guarantee companies (*sociétés de caution mutuelle*), whose sole corporate purpose is to guarantee loans issued by Banque Populaire banks, are covered by the liquidity and capital adequacy guarantee of the Banque Populaire 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 said contributors.

1.3 Events after the end of the reporting period

None

NOTE 2 ACCOUNTING POLICIES AND PRINCIPLES

2.1 Measurement and presentation methods

BRED Banque Populaire's company financial statements are prepared and presented in accordance with the rules set by BPCE and in compliance with Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des Normes Comptables* – ANC).

2.2 Changes in accounting methods

Since 1 January 2014, BPCE has applied the provisions of ANC Recommendation No. 2013-02 of 7 November 2013 on the rules for measuring and recognising pension and similar benefits. These rules allow only the partial application of IAS 19 (revised) as adopted by the European Union in June 2012 and applicable as from 1 January 2013 (method 2). As such, the corridor method is applied to actuarial gains or losses and the impact of ceilings on plan assets is taken to income.
Like under IAS 19 revised, past service costs are immediately recognised in income and expected returns on plan assets are determined based on the discount rate used to measure the actuarial liabilities.
The impact of this change in method on equity at 1 January 2014 was a reduction of €3.6 million in retained earnings.
No other change in accounting method had an impact on the 2014 financial statements.
The texts adopted by the ANC of mandatory application in 2014 did not have a significant impact on BRED Banque Populaire's company financial statements.
BRED Banque Populaire has not elected for early adoption of standards adopted by the ANC where this decision is optional, unless so stated specifically.

2.3 Accounting principles and measurement methods

The 2014 financial statements are presented in the same form as the previous year's statements. The general accounting principles were applied in observance of the prudence concept, in accordance with the following basic assumptions:
- going concern,
- consistency of accounting methods from one period to the next,
- independence of financial years,

and in accordance with the general rules governing the preparation and presentation of company financial statements.
The basic method for valuing accounting entries is the historical cost method and all balance sheet items are presented, as appropriate, net of amortisation, depreciation, impairment, provisions and value adjustments.

The main accounting methods used are as follows:

2.3.1 Foreign currency transactions

Gains or losses on foreign currency transactions are determined in accordance with ANC Regulation No. 2014-07.
Receivables, liabilities and off-balance sheet commitments denominated in foreign currencies are valued at the exchange rate in force at the financial year-end. Definitive and unrealised foreign exchange gains or losses are recognised in profit or loss. Income and expenses received or paid in foreign currencies are recognised at the exchange rate on the transaction date.
Non-current assets and equity investments denominated in foreign currencies but financed in euro are valued at acquisition cost.
Unsettled spot foreign exchange transactions are valued at the year-end exchange rate.
Discounts or premiums on foreign exchange forward and futures contracts used for hedging purposes are recognised in profit or loss on a pro rata temporis basis. Other foreign exchange contracts and forward and futures instruments denominated in foreign currencies are valued at market price. Outright foreign exchange forward and futures contracts, and those hedged by forward and futures instruments, are revalued over their remaining term. Foreign exchange swaps are recognised as coupled buy/sell spot/forward currency transactions. Financial currency swaps are subject to the provisions of ANC Regulation No. 2014-07.

2.3.2 Transactions with credit institutions and customers

Amounts due from credit institutions cover all receivables in connection with banking transactions with the exception of those represented by a security. They also include securities received under repurchase agreements, regardless of the type of underlying, and receivables relating to securities repurchase agreements. They are broken down between demand receivables and term receivables. Amounts due from credit institutions are recorded in the balance sheet at their nominal value, with the exception of buybacks of receivables, which are recorded at cost, plus interest accrued but not yet due and net of any impairment charges recognised for credit risk.
Amounts due from customers include loans to

entities other than credit institutions, with the exception of debt securities issued by customers, securities received under repurchase agreements and receivables relating to securities repurchase agreements. They are broken down between commercial receivables, customer accounts in debit and other loans to customers. Loans to customers are recorded in the balance sheet at their nominal value, with the exception of buybacks of receivables, which are recorded at cost, plus interest accrued but not yet due and net of any impairment charges recognised for credit risk. Commissions and marginal transaction costs spread over time are included in the loan.

Amounts due to credit institutions are classified by initial duration (demand or term) and amounts due to customers are classified by type (regulated savings accounts and other customer deposits). Depending on the counterparty involved, these items include securities and other assets sold under repurchase agreements. Accrued interest is recorded under related liabilities.

Guarantees received are recorded in the accounts as an off-balance sheet item. They are re-measured on a regular basis. The total carrying amount of all guarantees received for a single loan is limited to the outstanding amount of the loan.

Restructured loans

Within the meaning of ANC Regulation No. 2014-07, restructured loans are doubtful loans and receivables whose initial characteristics (term, interest rate) have been modified to enable the counterparties to repay the amounts due.

When a loan is restructured, a discount is applied to reflect the difference between the present value of the expected contractual cash flows at inception and the present value of the expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate for fixed-rate loans and the last effective rate prior to restructuring in the case of variable-rate loans. The effective rate corresponds to the contractual rate. This discount is recognised in cost of risk in the income statement and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement using an actuarial method over the term of the loan. No discount is deducted or deferred when it is covered by an impairment allowance.

A restructured loan may be reclassified as a performing loan subject to compliance with the new repayment schedule. Such reclassified loans are specifically identified. If a loan that has already undergone a first restructuring becomes past due again, the loan is reclassified as doubtful, regardless of the restructuring terms and conditions.

Non-performing loans and receivables

Non-performing loans and receivables consist of all outstanding amounts, whether due or not yet due, guaranteed or otherwise, where at least one commitment made by the debtor presents a known credit risk, identified as such on an individual basis. A risk is considered to be "known" when it is probable that BRED Banque Populaire will not collect all or part of the sums owed under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Non-performing loans are identified in accordance with ANC Regulation No. 2014-07, particularly in the case of loans past due for over three months, or, for real estate loans and loans to local authorities, over six months.

Non-performing loans are considered to be irrecoverable when the likelihood of full or partial collection has deteriorated strongly and a write-off is considered. Loans and receivables whose terms have lapsed, terminated finance lease agreements and perpetual loans which have been rescinded are considered irrecoverable non-performing. The existence of guarantees covering nearly all risks, along with the outlook for the non-performing loan, must be taken into consideration in order to qualify a non-performing loan as irrecoverable and to assess the associated impairment provision. A debt that has been classified as non-performing for more than one year is assumed to be irrecoverable, unless a write-off is not being considered. Reclassification of a debt from non-performing to irrecoverable does not automatically entail the reclassification to irrecoverable of the counterparty's other non-performing loans and commitments.

For non-performing loans, interest accrued and/or due but not received is recognised in income from banking operations and impaired accordingly. For irrecoverable loans and receivables, accrued interest due but not received is not recognised.

More generally, non-performing loans and receivables are reclassified as performing once the debtor resumes regular payments in accordance with the contractual repayment schedule, and if the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Transactions under repurchase agreements are recognised in accordance with ANC Regulation No. 2014-07 supplemented by Instruction No. 94-06 issued by the French Banking Commission.

The assets transferred under repurchase agreements are maintained on the balance sheet of the assignor, which records the amount collected under liabilities, representing its debt vis-a-vis the assignee. The assignee records the amount paid under assets, representing the amount due to the assignor. At each balance sheet date, the assets transferred, as well as the debt vis à vis the assignee or the amount due to the assignor, are valued according to the specific rules applicable to each of these transactions.

Impairment

Loans that are uncertain to be recovered result in recognition of an impairment charge against the asset to cover the risk of loss. Impairment charges are calculated on a case by case basis, taking into account the present value of guarantees received. Impairment charges are determined on at least a quarterly basis and are calculated with reference to a risk analysis and to the available collateral. At the very least, the impairment charge covers unpaid interest in respect of non-performing loans.

Impairment for known probable losses includes all forecast impairment charges, calculated as the difference between the outstanding principal and the forecast cash flows discounted at the effective interest rate.

A statistical method may be used to estimate impairment on small loans with similar characteristics.

Allowances to and reversals of impairment charges recorded for the risk of non-recovery are reported under "Cost of risk", except for impairment charges relating to interest on non-performing loans, which along with the impaired interest, is recorded under "Interest and similar income/expense". Reversals of impairment charges linked solely to the passing of time are recorded under "Interest and similar income/expense".

When the credit risk is not identified on an individual basis, but on the basis of a portfolio of loans with similar risk characteristics for which the available information points to a risk of default and loss on maturity, it is recorded under liabilities in the form of a provision.

Irrecoverable loans and receivables are written off as losses and the corresponding impairment allowances are reversed.

2.3.3 Finance and operating leases

None

2.3.4 Securities

"Securities" covers interbank market securities, treasury bills and other negotiable debt securities, bonds and other fixed-income (i.e. with yields that are not variable) instruments, equities and other variable-income instruments.

Securities transactions are accounted for in accordance with ANC Regulation No. 2014-07, which sets forth the general accounting and measurement rules for securities and the rules for special transfer transactions such as temporary disposals of securities.

Securities are classified into the following categories: equity interests and investments in associates, other long-term investments, held to maturity securities, portfolio securities, available for sale securities and trading securities.

In the case of trading securities, available for sale securities, held to maturity securities and portfolio securities, impairment charges are recorded for counterparties with known default risks whose impact can be separately identified. Changes in provisions are recognised in cost of risk.

Trading securities

Trading securities are securities acquired or sold with the intention of reselling or repurchasing them in the short term. To qualify for inclusion in this category, the securities must be negotiable on an active market at the date of their initial recognition and their market prices must be accessible and representative of actual arm's-length transactions regularly taking place in the market. They may be either fixed- or variable-income instruments.

Trading securities are recognised at cost on their acquisition date, less transaction costs and including accrued interest, where applicable. In the case of short sales, the debt is recorded under liabilities in the amount of the selling price of the securities, excluding transaction costs.

They are marked to market at the balance sheet date based on the market price on the most recent trading day. The overall balance of differences resulting from fluctuations in prices is taken to the income statement. For shares and units in mutual funds and investment funds, market value corresponds to available net asset values reflecting market conditions as at the balance sheet date.

Securities classified as trading securities cannot be transferred to another accounting category (except in exceptional market situations requiring a change of strategy or in the absence of an active market for fixed-income securities), and the rules for their presentation and measurement continue to apply until they are sold, redeemed in full or written off.

Available for sale securities

Securities that do not qualify for recognition in any other category are considered as securities available for sale.

Available for sale securities are recognised at cost on their acquisition date, less transaction costs.

Where applicable, for fixed-income securities, accrued interest is recognised in the income statement under "Interest and similar income".

Any difference between the acquisition price and the redemption value (premium or discount) for fixed-income instruments is recorded in the income statement over the remaining term of the security using the actuarial method.

Available for sale securities are valued at the lower of acquisition cost or market price. For shares and units of mutual funds and investment funds, market value corresponds to the available net asset values reflecting market conditions as at the balance sheet date.

Unrealised capital losses give rise to an impairment provision which may be assessed based on groups of similar securities, with no offsetting against capital gains recorded on other categories of securities.

Gains generated by hedging instruments if any, as defined in Article 2514-1 of ANC Regulation No. 2014-07, are taken into account for the calculation of impairment. Unrealised capital gains are not recognised.

Capital gains or losses on the disposal of available for sale securities, as well as impairment charges and reversals, are reported in the income statement under "Gains or losses on available for sale securities and similar".

Held to maturity securities

Held to maturity securities are fixed-income securities with fixed maturities that have been acquired or reclassified from "Trading securities" or "Available for sale securities" and which the company has the clear intention and ability to hold to maturity. The securities should not be subject to any existing restriction, legal or otherwise, that could have an adverse effect on the company's intention of holding the securities to maturity. Classification as held to maturity securities is not incompatible with their designation as items hedged against interest rate risk.

Held to maturity securities are recognised at cost on their acquisition date, less transaction costs. If previously classified as available for sale, they are recorded at cost and any previously recognised impairment charges are reversed over the residual term of the securities concerned.

The difference between the securities' acquisition cost and redemption value, and the corresponding interest, are recorded according to the same rules as those applicable to available for sale fixed-income securities.

An impairment charge may be recognised if there is a strong probability that BRED Banque Populaire will not hold the securities to maturity due to a change in circumstances or if there is a risk of default by the issuer. Unrealised capital gains are not recognised.

Held to maturity securities may not, barring exceptions, be sold or transferred to another category of securities.

Fixed-income trading and available for sale securities reclassified as held to maturity securities due to illiquid market conditions pursuant to the provisions of ANC Regulation No. 2014-07 may, however, be sold when the market on which they are traded becomes active again.

Portfolio securities

The portfolio activity consists of investing in securities with the objective of obtaining capital gains in the medium term without the intention of investing over the long term to develop the business activities of the issuing company, or to participate actively in its operational management. In principle, these are necessarily variable-income securities. This activity must be significant, continuous and carried out within a structured framework, and must generate regular returns derived primarily from capital gains on disposals.

Portfolio securities are recognised at cost on their acquisition date, less transaction costs.

At the end of the period, they are included in the balance sheet at the lower of historical cost and value in use. An impairment charge is recognised for any unrealised capital losses. Unrealised capital gains are not recognised.

Securities recorded under portfolio securities may not be transferred to any other accounting category.

Equity interests and investments in associates

Securities in this category are securities whose long-term holding is considered useful to the company's activity, in particular by permitting the exercise of significant influence or control over the governing bodies of the issuing companies.

Equity interests and investments in associates are recorded at cost, including, when these amounts are significant, transaction costs.

At the balance sheet date, they are individually valued at the lower of acquisition cost and value in use. Value in use is determined, in particular, on the basis of criteria such as the strategic nature of the investment, the intention to provide support or retain the investment, share price performance, net assets or revalued net assets, and forecasts.

Impairment is recognised for any unrealised capital losses, calculated for each line of securities, and is not offset against unrealised capital gains. Unrealised capital gains are not recognised.

Securities recorded under Equity interests and investments in associates may not be transferred to any other accounting category.

Other long-term investments

Other long-term investments are securities acquired to promote the development of lasting business relationships by creating special ties with the issuer, but without influencing its management due to the small percentage of voting rights that the investment represents.

Other long-term investments are recorded at acquisition cost, less transaction costs.

They are recorded in the balance sheet at the lower of historical cost and value in use. The value in use of the securities, whether listed or not, is determined based on the amount the company would be willing to pay to obtain the securities, given its investment objective, if it were to acquire them. An impairment charge is mandatorily recognised for any unrealised capital losses. Unrealised capital gains are not recognised.

Securities classified as other long-term investments may not be transferred to any other accounting category.

Reclassification of financial assets

To harmonise accounting practices and comply with IFRS, ANC Regulation No. 2014-07 integrates the provisions of Opinion 2008-19 of 8 December 2008 dealing with the reclassification of securities out of the "trading securities" and "available for sale securities" categories.

"Trading securities" may now be reclassified to the "Held to maturity" and "Available for sale" categories in the following two cases:

- under exceptional market circumstances necessitating a change of strategy; and
- when, after their acquisition, the fixed-income securities can no longer be traded on an active market, and provided that BRED Banque Populaire has the intention and ability to hold them for the foreseeable future or until maturity.

Reclassification from "available for sale" to "held to maturity" is effective as from the reclassification date in either of the following conditions:

- under exceptional market circumstances necessitating a change of strategy;
- when the fixed-income securities can no longer be traded on an active market.

Note that in a press release dated 23 March 2009 the French accounting board, Conseil National

de la Comptabilité, states that "the possibilities of transfer between portfolios, in particular from the available for sale portfolio to the held to maturity portfolio as provided for in Article 19 of CRB Regulation 90-01 before amendment by CRC Regulation 2008-17, continue to apply and are not revoked by ANC Regulation No. 2014-07.
CRC Regulation 2008-17 replaced by ANC Regulation No. 2014-07 provides additional possibilities for transfers between portfolios, and the new possibilities supplement those already defined, with effect from the application of this regulation on 1 July 2008."
Consequently, reclassification from available for sale to held to maturity continues to be possible on a simple change of intention providing that, on the date of the transfer, the security fulfils all the criteria of the held to maturity portfolio.

2.3.5 Non-current assets

The accounting rules for non-current assets are set forth in:

- CRC Regulation No. 2004-06 covering the recognition and valuation of assets; and
- CRC Regulation No. 2002-10 covering the depreciation, amortisation and impairment of assets.

Intangible assets
An intangible asset is a non-monetary asset without physical substance. Intangible assets are recorded at cost (purchase price and related costs). These assets are amortised over their estimated useful lives.
Software is amortised over a maximum period of five years. Any additional amortisation that may be applied to software under the existing tax regulations is recorded under accelerated amortisation.
Business goodwill is not amortised but is subject, when necessary, to impairment charges.
Leasehold rights are amortised on a straight-line basis over the residual term of the lease and, if necessary, are tested for impairment relative to their market value.

Property, plant and equipment
Property, plant and equipment consists of tangible assets that are held for use in the production or supply of goods and services, for rental to others or for administrative purposes, and which the entity expects to continue using after the end of the reporting period.
As buildings are assets consisting of a number of components with different uses at the outset, each component is recognised separately at cost and a depreciation schedule specific to each component is applied.
The depreciable amount is the gross value less the residual value where the latter is material, lasting and can be measured reliably. The main components of buildings are depreciated or amortised in such a way as to reflect the duration over which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life:

Component	Useful life
Land	NA
Non-destructible facades	NA
Other facades, roofing and waterproofing	20 to 40 years
Foundations and frame	30 to 60 years
Renovations	10 to 20 years
Technical equipment	10 to 20 years
Technical installations	10 to 20 years
Fixtures and fittings	8 to 15 years

Other property, plant and equipment is recorded at acquisition cost, production cost or revalued cost. The cost of assets denominated in foreign currencies is translated into euro at the exchange rate prevailing on the transaction date. These assets are depreciated or amortised in such a way as to reflect the duration over which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life.
Where necessary, assets may be subject to impairment.
Investment properties correspond to non-operating assets and are accounted for using the component method.

2.3.6 Debt securities

Debt securities are classified according to the nature of the underlying: short-term notes, interbank market securities, negotiable debt securities, bonds and similar securities, apart from subordinated notes, which are recorded separately under liabilities.
Interest accrued but not yet due on these instruments is disclosed separately in the income statement as a related payable.
Issue expenses are recognised in their entire amount during the period or are spread on a straight-line basis over the term of the debt. Issue and redemption premiums are spread on a straight-line basis over the term of the debt via a deferred charges account.
As regards structured debts, in accordance with the principle of prudence, only the certain portion of interest or principal is recognised. Unrealised gains are not recognised and provisions are recognised for unrealised losses.

2.3.7 Subordinated debt

Subordinated debt comprises funds resulting from issues of subordinated debt securities or loans, dated or undated, together with mutual guarantee deposits. In the event of liquidation of the debtor, repayment of subordinated debt is possible only after payment of all the other creditors.
Accrued interest payable on subordinated debt is disclosed separately as a related payable, as a balancing entry to the income statement entry.

2.3.8 Provisions

This heading includes provisions for risks and charges that do not arise directly from banking transactions as defined under Article L.311-1 of the French Monetary and Financial Code and related transactions as defined in Article L.311-2 of the same code, and which are clearly identifiable in terms of nature but whose timing and amount are uncertain. In accordance with CRC Regulation 2000-06, such provisions may be recognised only if the company has an obligation to a third party at the balance sheet date and no equivalent consideration is expected in return.
It also includes provisions for risks and charges arising from banking transactions as defined in Article L.311-1 of the French Monetary and Financial Code and related transactions as defined in Article L.311-2 of the same code, which are considered likely to result from events that have occurred or are in progress and which are clearly identifiable in terms of nature but whose occurrence is uncertain.
In particular, this heading comprises provisions for employee benefit obligations, provisions for counterparty risk and provisions for risks on regulated home savings products.

Employee benefit obligations
Employee benefits are accounted for in accordance with ANC Recommendation No. 2013-R-02 and are classified into four categories:

SHORT-TERM BENEFITS

Short-term employee benefits comprise mainly wages, salaries, paid annual leave, incentive plans, profit-sharing and bonuses paid within 12 months of the end of the financial year in respect of the same financial year. They are recorded as an expense for the period, including the amounts still due at the balance sheet date.

LONG-TERM BENEFITS

Long-term employee benefits are generally linked to length of service accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service; these include in particular long-service awards.
A provision is recognised based on the estimated value of the obligations at the balance sheet date. These obligations are valued using an actuarial method that factors in demographic and financial assumptions such as age, length of service, the likelihood of the employee still being employed by the Bank when the benefit is awarded, and the discount rate. The calculation spreads the related costs over the working life of each employee (projected unit credit method).

TERMINATION BENEFITS

Termination benefits are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Bank to terminate a contract or a decision by an employee to accept voluntary redundancy. A provision is set aside for termination benefits. Termination benefits payable more than 12 months after the balance sheet date are discounted to present value.

POST-EMPLOYMENT BENEFITS

Post-employment benefits include lump-sum retirement indemnities, pensions and other post-employment benefits.
These benefits fall into two categories: defined-contribution plans, which do not give rise to obligations that need to be provisioned; and defined-benefit plans, which give rise to an obligation that must be measured and provisioned.
The Bank 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 and unrecognised net actuarial gains or losses.
Actuarial gains or losses on post-employment benefits arising from changes in actuarial assumptions (early retirement, discount rate, etc.) or experience adjustments (return on plan assets, etc.) are amortised using the "corridor" method, i.e. for the portion that falls outside a range of plus or minus 10% of the obligations or plan assets.
The annual expense recognised in respect of defined-benefit plans includes the current-year service cost, the net interest cost (the effect of discounting the obligation), past-service costs and, if applicable, the amortisation of any unrecognised actuarial gains or losses.

PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS

Regulated home savings accounts (CEL) and regulated home savings plans (PEL) are retail products distributed in France 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 these products:

- 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, which is calculated by discounting future potential earnings from at-risk savings and loans:

- 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 customer 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 outstanding loans based on customer behaviour patterns as well as earned and estimated future rights relating to regulated home savings accounts and plans.

Earnings of future periods over the savings phase are estimated, for a given generation of contracts, as the difference between the regulated rate offered and the expected interest accruing on a rival savings product.
Earnings of future periods over the loan phase are estimated as the difference between the rate set at inception for PEL contracts or a rate contingent on the savings phase for CEL contracts, and the forecast interest rate on home loans in the non-regulated sector.
Where the algebraic sum of the Bank's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Bank, a provision is recognised, with no offset between the different generations. The obligations are estimated using the Monte Carlo method 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 banking income.

2.3.9 Fund for general banking risks

This fund is intended to cover risks inherent in the company's banking activities, in accordance with the provisions of Article 3 of CRBF Regulation No. 90-02.
It also includes the amounts allocated to the Regional Solidarity Fund (*Fonds Régional de Solidarité*) and to the funds set up under the guarantee mechanism (see note 1.2).

2.3.10 Forward financial instruments

Trading and hedging transactions in interest rate, currency or equity futures and forwards are recognised in accordance with the provisions of ANC Regulation No. 2014-07.
The commitments arising from these transactions are recorded as off-balance sheet items at the nominal value of the contracts. The amount recognised in respect of these commitments represents the volume of unwound transactions at the balance sheet date.
The accounting policies applied differ according to the type of instrument and the original purpose of the transaction.

Firm transactions

Interest rate swaps and similar contracts (forward rate agreements, floors and caps, etc.) are classified as follows according to their initial purpose:

- micro-hedging (specific hedging relationship);
- macro-hedging (global asset liability management);
- speculative positions/isolated open positions; and
- specialised management of trading securities.

Amounts received or paid in respect of the first two categories are recognised in income on a pro rata temporis basis.

Income (expense) relating to instruments used to hedge a specific item or a group of homogeneous items is recognised in profit or loss in the same manner and period as the expense (income) recognised in respect of the hedged items. The income (expense) relating to the hedging instrument is recorded under the same heading as the expense (income) relating to the hedged item under "Interest and similar income" or "Interest and similar expense". Income and expense on hedging instruments are recorded under "Gains or losses on trading securities" when the hedged items are trading securities.
In the event of manifest overhedging, a provision may be recorded in respect of the hedging instrument for the overhedged portion, if the instrument shows an unrealised capital loss. In this case, the charge to provisions will affect "Net gains or losses on trading securities".
Income and expense relating to forward financial instruments intended to hedge and manage a global interest rate risk are recognised pro rata temporis in profit or loss under "Interest and similar income" or "Interest and similar expense". Unrealised gains or losses are not recognised.
Gains or losses on contracts classified as isolated open positions are taken to income either when the contracts are settled or over the life of the contract, depending on the type of instrument.
Recognition of unrealised capital gains or losses depends on the type of market involved (organised, other markets considered as organised, or over-the-counter).
On over-the-counter markets, including transactions processed by a clearing house, any unrealised losses relative to the market value give rise to a provision. Unrealised capital gains are not recognised.
Instruments traded on organised markets and other markets considered as organised are continuously quoted and liquid enough to justify being marked to market.
Instruments entered into for specialised management purposes are valued applying a discount to take into account the counterparty risk and the present value of future management expenses, if these value adjustments are material. Derivatives that are traded with a counterparty that is a member of Groupe BPCE's mutual support mechanism (see note 1.2.) are not subject

to these valuation adjustments. Changes in value from one accounting period to another are recognised immediately in the income statement under "Net gains or losses on trading securities".
Balances on terminations or transfers are recognised as follows:

- balances on transactions classified under specialised management or isolated open positions are recognised immediately in profit or loss;
- for micro-hedging and macro-hedging transactions, balances are amortised over the remaining term of the initially hedged item or recognised immediately in profit or loss.

Options
The notional amount of the underlying instrument to which the option or futures contract relates is recorded, distinguishing between contracts entered into for hedging purposes and contracts entered into in connection with market transactions.
In the case of options involving interest rates, currencies or equities, premiums paid or received are recorded in a suspense account. At the balance sheet date, these options are valued and recognised in profit or loss in the case of options quoted on an organised or similar market. In the case of over-the-counter transactions, capital losses give rise to a provision, whereas unrealised capital gains are not recognised.
On the sale, purchase, exercise or expiry of the options, premiums are recognised immediately in profit or loss.
Income and expenses on hedging instruments are recognised in the same way as those relating to the hedged item. Written options are not eligible for classification as macro-hedging instruments.
Over-the-counter markets may be treated as organised markets when market makers ensure continuous quotations with spreads that reflect traded prices or when the underlying financial instrument is quoted on an organised market.

2.3.11 Interest, fees and commissions

Interest and commissions in the nature of interest are recognised in profit or loss on a pro rata temporis basis.
Commissions and fees related to granting or acquiring a loan are treated as additional interest and amortised over the effective life of the loan, proportionally to the outstanding principal.
Other fees and commissions are recognised in profit or loss according to the nature of the service rendered:

- Fees and commissions remunerating a one-off service are recorded as soon as the service has been rendered.
- Fees and commissions remunerating a continuous service or a discontinuous service provided in successive stages over a period of time are recognised as and when the service is rendered.

2.3.12 Income from securities

Dividends are recognised under "Income from variable-income securities" as soon as their payment has been decided by the competent body.
Income from bonds and negotiable debt instruments is recognised for the portion accrued in the period.
The same applies to undated deeply subordinated notes that qualify as Tier 1 regulatory capital instruments. The Group considers such income as interest.

2.3.13 Income tax

The tax charge in the income statement corresponds to the corporation tax due in respect of the period ended as well as a provision for tax in respect of tax economic interest groupings.
Since the 2009 financial year, the Caisse d'Epargne and the Banque Populaire networks benefit from the provisions of Article 91 of the amended French Finance Act for 2008, which extended the tax consolidation regime to mutual banking networks.
This option is modelled on the tax consolidation mechanism open to mutual insurers and takes into account consolidation criteria not based on ownership interest (the usual criterion being ownership of more than 95% of the capital).
BRED Banque Populaire has signed a tax consolidation agreement with its parent company under which BRED Banque Populaire recognises the tax liability that would have been recognised had it not formed part of a mutual bank tax group.

NOTE 3
NOTES TO THE BALANCE SHEET

Unless indicated otherwise, amounts reported in the notes to the balance sheet are stated net of amortisation, depreciation and impairment.
Some of the information relating to credit risk required under ANC Regulation No. 2014-07 is presented in the risk management report. This information forms part of the financial statements certified by the Statutory Auditors.

3.1 Interbank transactions

ASSETS

(€'000)	**31 December 2014**	31 December 2013
Receivable on demand	554,455	593,935
Current accounts	*553,252*	*591,574*
Overnight loans and advances	*1,203*	*2,361*
Securities purchased under overnight repurchase agreements		
Non-allocated items	1,524	488
Receivable at term	9,658,829	6,844,390
Term loans and advances	*2,180,028*	*2,032,336*
Subordinated and participating loans	*20,000*	*20,196*
Securities purchased under term repurchase agreements	*7,458,801*	*4,791,857*
Accrued interest	16,366	20,026
Non-performing loans and receivables		2
o/w irrecoverable non-performing loans		*2*
Impairment of interbank loans and receivables		-2
o/w impairment of irrecoverable non-performing loans		*-2*
Total	**10,231,174**	**7,458,839**

Receivables arising from transactions with the network amounted to €396.4 million in demand loans and advances and €570.1 million in term loans and advances.
Balances on "A" passbook deposits (Livret A) and on sustainable development passbook deposits (Livret de Développement Durable/LDD) centralised at Caisse des Dépôts et Consignations amounted to €668.7 million at 31 December 2014.

LIABILITIES

(€'000)	**31 December 2014**	31 December 2013
Payable on demand	569,343	427,442
Credit balances on current accounts	*530,952*	*399,096*
Overnight loans and advances	*38,391*	*28,346*
Securities sold under overnight repurchase agreements		
Other amounts due	28,055	35,366
Payable at term	7,676,617	8,919,628
Term loans and advances	*2,123,074*	*2,577,273*
Securities sold under term repurchase agreements	*5,553,543*	*6,342,355*
Accrued interest	12,196	26,265
Total	**8,286,211**	**9,408,700**

Liabilities arising from transactions with the network amounted to €21.3 million in demand loans and advances and €893.2 million in term loans and advances.

3.2 Customer transactions

3.2.1 Customer transactions

Loans and advances to customers

ASSETS

(€'000)	**31 December 2014**	31 December 2013
Debit balances on current accounts	1,183,309	942,932
Commercial loans and advances	214,436	200,453
Other customer loans and advances	9,250,673	8,814,390
Export credit	*2,575*	*3,727*
Cash facilities and consumer credit	*1,090,172*	*1,228,439*
Equipment loans	*4,040,531*	*3,637,448*
Home loans	*3,112,500*	*2,734,166*
Other customer loans	*468,046*	*505,820*
Securities purchased under repurchase agreements	*466,850*	*634,790*
Subordinated loans	*70,000*	*70,000*
Other		
Accrued interest	219,905	218,886
Non-performing loans	554,883	569,789
Impairment of loans and advances to customers	-343,785	-319,071
Total	**11,079,421**	**10,427,380**

Amounts due from customers eligible for refinancing by the French central bank or the European Central Bank system totalled €3.018 billion.

Amounts due to customers

LIABILITIES

(€'000)	**31 December 2014**	31 December 2013
Regulated savings accounts	4,537,712	4,435,976
Livret A passbook deposits	*975,525*	*940,763*
Regulated home savings plans (PEL) and regulated home savings accounts (CEL)	*1,534,556*	*1,430,546*
Other regulated savings accounts	*2,027,631*	*2,064,666*
Other customer accounts and loans[1]	20,482,653	16,818,026
Guarantee deposits	24,210	24,339
Other amounts due to customers	28,234	26,575
Accrued interest	39,369	41,695
Total	**25,112,178**	**21,346,610**

[1] *Breakdown of customer accounts and loans.*

	31 December 2014			31 December 2013		
(€'000)	Demand	Term	Total	Demand	Term	Total
Credit balances on current accounts	10,576,630		10,576,630	8,880,358		8,880,358
Loans from financial customers	7,140,273	383,328	7,523,601		4,869,418	4,869,418
Securities sold under repurchase agreements	22,630	1,274,190	1,296,820		1,446,267	1,446,267
Other customer accounts and loans		1,085,602	1,085,602		1,621,982	1,621,982
Total	**17,739,533**	**2,743,120**	**20,482,653**	**8,880,358**	**7,937,667**	**16,818,026**

3.2.2 Analysis of loans and advances by economic agent

	Performing loans	Non-performing loans		o/w irrecoverable non-performing loans	
(€'000)		Gross	Individual impairment	Gross	Individual impairment
Non-financial companies	5,744,596	401,321	-270,723	295,575	-214,559
Self-employed professionals	525,939	40,689	-17,455	25,445	-14,299
Retail customers	3,426,044	102,329	-49,079	69,194	-45,113
Private sector administrations	93,503	9,726	-5,638	784	-645
Social security and public administrations	112,323	213			
Other	499,069	605	-890		
TOTAL at 31 December 2014	**10,401,473**	**554,883**	**-343,785**	**390,997**	**-274,617**
TOTAL at 31 December 2013	**9,541,872**	**569,789**	**-319,071**	**349,930**	**-243,726**

3.3 Treasury bills, bonds, equities and other fixed- and variable-income securities

3.3.1 Securities portfolio

	31 December 2014					31 December 2013				
(€'000)	Trading securities	Available for sale securities	Held to maturity securities	Portfolio securities	Total	Trading securities	Available for sale securities	Held to maturity securities	Portfolio securities	Total
Treasury bills and similar securities	**1,428,949**	**6,639,543**	**1,159,052**		**9,227,544**	**1,234,106**	**5,550,814**	**1,143,536**		**7,928,455**
Gross amount		6,615,753	1,145,055		7,760,807		5,527,108	1,129,547		6,656,655
Accrued interest		23,790	13,997		37,787		23,705	13,989		37,694
Impairment										
Bonds and other fixed-income securities	**1,237,833**	**4,438,455**	**113,593**		**5,789,881**	**1,307,959**	**4,725,895**	**163,518**		**6,197,373**
Gross amount		4,431,269	113,479		4,544,748		4,709,718	163,353		4,873,071
Accrued interest		13,577	114		13,691		18,693	165		18,858
Impairment		-6,391			-6,391		-2,516			-2,516
Shares and other variable-income securities	**413,935**	**244,516**			**658,451**	**236,546**	**240,036**			**476,582**
Gross amount		251,774			251,774		247,112			247,112
Accrued interest										0
Impairment		-7,258			-7,258		-7,076			-7,076
TOTAL	**3,080,717**	**11,322,514**	**1,272,644**		**15,675,877**	**2,778,611**	**10,516,745**	**1,307,055**		**14,602,411**

Treasury bills and similar securities included no receivables representing lent securities at 31 December 2014.

GREEK SOVEREIGN DEBT SECURITIES

None

ITALIAN, PORTUGUESE, SPANISH AND IRISH SOVEREIGN DEBT SECURITIES

Available for sale portfolio: none
Held to maturity portfolio:
At 31 December 2014, BRED Banque Populaire held €713.5 million (gross amount excluding accrued interest) of Italian sovereign debt. At 31 December 2014, no known counterparty risk indicator warranted recognition of impairment on these securities.
The market value of these securities excluding accrued interest, premiums and discounts amounted to €868.4 million.

TREASURY BILLS, BONDS AND OTHER FIXED-INCOME SECURITIES (GROSS AMOUNTS)

	31 December 2014				31 December 2013			
(€'000)	Trading securities	Available for sale securities	Held to maturity securities	Total	Trading securities	Available for sale securities	Held to maturity securities	Total
Listed securities	1,758,835	10,749,556	1,272,531	13,780,922	1,948,030	10,183,011	1,306,889	13,437,930
Unlisted securities	324,290	297,466		621,756	195,579	77,521		273,100
Securities loaned								
Securities borrowed	583,657			583,657	398,456			398,456
Non-performing loans and receivables								
Accrued interest		37,367	114	37,481		18,693	165	18,858
Total	**2,666,782**	**11,084,389**	**1,272,645**	**15,023,816**	**2,542,065**	**10,279,225**	**1,307,055**	**14,128,344**
o/w subordinated notes	*984*	*35,466*		*36,450*	*93*	*35,521*		*35,614*

At 31 December 2014, bonds and other fixed-income securities issued by public bodies amounted to €658.6 million compared with €168.0 million at 31 December 2013.

SHARES AND OTHER VARIABLE-INCOME SECURITIES (NET AMOUNTS)

	31 December 2014				31 December 2013			
(€'000)	**Trading securities**	**Available for sale securities**	**Portfolio securities**	**Total**	Trading securities	Available for sale securities	Portfolio securities	Total
Listed securities	413,009	8,110		421,119	235,614	9,409		245,022
Unlisted securities	927	236,405		237,332	933	230,627		231,560
Accrued interest								0
Total	**413,935**	**244,516**		**658,451**	**236,546**	**240,036**		**476,582**

At 31 December 2014, shares and other variable-income securities included €219.9 million of UCITS compared with €213.2 million at 31 December 2013.

3.3.2 Changes in held to maturity securities

(€'000)	31 December 2013	Purchased	Sold	Redeemed	Converted	Discount or premium	Transferred	Other changes	**31 December 2014**
Treasury bills	1,129,547					15,508			1,145,055
Bonds and other fixed-income securities	163,353			-68,703		-5		18,834	113,479
TOTAL	**1,292,900**			**-68,703**		**15,503**		**18,834**	**1,258,534**

Accrued interest is not taken into account in the above note.

3.3.3 Reclassification of assets

1. Reclassification due to illiquid markets (CRC No. 2008-17 replaced by ANC Regulation No. 2014-07)
Pursuant to CRC Regulation No. 2008-17 of 10 December 2008 relating to transfers of securities from the "Trading" and "Available for sale" categories, BRED Banque Populaire made the following reclassifications:

(€'000)

	Amount reclassified at the date of reclassification					
Type of reclassification	Previous years	Securities matured at 31 December 2014	**31 December 2014**	Unrealised capital gain or loss that would have been recognised if there had been no reclassification	Unrealised capital loss that would have been provisioned if there had been no reclassification	Net gain or loss on reclassified securities over the year
From trading securities to held to maturity securities						
From trading securities to available for sale securities						
From available for sale securities to held to maturity securities	1,559,377	-696,063	863,314		-61,735	49,145

BRED Banque Populaire decided to adjust its investment strategy with regard to certain securities given the lack of liquidity in the market. On 1 July 2008 and 1 October 2008, securities totalling €1.559 billion were reclassified from available for sale to held to maturity.

2. Reclassification resulting from a change of management intention (provisions of CRB 90-01 prior to CRC 2008-17 replaced by ANC Regulation No. 2014-07)
During the past two financial years, BRED Banque Populaire made no asset reclassification pursuant to the provisions of CRB 90-01 prior to CRC 2008-17 replaced by ANC Regulation No. 2014-07.

(€'000)		Amount transferred during the year	
Original portfolio	New portfolio	**at 31 December 2014**	at 31 December 2013
Available for sale securities	Held to maturity securities	0	0

3.4 Equity interests, investments in affiliates and other long-term investments

3.4.1 Changes in equity interests, investments in affiliates and other long-term investments

(€'000)	1 January 2014	Increase	Decrease	Converted	Other changes	**31 December 2014**
Gross amount	1,735,466		-44			1,735,423
Equity interests and other long-term investments	*749,233*		*-44*			*749,189*
Investments in affiliates	*986,233*					*986,233*
Impairment	-51					-51
Equity interests and other long-term investments	*-51*					*-51*
Investments in affiliates						
Net long-term investments	**1,735,415**		**-44**			**1,735,371**

Shares in non-trading real estate companies recorded under long-term investments amounted to €9.0 million at 31 December 2014, unchanged relative to 31 December 2013.
Other long-term investments include in particular the deposit guarantee fund certificates (€3.8 billion).

3.4.2 Subsidiaries and equity interests

Subsidiaries and equity interests	Share capital	Shareholders' equity other than share capital and including the fund for general banking risks, if applicable	% of capital held	Carrying amount of securities held		Loans and advances granted by the company and not yet repaid, and perpetual deeply subordinated notes	Amount of guarantees and endorsements granted by the company	Pre-tax turnover or net banking income for the year ended	Profit or loss for the year ended	Dividends received by the company during the year
(€'000)				Gross	Net					
A. Detailed information on investments whose gross value exceeds 1% of the share capital of the company required to make the disclosure										
Equity interests held by BRED										
Cofibred	656,015	451,376	100,00	985,540	985,540			13,617	12,712	
SCI Le Lys Rouge	9,022	-1,024	95,00	9,015	9,015			635	155	
SAS Mone	9,595	-602	95,00	9,114	9,114			451	-104	
BPCE	155,742	12,505,896	4,80	693,425	693,425		450,000	-120,990	1,146,496	15,608
BP Développement	456,117	653,425	4,32	27,074	27,074			57,621	32,451	861
B. Aggregate information on other investments whose gross value does not exceed 1% of the capital of the company required to make the disclosure										
French subsidiaries (all)				694	694					
Foreign subsidiaries (all)										
Certificates of associations				3,801	3,801					3,801
Equity interests in French companies				6,406	6,354					16,723
Equity interests in foreign companies				353	353					26
o/w equity interests in listed companies				105	105					26

3.4.3 Companies established with unlimited liability

Name	Registered office	Legal form
Le Lys Rouge	c/o I2F,10 rue Jean Jaurès 98851 Noumea	Non-trading real estate company (SCI)
SIEDAG	18, quai de la Rapée 75012 Paris	Economic interest grouping (EIG)
SOCAMA	18, quai de la Rapée 75012 Paris	Economic interest grouping (EIG)

3.4.4 Related-party transactions

(€'000)	Credit institutions	Other companies	**31 December 2014**	31 December 2013
Receivables	**1,057,728**	**3,648,459**	**4,706,187**	**4,997,112**
o/w subordinated	2,000	70,000	72,000	90,196
Debts	**468,882**	**1,231,583**	**1,700,465**	**1,579,301**
o/w subordinated				
Commitments given	322,269	225	322,494	293,301
Financing commitments	*168,000*		*168,000*	*164,000*
Guarantee commitments	*154,269*	*225*	*154,494*	*129,301*
Other commitments				

3.5 Finance lease and operating lease transactions

Not applicable

3.6 Intangible assets and property, plant and equipment

3.6.1 Intangible assets

(€'000)	1 January 2014	Increase	Decrease	Other movements	31 December 2014
Gross amount	**65,790**	**6,101**	**-161**		**71,730**
Lease rights and business assets	38,484	566			39,050
Software	27,145	4,750			31,895
Other	161	785	-161		785
Amortisation and impairment	**-59,499**	**-6,343**			**-65,842**
Lease rights and business assets	-36,895	-646			-37,541
Software	-22,604	-5,697			-28,301
Other					
Net carrying amount	**6,291**	**-242**	**-161**		**5,888**

3.6.2 Property, plant and equipment

(€'000)	1 January 2014	Increase	Decrease	Other movements	31 December 2014
Gross amount	**343,819**	**132,031**	**-534**		**475,316**
Operating property, plant and equipment	***338,241***	***131,647***	***-534***		***469,354***
Land	27,054		-8		27,046
Buildings	102,798				102,798
Shares in non-trading real estate companies					
Other	208,389	131,647	-526		339,510
Property, plant and equipment not used in operations	***5,578***	***384***			***5,962***
Depreciation and impairment	**-227,602**	**-20,205**	**2**		**-247,805**
Operating property, plant and equipment	***-224,844***	***-19,969***	***2***		***-244,811***
Land					
Buildings	-75,165	-4,076	2		-79,239
Shares in non-trading real estate companies					
Other	-149,679	-15,893			-165,572
Property, plant and equipment not used in operations	***-2,758***	***-236***			***-2,994***
Net carrying amount	**116,217**	**111,826**	**-532**		**227,511**

3.7 Debt securities

(€'000)	31 December 2014	31 December 2013
Short-term notes and savings certificates	700	600
Interbank market instruments and negotiable debt securities	3,035,174	2,461,561
Bonds	196,400	196,400
Other debt securities		
Accrued interest	4,177	3,563
TOTAL	**3,236,451**	**2,662,124**

The amount of bond issue and redemption premiums remaining to be amortised totalled €555 thousand. The unamortised balance corresponds to the difference between the amount initially received and the redemption price for the debt securities.

3.8 Other assets and liabilities

	31 December 2014		31 December 2013	
(€'000)	Assets	Liabilities	Assets	Liabilities
Securities settlement accounts		2	1	
Premiums on options purchased and sold	22,000	10,269	25,278	14,796
Debts in respect of securities borrowed and other securities transactions		1,220,707		1,497,108
Tax and social security receivables and debts	35,366	109,322	23,368	115,743
Guarantee deposits received and paid		147		2,181
Sundry debtors and sundry creditors	1,118,870	643,197	1,044,503	493,758
TOTAL	**1,176,236**	**1,983,644**	**1,093,150**	**2,123,587**

3.9 Accrual accounts

	31 December 2014		31 December 2013	
(€'000)	Assets	Liabilities	Assets	Liabilities
Foreign exchange commitments	261,134	74,514	145,333	61,031
Deferred gains and losses on hedging forward financial instruments	103,230	270,543	84,121	333,563
Prepaid expenses and deferred income	39,131	381,084	42,756	396,683
Accrued income and accrued expenses	400,505	384,542	530,034	328,540
Items in process of collection	84,977	266,344	96,761	197,577
Other	10,852	15,038	37,322	16,231
TOTAL	**899,829**	**1,392,065**	**936,326**	**1,333,626**

3.10 Provisions

3.10.1 Statement of changes in provisions

(€'000)	1 January 2014	Increase	Utilised	Reversed	**31 December 2014**
Provisions for counterparty risks	104,868	27,783	-8,368	0	124,283
Provisions for employee benefit obligations[1]	94,223	7,006	-19,508	0	81,721
Provisions for home saving plans (PEL) and home savings accounts (CEL)	32,000			-9,700	22,300
Other provisions for liabilities	4,000				4,000
Securities portfolio and forward financial instruments					
Long-term investments					
Property development					
Provisions for taxes					
Other	*4,000*				*4,000*
Exceptional provisions					
Restructuring of information systems					
Other exceptional provisions					
Total	**235,091**	**34,789**	**-27,876**	**-9,701**	**232,304**

[1] The increase of €7.0 million includes €3.6 million linked to a change in the valuation and accounting methods for pension and other post-employment benefit obligations.

3.10.2 Provisions and impairment charges for counterparty risks

(€'000)	1 January 2014	Increase	Utilised	Reversed	**31 December 2014**
Impairment of assets	**368,100**	**105,752**	**-35,973**	**-40,335**	**397,544**
Impairment of loans and advances to customers	321,563	94,017	-32,865	-36,411	346,304
Impairment of other receivables	46,537	11,735	-3,108	-3,924	51,240
Provisions for counterparty risks recognised as liabilities	**235,091**	**34,790**	**-27,876**	**-9,701**	**232,304**
Provisions for off-balance sheet commitments[1]	4,250	4,708	-1,403	-1	7,554
Provisions for country risks	1,594	385			1,980
Provisions for sector risks	74,621	18,189			92,810
Provisions for customer counterparty risks [2]	24,402	4,501	-6,965		21,938
Provisions for employee benefit obligations [3]	94,223	7,006	-19,508		81,721
Provisions for regulated savings	32,000			-9,700	22,300
Other provisions	4,000				4,000
Total	**603,191**	**140,542**	**-63,849**	**-50,036**	**629,847**

[1] Including execution risk relating to commitments for a total of €7.6 million.
[2] Including a provision set aside for performing balance sheet and off-balance sheet commitments whenever the information available points to a risk of default or loss at maturity.
[3] The increase of €7.0 million includes €3.6 million linked to a change in the valuation and accounting methods for pension and other post-employment benefit obligations.

3.10.3 Provisions for employee benefit obligations

Post-employment benefits related to defined contribution plans

Defined contribution plans concern mandatory social security pension schemes, including those managed by the pension funds AGIRC and ARRCO, and the supplementary pension schemes to which the Banques Populaires subscribe. BRED Banque Populaire's obligations under these schemes are limited to the payment of contributions.

Defined benefit post-employment benefits and long-term employee benefits

BRED Banque Populaire's obligations in this regard relate to the following:

- the Banques Populaires' private supplementary pension plan, which is managed by the Caisse Autonome de Retraite des Banques Populaires (CAR) and relates to the pension benefits resulting from the closure of the banking industry supplementary pension scheme on 31 December 1993;
- pensions and other post-employment benefits such as termination indemnities and other retirement benefits; and
- other benefits such as long-service awards and other long-term employee benefits.

These obligations are calculated as provided for in ANC Recommendation No. 2013-R-02.

Provisions for employee benefit obligations

ANALYSIS OF ASSETS AND LIABILITIES INCLUDED IN THE BALANCE SHEET

	At 31 December 2014			
(€'000)	CARBP pension scheme	Pension obligations	Other obligations	Total
Actuarial liabilities	117,788	4,034	44,050	165,872
Fair value of plan assets	-51,208	-1,404	-9,030	-61,642
Effect of ceiling on plan assets				
Unrecognised actuarial gains/(losses)	-16,133	-156	-6,585	-22,874
Unrecognised past service costs				
Net amount reported on the balance sheet	**50,447**	**2,475**	**28,435**	**81,357**
Employee benefit commitments recorded in the balance sheet	50,447	2,839	28,435	81,721
Plan assets recorded on the balance sheet		364		364

At 31 December 2009, CARBP was a supplementary pension institution (*Institution de Retraite Supplémentaire*). On 1 January 2010, CARBP became a supplementary pension management institution (*Institution de Gestion de Retraite Supplémentaire*) that manages pension commitments arising from the banking industry supplementary pension scheme. The associated pension liabilities have been outsourced to an insurance company. This outsourcing has no impact for BRED Banque Populaire.

ANALYSIS OF EXPENSE FOR THE YEAR

	At 31 December 2014				31 December 2013
(€'000)	CARBP pension scheme	Pension obligations	Other obligations	Total	Total
Current-year service cost			1,878	1,878	2,089
Past service cost					-470
Interest disbursed	2,928	18	1,081	4,027	4,311
Interest received					
Expected return on plan assets	-1,021	-122		-1,142	-1,604
Expected return on reimbursement rights					
Actuarial gains and losses: amortisation for the year					977
Other		63	0	63	-38
Total	**1,907**	**-40**	**2,959**	**4,826**	**5,264**

ANALYSIS OF FAIR VALUE OF PLAN ASSETS

	CARBP		Retirement indemnities	
	Weight per category as a %	Fair value of assets *(€m)*	Weight per category as a %	Fair value of assets *(€m)*
Equity instruments	34.20	17,513	9.00	813
Debt instruments	51.60	26,423	84.10	7,594
Real estate	0.00		3.50	316
Other assets	14.20	7,271	3.40	307
Total	**100.00**	**51,207**	**100.00**	**9,030**

Main actuarial assumptions

As a %	**At 31 December 2014**	At 31 December 2013	**At 31 December 2014**	At 31 December 2013
Discount rate	2.98	3.00	2.87	2.80
Expected return on plan assets	2.98	4.60	2.87	2.44

The discount rate applied is the Euro Corporate Composite AA+ rate.
The mortality tables used are:

- TF00/02 for retirement indemnities, long-service awards and other benefits; and
- TGH TGF 05 for CARBP.

3.10.4 Provisions for regulated home savings products

Deposits held in regulated home savings products

(€'000)	**31 December 2014**	31 December 2013
Deposits held in regulated home savings plans (PEL)		
▶ less than 4 years	369,165	465,271
▶ more than 4 years and less than 10 years	516,141	274,583
▶ more than 10 years	454,788	505,976
Deposits held in regulated home savings plans	**1,340,094**	**1,245,830**
Deposits held in regulated home savings accounts	**146,383**	**192,326**
Total	**1,486,477**	**1,438,156**

Loans granted

(€'000)	**31 December 2014**	31 December 2013
Loans granted		
▶ under PEL regulated home savings plans	4,429	5,513
▶ under CEL regulated home savings accounts	7,300	9,080
Total	**11,730**	**14,593**

Provisions for commitments related to regulated home savings accounts (CEL) and plans (PEL)

(€'000)	1 January 2014	Increase in/ reversals from, net	**31 December 2014**
Provisions for PEL regulated home savings plans			
▶ less than 4 years	9,881	-6,667	3,214
▶ more than 4 years and less than 10 years	1,773	1,750	3,523
▶ more than 10 years	15,137	-7,920	7,217
Provisions for regulated home savings plans	**26,791**	**-12,837**	**13,954**
Provisions for regulated home savings accounts	**5,209**	**3,137**	**8,346**
Provisions for PEL regulated home savings loans			
Provisions for CEL regulated home savings loans			
Provisions for regulated home savings loans	**0**	**0**	**0**
Total	**32,000**	**-9,700**	**22,300**

In 2014, BRED adopted the calculation method developed by BPCE for determining provisions for regulated home savings plans, resulting in a significant write-back of the related provision.

3.11 Subordinated debt

(€'000)	**31 December 2014**	31 December 2013
Dated subordinated debt	318,000	370,500
Undated subordinated debt		
Mutual guarantee deposits		
Related liabilities	9,627	10,620
Total	**327,627**	**381,120**

3.12 Fund for general banking risks

(€'000)	31 December 2013	Increase	Decrease	Other changes	**31 December 2014**
Fund for general banking risks	92,504	4,524			97,029
Regional Solidarity Fund	41,328	9,886			51,214
Total	**133,833**	**14,410**			**148,243**

3.13 Capital and reserves

(€'000)	Share capital	Share premium account	Reserves and other	Retained earnings	Profit for the year	Capital and reserves (excluding FGBR)
Balance at 31 December 2012	**520,286**	**484,068**	**1,038,403**	**125,096**	**113,039**	**2,280,892**
Movements during the period	52,974	-479,464	-111,941	-15,096	26,553	-526,974
Balance at 31 December 2013	**573,260**	**4,604**	**926,462**	**110,000**	**139,592**	**1,753,918**
Impact of change of method[1]				-3,640		-3,640
Appropriation of 2013 profit			128,354		-128,354	
Distribution of dividends					-11,238	-11,238
Capital reduction						
Capital increase	53,921		-6,149			47,772
Other movements			-14,410			-14,410
Profit for the year					139,336	139,336
Balance at 31 December 2014	**627,181**	**4,604**	**1,034,257**	**106,360**	**139,336**	**1,911,738**

[1] *With effect from 1 January 2014 BRED Banque Populaire applies the provisions of ANC Recommendation No. 2013-02 of 7 November 2013 relating to the valuation and accounting rules applicable to pension and similar benefit obligations (see note 2.2).*

The share capital amounts to six hundred and twenty-seven million, one hundred and eighty thousand and seven hundred and seventy-two euros and twenty cents (€627,180,772.20). It is composed of:

- Sixty-one million, four hundred and eighty-eight thousand, three hundred and eleven (61,488,311) cooperative shares with a par value of ten euros and twenty cents (10.20) each, fully paid up and all of the same class.

A capital increase, subscribed in cash, in an amount of €47,772 thousand followed by the capitalisation of reserves amounting to €6,149 thousand enabling the par value of the share to be raised from €10.10 to €10.20 was completed in accordance with a decision of the Board of Directors' meeting on 27 May 2014 under the delegation granted by the Extraordinary General Meeting of 16 May 2012, by issuance at par of 4,729,870 new cooperative shares at a par value of €10.10 which was raised to €10.20 after capitalisation of reserves.

3.14 Sources and uses of funds by remaining maturity

Sources and uses of funds with fixed due dates are presented by residual maturity and include accrued interest.

	At 31 December 2014						
(€'000)	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Treasury bills and similar securities	883,080	36,357	3,215,411	4,388,214	704,483		9,227,544
Loans and advances to credit institutions	6,077,532	1,373,973	1,896,270	459,056	424,343		10,231,174
Loans and advances to customers	2,965,464	559,733	967,527	3,308,332	3,278,364		11,079,421
Bonds and other fixed-income securities	315,030	301,508	653,791	1,195,360	3,324,193		5,789,881
Finance and operating leases							
Total uses of funds	**10,241,106**	**2,271,572**	**6,732,999**	**9,350,962**	**7,731,383**		**36,328,020**
Amounts due to credit institutions	4,720,038	645,531	791,086	793,143	1,336,411		8,286,211
Amounts due to customers	23,315,694	235,707	453,633	1,030,142	77,002		25,112,178
Debt securities	437,642	1,411,431	974,557	404,021	8,800		3,236,451
Subordinated debt	14,627		20,000	293,000			327,627
Total sources of funds	**28,488,002**	**2,292,669**	**2,239,276**	**2,520,306**	**1,422,214**		**36,962,467**

NOTE 4
OFF-BALANCE SHEET AND SIMILAR ITEMS

4.1 Commitments given and received

4.1.1 Financing commitments

(€'000)	31 December 2014	31 December 2013
Financing commitments given		
To credit institutions	**1,153,697**	998,726
To customers	**1,953,352**	1,872,276
Opening of documentary credits	*45,544*	*40,502*
Opening of other confirmed credit lines	*1,896,862*	*1,767,851*
Other commitments	*10,945*	*63,923*
Total financing commitments given	**3,107,048**	**2,871,002**
Financing commitments received		
From credit institutions	**6,688,087**	5,164,257
From customers		
Total financing commitments received	**6,688,087**	**5,164,257**

4.1.2 Guarantee commitments

(€'000)	31 December 2014	31 December 2013
Guarantee commitments given		
To credit institutions	**237,216**	221,007
- Confirmation of opening of documentary credits	*51,447*	*74,338*
- Other guarantees	*185,768*	*146,668*
To customers	**1,706,434**	1,636,907
- Property guarantees	*19,550*	*15,873*
- Tax and administrative guarantees	*50,473*	*44,825*
- Other endorsements and similar guarantees	*565,202*	*543,256*
- Other guarantees given	*1,071,209*	*1,032,953*
Total guarantee commitments given	**1,943,649**	**1,857,914**
Guarantee commitments received from credit institutions	2,047,074	1,479,583
Total guarantee commitments	**3,990,724**	**3,337,497**

4.1.3 Other commitments not reported as off-balance sheet items

(€'000)	31 December 2014 Commitments given	31 December 2014 Commitments received	31 December 2013 Commitments given	31 December 2013 Commitments received
Other securities pledged as collateral to credit institutions	5,266,089		6,471,760	
Other securities pledged as collateral received from customers			65,198	
Total	**5,266,089**		**6,536,958**	

At 31 December 2014, receivables pledged as collateral in the context of refinancing arrangements included in particular:

- €649.3 million of receivables mobilised with Banque de France under the TRICP automated system, compared with €661.6 million at 31 December 2013.
- No receivables pledged to SFEF, compared with €65.2 million at 31 December 2013.

4.2 Transactions involving forward financial instruments

4.2.1 Commitments relating to financial and currency forwards

(€'000)	31 December 2014 Hedging	31 December 2014 Other	31 December 2014 Total	31 December 2014 Fair value	31 December 2013 Hedging	31 December 2013 Other	31 December 2013 Total	31 December 2013 Fair value
Firm transactions								
Transactions on organised markets		***1,617,458***	***1,617,458***			***6,313,828***	***6,313,828***	
Interest rate contracts		1,617,458	1,617,458			6,313,828	6,313,828	
Foreign exchange contracts								
Other contracts								
Over-the-counter transactions	***217,136,445***	***62,076,324***	***279,212,769***	***180,433***	***224,060,564***	***98,169,281***	***322,229,845***	***-297,615***
Forward rate agreements (FRA)						22,300,000	22,300,000	-3,771
Interest rate swaps	217,067,798	31,574,233	248,642,031	-7,121	223,933,468	58,115,787	282,049,254	-377,794
Foreign exchange swaps		18,589,176	18,589,176	5,438		5,314,034	5,314,034	3,671
Other forward contracts	68,647	11,912,915	11,981,562	182,116	127,096	12,439,460	12,566,556	80,280
Total firm transactions	**217,136,445**	**63,693,782**	**280,830,227**	**180,433**	**224,060,564**	**104,483,109**	**328,543,673**	**-297,615**
Options								
Transactions on organised markets		***1,612,525***	***1,612,525***	***-4,206***		***4,010,076***	***4,010,076***	***-74,758***
Interest rate options		1,612,525	1,612,525	-4,206		4,010,076	4,010,076	-74,758
Foreign exchange options								
Other options								
Over-the-counter transactions	***2,000***	***1,958,751***	***1,960,751***	***2,828***	***2,000***	***3,873,016***	***3,875,016***	***7,199***
Interest rate options	2,000	1,517,420	1,519,420	5,527	2,000	3,586,608	3,588,608	6,055
Foreign exchange options		332,009	332,009	-1,960		216,335	216,335	1,793
Other options		109,322	109,322	-739		70,073	70,073	-649
Total options	**2,000**	**3,571,276**	**3,573,276**	**-1,378**	**2,000**	**7,883,092**	**7,885,092**	**-67,560**
Total financial and currency forwards	**217,138,445**	**67,265,058**	**284,403,503**	**179,055**	**224,062,564**	**112,366,201**	**336,428,765**	**-365,174**

4.2.2 Breakdown of over-the-counter interest rate financial instruments by type of portfolio

(€'000)	31 December 2014					31 December 2013				
	Micro-hedging	Macro-hedging	Isolated open positions	Specialised management	Total	Micro-hedging	Macro-hedging	Isolated open positions	Specialised management	Total
Firm transactions	***211,993,978***	***5,073,820***		***50,163,409***	***267,231,207***	***218,687,403***	***5,246,065***		***85,729,821***	***309,663,288***
Forward rate agreements (FRA)									22,300,000	22,300,000
Interest rate swaps	211,993,978	5,073,820		31,574,233	248,642,031	218,687,403	5,246,065		58,115,787	282,049,254
Currency financial swaps				18,589,176	18,589,176				5,314,034	5,314,034
Other interest rate forward contracts										
Options	***2,000***			***1,517,420***	***1,519,420***	***2,000***			***3,586,608***	***3,588,608***
Interest rate options	2,000			1,517,420	1,519,420	2,000			3,586,608	3,588,608
Total	**211,995,978**	**5,073,820**		**51,680,829**	**268,750,627**	**218,689,403**	**5,246,065**		**89,316,429**	**313,251,896**

4.3 Breakdown of balance sheet by currency

(€'000)	31 December 2014		31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Euro	40,392,629	36,943,922	37,325,516	36,001,364
US dollar	1,442,968	1,386,462	924,528	855,784
Pound sterling	672,266	4,120,962	280,665	2,305,805
Swiss franc	54,449	57,830	35,366	35,114
Yen	28,571	72,616	768,473	79,305
Other currencies	39,579	48,669	44,058	101,235
Total	**42,630,461**	**42,630,461**	**39,378,607**	**39,378,607**

4.4 Foreign currency transactions

(€'000)	31 December 2014	31 December 2013
Spot currency transactions		
Currency receivable not received	169,682	787,335
Currency deliverable not delivered	149,849	754,240
Total	**319,531**	**1,541,575**

NOTE 5
NOTES TO THE INCOME STATEMENT

5.1 Interest and similar income and expense

Year ended 31 December (€'000)	2014			2013		
	Income	Expense	Net	Income	Expense	Net
Interbank transactions	140,725	-51,915	**88,810**	82,848	-58,509	24,339
Customer transactions	356,959	-109,493	**247,466**	315,897	-124,817	191,079
Bonds and other fixed-income securities	204,429	-182,837	**21,592**	531,399	-503,517	27,882
Subordinated debt	1,485	-19,494	**-18,009**	7,325	-21,306	-13,980
Other						
Total	**703,598**	**-363,739**	**339,860**	**937,470**	**-708,149**	**229,320**

Interest income on interbank transactions includes interest earned on Livret A and LDD passbook deposits centralised at Caisse des Dépôts et Consignations and on LEP deposits.

5.2 Income and expense from finance lease and operating lease transactions

Not applicable

5.3 Income from variable-income securities

Year ended 31 December *(€'000)*	**2014**	2013
Shares and other variable-income securities	477	455
Equity interests and other long-term investments		
Investments in affiliates	16,749	41,740
Total	**17,226**	**42,195**

5.4 Fees and commissions

Year ended 31 December *(€'000)*	**2014**			2013		
	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	1,122	-839	283	1,037	-1,468	-431
Customer transactions	130,979		130,979	132,101		132,101
Securities transactions	24,649		24,649	15,319		15,319
Payment instruments	144,650	-77,902	66,748	146,448	-82,470	63,979
Currency transactions	643	-66	577	650	-78	573
Off-balance sheet commitments	22,613	-3,613	19,000	19,905	-4,560	15,345
Financial services	62,442	-6,146	56,296	62,868	-5,305	57,564
Advisory services						
Other fees and commissions	2,943		2,943	2,437		2,437
Total	**390,041**	**-88,566**	**301,475**	**380,766**	**-93,880**	**286,886**

5.5 Gains or losses on trading securities

Year ended 31 December *(€'000)*	**2014**	2013
Gains (losses) on trading securities	-1,878	31,274
Gains on currency transactions	16,250	3,167
Gains on forward financial instruments	116,856	137,106
Total	**131,228**	**171,547**

5.6 Gains or losses on available for sale and similar securities

Year ended 31 December *(€'000)*	**2014**			2013		
	Available for sale securities	Portfolio securities	Total	Available for sale securities	Portfolio securities	Total
Impairment	**-133**		**-133**	**14,704**		**14,704**
Provisions made	*-7,164*		*-7,164*	*-635*		*-635*
Provisions written back	*7,031*		*7,031*	*15,338*		*15,338*
Gains on disposal	**18,121**		**18,121**	**37,988**		**37,988**
Other gains or losses						
Total	**17,988**		**17,988**	**52,692**		**52,692**

5.7 Other banking operating income and expense

Year ended 31 December *(€'000)*	**2014**			2013		
	Income	Expense	Total	Income	Expense	Total
Share in joint operations	5,762	-13	**5,748**	6,159		6,159
Rebilling of banking income and expense	1,162	-60	**1,102**	857	-115	742
Property business						
IT services						
Other activities	239		**239**	292		292
Other related income and expenses	6,534	-1,809	**4,725**	6,102	-646	5,456
Total	**13,697**	**-1,882**	**11,815**	**13,411**	**-761**	**12,650**

5.8 General operating expenses

Year ended 31 December *(€'000)*	**2014**	2013
Personnel costs		
Wages and salaries	-176,805	-175,007
Pension costs and similar obligations	-56,746	-37,660
Other social security charges	-53,145	-55,627
Employee incentive scheme(s)	-14,340	-13,424
Employee profit-sharing scheme(s)	-22,289	-20,560
Payroll taxes and charges	-22,852	-24,057
Total personnel costs	**-346,177**	**-326,335**
Other operating expenses		
Duties and taxes	-24,062	-21,629
Other general operating expenses	-133,893	-153,139
Total other operating expenses	**-157,955**	**-174,768**
Total	**-504,132**	**-501,103**

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. The use of this tax is presented in the "Corporate social and environmental responsibility" section of the annual report.

5.9 Cost of risk

Year ended 31 December *(€'000)*	2014 Provisions made	2014 Provisions reversed	2014 Losses not covered by provisions	2014 Bad debts recovered	2014 Total	2013 Provisions made	2013 Provisions reversed	2013 Losses not covered by provisions	2013 Bad debts recovered	2013 Total
Impairment of assets										
Interbank		2			**2**					
Customers		32,753	-4,331	3,799	**-61,368**	-94,883	36,210	-3,656	1,151	-61,177
Securities portfolio and other receivables		-90			**-426**	-162	7,547			7,385
Provisions										
Off-balance sheet commitments		1,404			**-3,304**	-2,910	1,522			-1,388
Provisions for customer risks		6,966			**-15,725**	-6,374	5,330			-1,044
Other					**-385**		692			692
Total		**41,034**	**-4,331**	**3,799**	**-81,206**	**-104,328**	**51,300**	**-3,656**	**1,151**	**-55,532**
Of which:										
- reversals of obsolete impairment charges		*41,034*					*51,300*			
- reversals of utilised impairment charges		*32,865*					*27,830*			
Provisions reversed		*73,899*					*79,130*			
- losses covered by provisions		*-32,865*					*-27,830*			
Provisions reversed net		**41,034**					**51,300**			

5.10 Gains or losses on non-current assets

Year ended 31 December *(€'000)*	2014 Equity interests and other long-term invest-ments	2014 Held to maturity securities	2014 Intangible assets and property, plant and equipment	2014 Total	2013 Equity interests and other long-term invest-ments	2013 Held to maturity securities	2013 Intangible assets and property, plant and equipment	2013 Total
Impairment					**164**			**164**
Increase					*-51*			*-51*
Reversal					*214*			*214*
Gains or losses on disposal	**-97**	**2**		**-95**	**3,410**	**997**		**4,407**
Total	**-97**	**2**		**-95**	**3,574**	**997**		**4,571**

5.11 Exceptional items

No exceptional item was recorded in 2014.

5.12 Income tax expense

5.12.1 Breakdown of income tax in respect of the 2014 financial year

Income tax paid to the head company of the tax group, which is broken down between tax on current income and tax on non-recurring income, was as follows:

(€'000)

Tax bases at the following rates	**33.33%**	**15.00%**	**Total**
Tax on current income	167,256	524	
Tax on non-recurring income			
	167,256	524	
Tax losses brought forward			
Tax bases	167,256	524	
Corresponding tax	55,752	79	55,831
Additional contribution assessed at 3.3%			1,817
+10.7% surcharge			5,974
- deductions in respect of tax credits			-822
Tax recognised			**62,800**
Overseas territories tax			
Provisions for the return to profitability of subsidiaries			-2
Dividend tax			337
Provisions for tax and other			5,140
Total			**68,275**

NOTE 6
OTHER INFORMATION

6.1 Consolidation

Pursuant to Article 4111-1 of ANC Regulation No. 2014-07, in application of Article 1 of CRC Regulation 99-07, BRED Banque Populaire prepares consolidated financial statements under international accounting standards.
The individual company accounts are incorporated into the consolidated financial statements of the BPCE group.

6.2 Statutory Auditors' fees

Financial year ended 31 December (€'000)	KPMG 2014 Amount (excluding VAT)	%	KPMG 2013 Amount (excluding VAT)	%	PwC 2014 Amount (excluding VAT)	%	PwC 2013 Amount (excluding VAT)	%
Audit								
Statutory audit, review of parent company and consolidated financial statements	209.8	79	233.1	94	246.0	64	233.1	93
Other audit procedures and services directly related to the statutory audit assignment	55.3	21	14.4	6	137.4	36	16.8	7
Total	**265.0**	**100**	**247.5**	**100**	**383.4**	**100**	**249.9**	**100**

6.3 Operations in non-cooperative countries

Under Article L.511-45 of the French Monetary and Financial Code and the French Minister of the Economy's Decree of 6 October 2009, credit institutions are required to publish, in an appendix to their annual financial statements, information on their operations and activities in countries and territories that have not entered into an administrative assistance agreement with France for the exchange of and access to banking information in connection with the fight against tax fraud and tax evasion. These obligations form part of global measures to discourage transactions with countries and territories considered non-cooperative for tax purposes, as defined at OECD meetings and summits, and are also designed to combat money laundering and financing of terrorism.
Since its foundation, Groupe BPCE has adopted a prudent approach, ensuring that the entities belonging to its networks are kept informed about updates to the OECD list of territories considered non-cooperative as regards the exchange of information for tax purposes and about the potential consequences of maintaining operations in non-cooperative territories. In addition, lists of non-cooperative territories have been integrated, in part, into enterprise resource planning software applications used in the fight against money laundering with the aim of ensuring appropriate vigilance for transactions with non-cooperative countries and territories (implementation of Decree 2009-874 of 16 July 2009). At the level of the central body, an inventory of the Group's operations and activities in non-cooperative territories has been drawn up for the information of the executive bodies.
This inventory is based on the list of countries named in the Order of 21 August 2013 issued in application of Article 238-0-A of the French General Tax Code.
At 31 December 2014, BRED Banque Populaire had no operations or activities in countries or territories considered non-cooperative for tax purposes.
The information required under Article L.511-45-II of the French Monetary and Financial Code is provided in the notes to the consolidated financial statements (note 18 Operations by country).

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December *(€'000)*	2010	2011	2012	2013	**2014**
Capital at the year end					
Share capital: amount	345,990	345,990	416,229	573,260	627,181
Number of shares outstanding	36,420,000	36,420,000	41,622,857	56,758,441	61,488,311
Cooperative investment certificates: amount	86,498	86,498	104,057	-	-
Number of certificates outstanding	9,105,000	9,105,000	10,405,715	-	-
Capital and reserves	2,041,152	2,130,854	2,227,702	1,753,918	1,911,738
Results of operations					
Net banking income	736,168	734,143	747,864	795,290	819,591
Profit before tax, employee profit-sharing, depreciation, amortisation and provisions	312,735	297,144	280,472	318,757	337,565
Income tax	-51,482	-67,727	-47,033	-74,911	-68,275
Employee profit-sharing for the year	-28,300	-27,000	-19,200	-20,000	-22,200
Profit after tax, employee profit-sharing, depreciation, amortisation and provisions	136,778	107,316	113,039	139,592	139,336
Retained earnings before appropriation of profit for the year	68,646	110,000	125,096	110,000	106,360
Net profit transferred to reserves	69,247	78,635	105,015	128,354	117,661
Retained earnings after appropriation of profit for the year	110,000	110,000	110,000	110,000	110,000
Dividends paid to shareholders	9,105	12,383	10,536	11,238	11,068
Dividends paid to cooperative investment certificate holders	17,072	16,298	12,584	-	-
Earnings per share (cooperative shares and certificates up to August 2013)					
Profit after tax and employee profit-sharing, but before depreciation, amortisation and provisions	6.14	4.45	4.71	4.30	4.35
Profit after tax, employee profit-sharing, depreciation, amortisation and provisions	3.61	2.36	2.48	2.68	2.45
Dividend per share (€)	0.30	0.34	0.27	0.26	0.19
Dividends per cooperative investment certificate (€)	2.25	1.79	1.29	0.00	0.00
Employee data					
Average number of employees	3,317	3,372	3,395	3,400	3,370
Total payroll costs	151,616	159,762	168,949	175,007	176,805
Employee benefits	81,025	91,403	91,780	93,287	109,891

- *The 6,070,000 new shares created in November 2010 have been entitled to dividends since 1 January 2011.*
- *The 1,517,500 cooperative investment certificates created in November 2010 have been entitled to dividends since 1 January 2011.*
- *In November 2010, the par value of the cooperative shares and of the cooperative investment certificates was increased from €9.0 to €9.50 by capitalising reserves.*
- *The 5,202,857 new cooperative shares created in June 2012 have been entitled to dividends since 1 July 2012.*
- *The 1,300,715 cooperative investment certificates created in June 2012 have been entitled to dividends since 1 July 2012.*
- *In June 2012, the par value of the cooperative shares and of the cooperative investment certificates was increased from €9.50 to €10.00 by capitalising reserves.*
- *In August 2013, the cooperative investment certificates were repaid in full.*
- *The 15,135,584 new cooperative shares created in December 2013 have been entitled to dividends since 1 December 2013.*
- *The 4,729,870 new cooperative shares created in September 2014 have been entitled to dividends since 1 October 2014.*

STATUTORY AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS
Financial year ended 31 December 2014

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 financial year ended 31 December 2014, on:

- the audit of the company financial statements of BRED Banque Populaire, as appended to this report;
- the basis for our opinion; and
- the specific verifications and disclosures required by law.

The company 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 company financial statements

We conducted our audit in accordance with French auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the company financial statements are free from material misstatement. An audit includes examining, on a test basis or using other methods of selection, the evidence supporting the amounts and disclosures in the company financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management 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 company financial statements give a true and fair view of the financial position and the assets and liabilities of the company and the results of its operations for the year ended in accordance with accounting rules and principles generally accepted in France.

Without calling into question the opinion expressed above, we draw your attention to note 2.2 – "Changes in accounting methods" of the notes to the company financial statements, which describes the impact of the change in accounting method relating to provisions for employee benefits.

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

Provisioning of credit risks

As stated in notes 2.3.2, 3.2, 3.10.1, 3.10.2 and 5.9 to the company financial statements, your Bank 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 impairment on an individual basis against assets and the setting aside of provisions on the liabilities side to cover non-allocated customer risks.

Valuation of equity interests, investments in affiliates and other long-term investments

Equity interests, investments in affiliates and other long-term investments are measured at their value in use as described in notes 2.3.4 and 3.4 to the company financial statements. As part of our assessment of these estimates, we examined the information used as the basis for determining the value in use of the main investments held in the portfolio.

Valuation of other securities and financial instruments

Your Bank holds positions on securities and financial instruments. Notes 2.3.4 and 2.3.10 to the company financial statements set out the accounting rules and 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 your Bank and the information contained in the notes to the company financial statements, and we also checked that they had been correctly applied.

Provisioning of employee benefit obligations

Your Bank 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 2.3.8 and 3.10.3 to the financial statements.

Provisions for home savings products

Your Bank 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 2.3.8 and 3.10.4 to the 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 company 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 verifications and information

We also performed the specific verifications required by French law in accordance with French auditing standards.

We have no comment to make as to the fair presentation and the consistency with the company financial statements of the information given in the Board of Directors' management report, and in the documents addressed to the cooperative shareholders concerning the company's financial position and the company financial statements.

In accordance with French law, we verified that the required information concerning the purchase of equity and controlling interests has been properly disclosed in the management report.

Paris La Défense and Neuilly-sur-Seine,
28 April 2015

THE STATUTORY AUDITORS

KPMG Audit
Division of KPMG S.A.

Marie-Christine Jolys, Partner

PricewaterhouseCoopers Audit

Agnès Hussherr, Partner
Nicolas Montillot, Partner

218

BRED GROUP COMPLIANCE AND RISK MANAGEMENT AND CONTROL

220 / Credit risk
227 / Market risk
233 / Balance sheet risk
237 / Operational risk
238 / Compliance risk

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 adequate risk management.

The Credit Risk Department reports to the Risk and Permanent Control 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;
- risk-spreading criteria,
- continuous monitoring of commitments, using an automated system for controlling positions and, for credits repaid in instalments, past dues, as well as monitoring of accounts presenting an anomaly; a robust system for detecting and preventing customer risk for retail, professional and corporate customers by the provision of risk management tools to the network staff and their managers, and
- 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,
- analysis and approval of loan requests is delegated 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 2014, 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 monitoring insolvency proceedings. Collection of the largest corporate and professional customer debts is the responsibility of the Commitments Department's Special Business section.

The Commitments Department centralises the creation of provisions for non-performing and disputed debts and monitors any related 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. The Finance Department prepares and acts as secretary at this committee's meetings. 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 exceptions 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 exceptions, to the level of the Finance Department.

1.2 Measurement and monitoring of credit risk

"Information provided under IFRS 7"

1.2.1 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 risk-spreading 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 developments linked to the Basel II system. 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 2014, 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, large accounts, etc.) regularly, by sending them a rating monitoring chart.

The Credit Risk Department is also responsible for drawing up the list of corporate counterparties for which closer vigilance is required. This watch list is drawn up based on rating and commitment criteria. 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 prepared on a quarterly basis and reviewed at the quarterly Risk Committee meetings chaired by the Chief Executive Officer.

1.2.2 Monitoring tools

The sales departments use a software application, Papillon, for processing credit and 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.

The commercial entities have software tools that enable the staff to check compliance with the allocated limits on a daily basis. In addition to these permanent controls, an analytical 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.

1.2.3 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. The reports are distributed to internal committees: the Audit Committee, the Board of Directors, the Control Functions Coordination Committee and the Risk Committee, each according to its area of responsibility.

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, in some cases for presentation to General Management.

1.3 Permanent control of credit risk

"Information provided under IFRS 7"

1.3.1 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 entities, 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 regularly 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.

1.3.2 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.

The second level permanent control of credit risk performed by the Credit Risk Department is based notably on several measures:

- ▶ 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 systematic 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 corporate customers' internal ratings,
- ▶ 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 their duties the Credit Risk Department's control officers 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 any 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 internal 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.

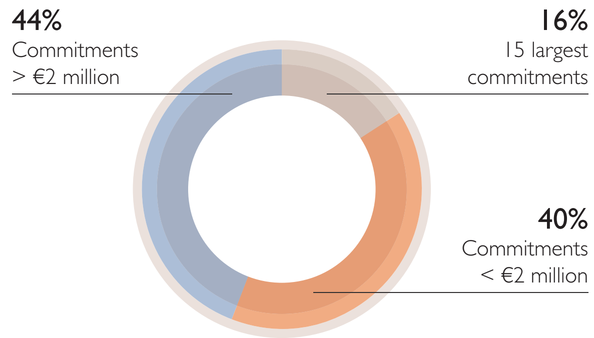
1.4 Credit risk exposure

1.4.1 Overview

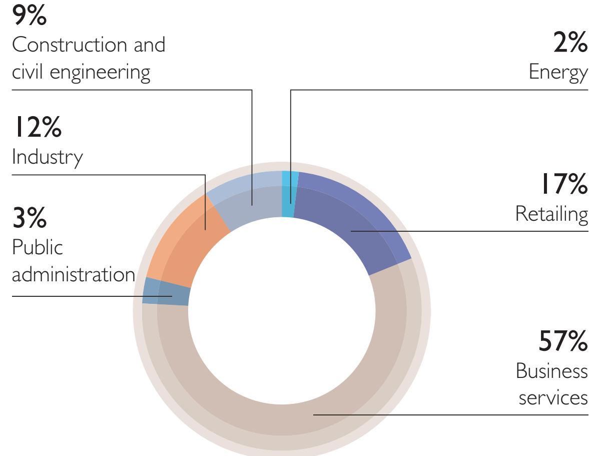
"Information provided under IFRS 7"

At end-2014, commitments to corporate and professional customers at the BRED BP scope amounted to €11.2 billion (balance sheet and off-balance sheet), 2.8% more than in 2013.

BREAKDOWN OF CORPORATE AND PROFESSIONAL LOANS AND ADVANCES BY SIZE



BREAKDOWN OF CORPORATE AND PROFESSIONAL LOANS AND ADVANCES BY ECONOMIC SECTOR



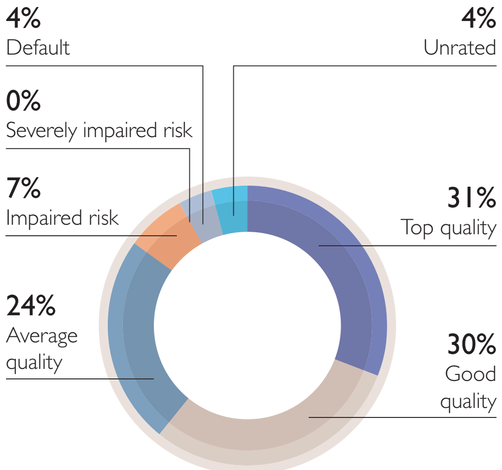
Risk concentration remained stable in 2014. The 15 largest commitments represented 16% of the portfolio. The proportion of commitments of under €2 million stood at 40%, reflecting well-spread credit risk.

The breakdown of loans and advances by economic sector changed only marginally. Loans and advances to the business services sector continued to predominate, accounting for 57% of commitments. Loans and advances to the industrial and retailing sectors remained stable overall.

1.4.2 Breakdown of commitments by internal rating

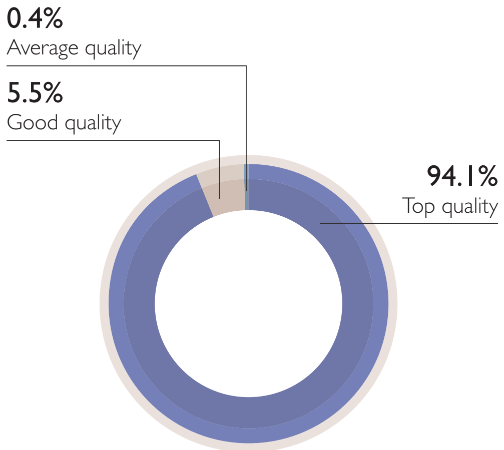
"Information provided under IFRS 7"

CORPORATE COMMITMENTS
TOTAL: €8,243m



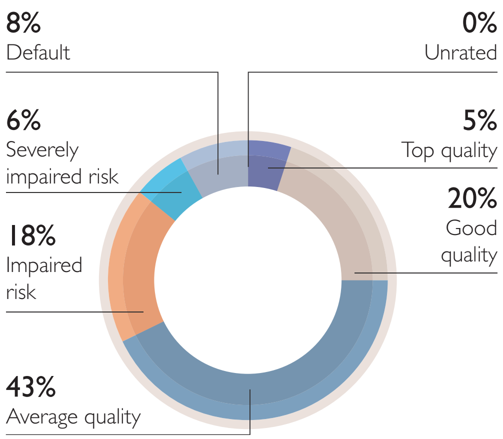
BRED BP's lending to the corporate segment increased slightly (by 1.3%) in 2014. The proportion of top quality commitments remained stable, there was a strong improvement in good quality commitments and defaults dropped slightly.

INTERBANK COMMITMENTS
TOTAL: €4,855m



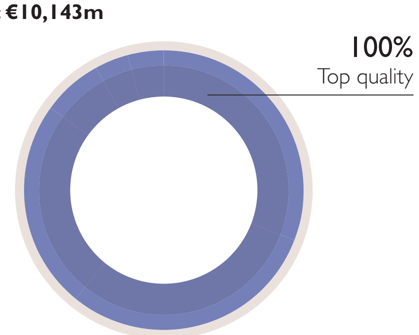
Lending increased slightly by 1.7%; the quality of interbank commitments was good.

PROFESSIONAL COMMITMENTS
TOTAL €2,998m



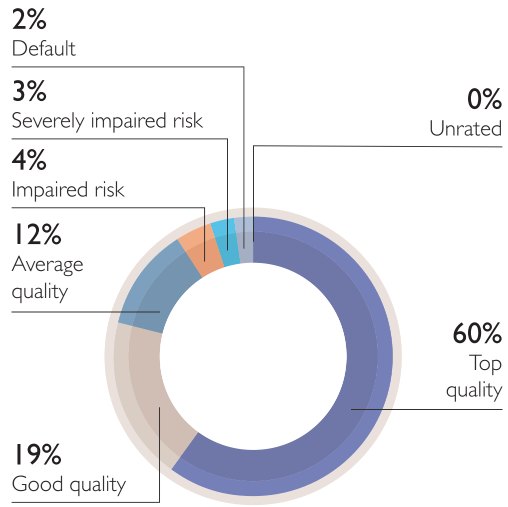
2014 saw a 7.2% growth in outstanding loans. The proportion of top quality and good quality loans increased slightly but there was also a slight rise in defaulting loans.

SOVEREIGN COMMITMENTS
TOTAL: €10,143m



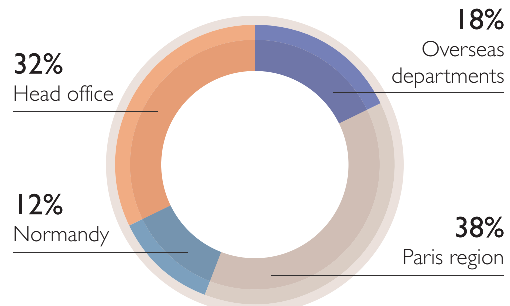
The quality of commitments remained unchanged in 2014 but outstanding loans and advances decreased slightly by 3.5%.

RETAIL COMMITMENTS
TOTAL: €6,612m



Commitments to retail customers increased by a strong 9.2% in 2014 thanks mainly to growth in home loan outstandings. Top quality and good quality commitments remained stable, as did defaults which continued to account for 2% of total retail loans and advances.

GEOGRAPHIC BREAKDOWN OF COMMITMENTS AT 31 DECEMBER 2014



The breakdown of BRED BP's commitments by geographic location of loan approval remained stable overall relative to the previous year.

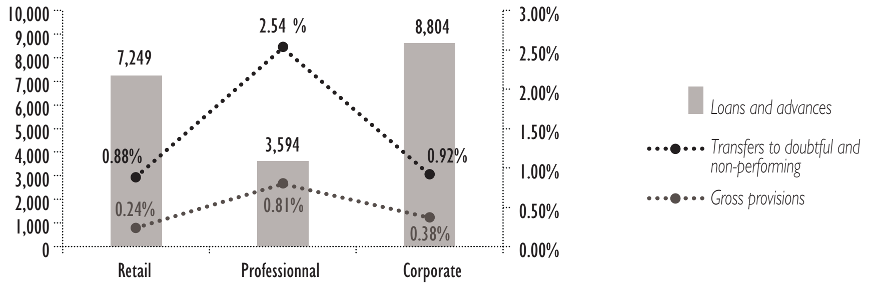
1.4.3 Analysis of loans and advances reclassified as non-performing in 2014

The amount of loans and advances reclassified as doubtful or non-performing totalled €235.9 million, representing 1.20% of total outstanding loans, with 0.88% for the retail segment, 2.54% for the professional segment and 0.92% for the corporate segment.
Outstanding doubtful and non-performing loans and advances (balance sheet and off-balance sheet) increased by €34 million over the year.
After rising the previous year, the provisioning rate for loans and advances reclassified as doubtful or non-performing dropped to 33.6% in 2014 compared with 36.8% in 2013 and 28.4% in 2012.
All this information is detailed in the tables and charts below.

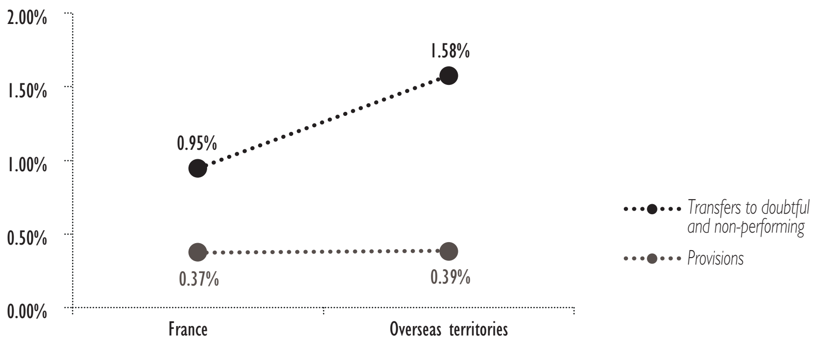
(€m)	Loans and advances	Transfers to doubtful and non-performing	As a % of loans and advances	Provisioning rate of transfers to doubtful and non-performing	Total doubtful and non-performing loans	Provisions for doubtful and non-performing loans
Retail	7,249	64	0.88%	26.9%	182.1	92.1
Professional	3,594	91	2.54%	31.8%	370.3	223.9
Corporate	8,804	81	0.92%	40.9%	387.9	249.8
Total	**19,647**	**235.9**	**1.20%**	**33.6%**	**940.3**	**565.8**

(Excluding mutual guarantee companies)

RISKS: BREAKDOWN BY CUSTOMER SEGMENT



RISKS: BRED BP SCOPE GEOGRAPHIC BREAKDOWN (AS A PERCENTAGE OF LOANS AND ADVANCES)

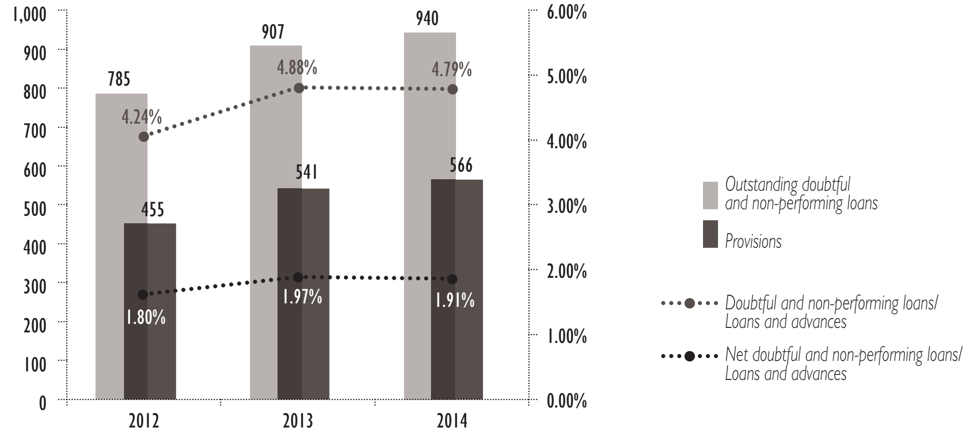


PROVISIONS FOR CREDIT RISK AT 31 DECEMBER 2014

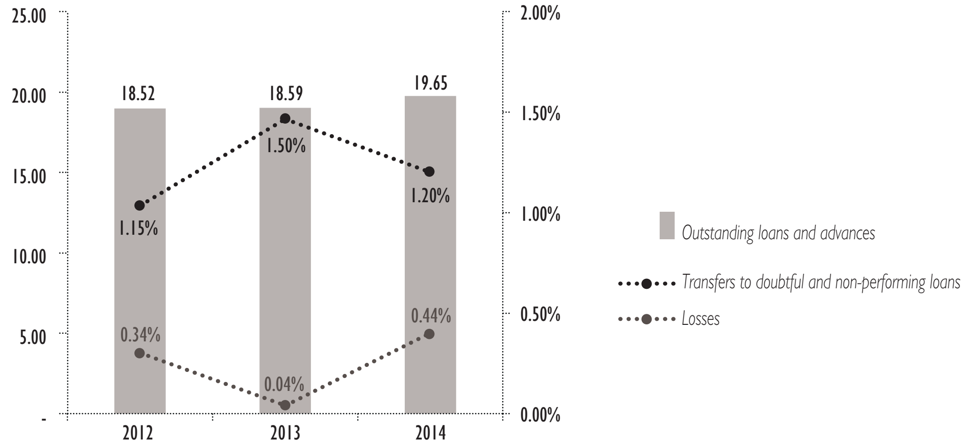
	BRED BP		Subsidiaries		BRED group	
(€m)	**2014**	2013	**2014**	2013	**2014**	2013
Gross provisions for commitments	-93.6	-94.9				
Net provisions written back	+32.8	+36.2				
Gains and losses on receivables	-4.3	-3.7				
Other	+3.8	+1.2				
Cost of risk on commercial loans and advances	**-61.4**	**-61.2**	**-5.9**	**-23.2**	**-67.2**	**-84.4**
Provisions for claims and other transactions	-19.8	+5.6	+1.1	-2.6	-18.7	+3.1
Cost of risk	**-81.2**	**-55.5**	**-4.8**	**-25.7**	**-86.0**	**-81.3**

The cost of risk increased at BRED BP, reflecting the increase in collective provisions.

CHANGE IN DOUBTFUL AND NON-PERFORMING LOANS AND ADVANCES



CHANGE IN TRANSFERS TO DOUBTFUL AND NON-PERFORMING LOANS



2 MARKET RISK

2.1 Market risk management principles

"Information provided under IFRS 7"

2.1.1 General organisation

BRED's main market risks are linked to the activities of the Trading Desk and the Finance Department.

- In 2014, the Trading Desk continued its commercial policy focusing on services for customers through simple instruments, in compliance with the French law on the segregation of banking activities. The capital markets activity was reorganised with a new architecture based on three internal units:
  - Placement Solutions, for building a regular business relationship with customers who are active in the markets and have standard issuer or money-market investor interests,

- Investment Solutions, for giving customers, professional or not, access to market products and different asset classes. To this end, the unit has market making activities and provides investment services to customers, and
- Financing Solutions, which aims to cater to the converging needs of listed or unlisted businesses looking for financing, whether BRED customers or not, and of institutional investors seeking investments, by structuring appropriate deals.

▶ The Finance Department comprises two units:
- ALM and Treasury, whose activities are described below in the balance sheet risk section, and
- Consolidated Management of Investments (CMI), which manages 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 build up unrealised capital gains. Within CMI, NJR is a subsidiary that invests mainly in securitised assets eligible for central bank refinancing and in real estate assets.

The Modelling Department, attached to the Risk Department in February 2014, 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 managing market risks,
▶ contributes to 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), and
▶ heightens staff awareness of market risks and contributes to their 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.

Operational management is carried out in a framework of risk mandates for traders which, since 2014, are signed by the traders. These risk mandates comprise 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 Change Management Committee, which reviews new products and possible IT developments, and
▶ the Market Activities Accounting Committee, which deals with accounting issues.

2.1.2 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 transaction identifier, the type of change, cancellation or input, and the author of the change.
Front Office operators cannot change or cancel any transaction in the Back Office systems.

2.1.3 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 hereafter. 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%) for holding a position for one day. These indicators are calculated and monitored on a daily basis for all BRED's trading activities.

Four VaR indicators are calculated: two based on a parametric variance-covariance model (one using the so-called JP Morgan method and one the so-called Basel Committee method) and two based on a historical model using extreme scenarios derived from a reference observation period of one or two years.

The calculation of capital requirements thus generated also provides a synthetic measure of overall risk and of each type of risk. In addition to the quarterly calculations performed in the context of regulatory reporting, the capital requirements in respect of market activities are modelled daily.

Stress testing consists of measuring potential losses for the portfolios in extreme market conditions. Two types of stress test 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% stock-market fluctuation affecting cash, index and equity derivative positions.

Lastly, operating indicators are used to measure and thereby supervise the activity, at global level and/or by desk. These indicators relate to volume, sensitivity and diversification, as well as loss alert thresholds.
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. The warning system for unusual transactions put in place in 2012 has been definitively adopted. 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. In addition, a dashboard is prepared each quarter, presented to the Audit Committee and the Financial Markets Committee and sent to the ACPR.

2.3 Permanent control of market risk

"Information provided under IFRS 7"

The first level of control concerns the Trading Desk operating staff and their line managers, who are responsible for constantly adapting their organisations and procedures so as to comply with internal control objectives 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 specific control officer. The Front Office managers calculate and perform first level control 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 real-time validation of transactions, based on supporting data.
- ▶ 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 Management 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 and reports any breaches to General Management on a weekly basis.

In addition to the limits, a warning system was put in place in 2014 and consumption above a 90% threshold is now also monitored. The Market Risk Department also 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 risk indicators developed by the Modelling Department.

The Financial Audit function is responsible for controlling the accounting risks associated with market transactions.

Permanent control staff, integrated into the Market Risk Department at the end of 2013, 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

2.4.1 Capital requirements

The calculation of capital requirements for the capital adequacy ratio provides a synthetic measure of overall risk and of each type of risk.

CAPITAL REQUIREMENTS

(€m)	31 December 2013	31 December 2014
Interest-rate risk	47	46
Foreign-exchange risk	11	16
Ownership, commodities and gold risk	20	13
Total market risk	**79**	**76**
Counterparty risk linked to market risk	38	60

At 31 December 2014, based on Basel II standards, BRED's capital requirement in respect of market risk amounted to €76 million, and the requirement in respect of counterparty risk amounted to €60 million. The increase in counterparty risk reflects the new regulatory requirements with regard to credit valuation adjustments (CVA) and central clearing systems.

2.4.2 Market risk scenarios

"Information provided under IFRS 7"

Changes in the impact of the risk scenarios defined below on the Trading Desk and Consolidated Management of Investments as a combined unit:

RISK SCENARIO

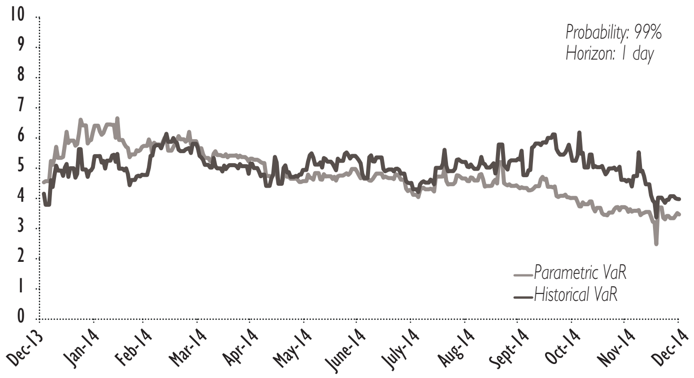
(€m)	Impact at 31 December 2013	Impact at 31 December 2014
Foreign-exchange risk	**5**	**6.8**
Interest-rate risk		
• Directional risk	7.2	13.3
• Deformation risk	9.1	19.2
• Monetary crisis risk	15	14.8
Total issuer risk in a stress scenario	**100.6**	**110.6**
Stock-market risk	**48.1**	**58.1**

2.4.3 Value at Risk

"Information provided under IFRS 7"

PARAMETRIC AND HISTORICAL VaR AT THE BRED BP SCOPE

(€m)



All measurements obtained on BRED's parametric and historical VaR remain within a narrow band, due to the stability of the positions and econometrics.

2.4.4 Issuer risk on market activities

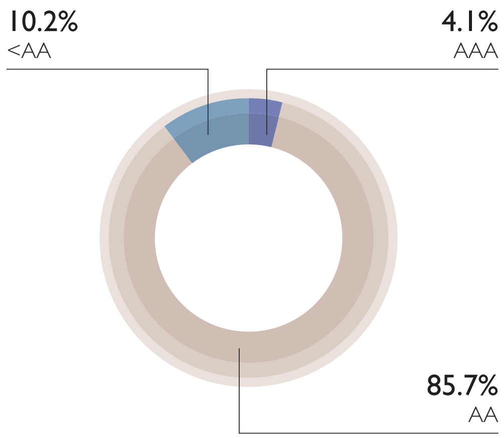
"Information provided under IFRS 7"

ISSUER RISK ON MARKET ACTIVITIES
expressed in outstanding issues

(€m)	31 December 2013	31 December 2014
Sovereign	7,869	8,913
Interbank	1,015	1,496
Secured bonds	1,400	744
Corporate	2,168	2,647
TOTAL	**12,452**	**13,800**
o/w off-balance sheet	737	953

Scope of BRED, 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.

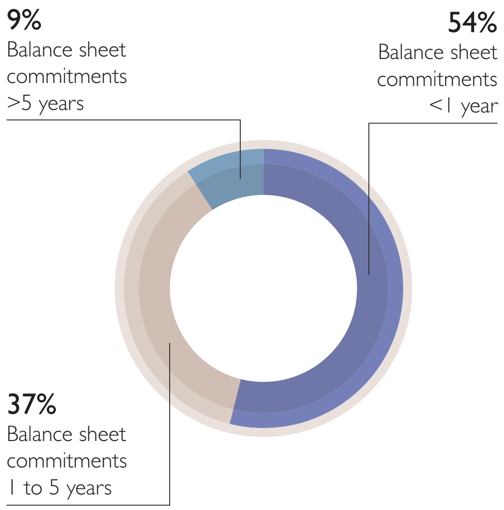
2.4.5 Sovereign risk by rating



At 31 December 2014, the portfolio of sovereign debt securities consisted for 90% of issuers rated higher than AA.

2.4.6 Market risk by maturity

The breakdown of risk by residual maturity at 31 December 2014 was as follows:



More than half of the capital markets commitments had a residual maturity of less than 1 year and 90% had a residual maturity of less than 5 years.

3 BALANCE SHEET RISK

"Information provided under IFRS 7"

3.1 Balance sheet risk management principles

3.1.1 General organisation

The management and monitoring of balance sheet and treasury risk is organised around two operational departments, the Asset/Liability Management (ALM) Department and the Treasury Department, and a second level control department, the Balance Sheet Risk Department.

The Treasury Department, created at the end of 2014 in application of the French law on segregation and regulation of banking activities (Law 2013-72) and the Ministerial Order of 9 September 2014, is responsible for implementing the cash management strategy and has no market activities other than for the purpose of sound and prudent cash management.

The management and control of balance sheet and treasury risk are overseen monthly 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.

3.1.2 Role of the ALM Department

The ALM Department is responsible for managing the financial structure 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 (excluding the scope allocated to the Treasury Department, see below) 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 BRED'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 may 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 BRED 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 cooperative 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 the hedges' effectiveness.

The ALM Department is also responsible for strategic supervision of the Capital Markets Department's activities on its own portfolio of collateral.

3.1.3 Role of the Treasury Department

The Treasury Department is responsible for overseeing intra-day flows and managing cash flow projections to ensure daily balance. It reports directly to the Finance Department and is totally independent from any other unit that carries out market transactions.

Its activity consists primarily of managing various portfolios of cash transactions, corresponding to assets and liabilities held to balance BRED's cash position (Trading Desk and commercial banking). These consist of interbank transactions (repos and reverse repos, lending and borrowing), transactions with the European Central Bank and balancing of accounts in all currencies. The Treasury Department can trade itself or ask the Trading Desk to execute the transactions. In this respect, it:

- determines the euro and foreign currency cash positions and transmits them to the Trading Desk for hedging transactions in the money market. These transactions are recorded in special portfolios, which the Treasury Department monitors,
- steers intra-day euro flows and monitors the positions in the market systems, in the BPCE accounts and with correspondents,
- issues final payment authorisations and payment orders (cashier function), after input by the Front Office and control/validation by the Back Office,
- collaborates with the Risk Department in drawing up the control framework for liquidity and settlement-delivery risks,
- coordinates the Bank's cash flow forecasts with the commercial departments (Trading Desk, Network) that communicate the forecast flows and the Back Office teams that record the transactions, and
- coordinates the short-term refinancing policies of BRED group entities.

The Treasury Department accordingly has the power to limit or block same-day value transactions.

3.1.4 Role of the Balance Sheet Risk Department

The Balance Sheet Risk Department is responsible for second level control of the financial risk of the financial management activities. It verifies the proper application and relevance of first level controls implemented by the ALM and Treasury departments, and checks the reliability of risk generating processes. Its main tasks in this respect are:

- supervising the definition of first level control standards and methods,
- validating the risk monitoring system, checking the reliability of the parameters and measurement methods used and reconciling accounting and management data,
- 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 and Treasury departments' 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, and
- monitoring the implementation of corrective action and resolution of breached limits.

3.1.5 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 rates in particular),
- monitoring indicators and reporting rules and 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 control and management framework is defined in Groupe BPCE's ALM 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

3.2.1 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 the observation ratio,
- static interest-rate gaps, which measure balance sheet run-off broken down 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 various 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 upward or downward 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 98 of the Order of 3 November 2014.

3.2.2 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 consumption.

3.2.3 At subsidiary level

The risk measurements reported to Groupe BPCE are aggregated at the level of the BRED group. The ALM Department draws up measurement indicators by subsidiary based on the data entered in Fermat. The indicators produced for BRED subsidiaries include static interest-rate and liquidity gaps, sensitivity of the interest 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 individually reported to the subsidiaries concerned. The limits that apply at each subsidiary are approved by their deciding bodies.

3.2.4 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.

3.2.5 Reporting to executive and deciding bodies

The Chief Executive Officer chairs the Financial Strategy Committee and the Financial Markets 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 Balance Sheet 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 Balance Sheet Risk Department before the associated reports are drawn up. Similarly, the validity of any adjustments made by the ALM Department before input into Fermat is also examined by the Balance Sheet Risk Department.

BRED's Balance Sheet Risk Department also verifies the roll-out of methods defined by Groupe BPCE, the implementation of decisions taken by BRED's committees and compliance with General Management's guidelines. Lastly, the BRED Risk Department verifies compliance with ALM limits and authorised products.

3.4 Exposure to balance sheet risk

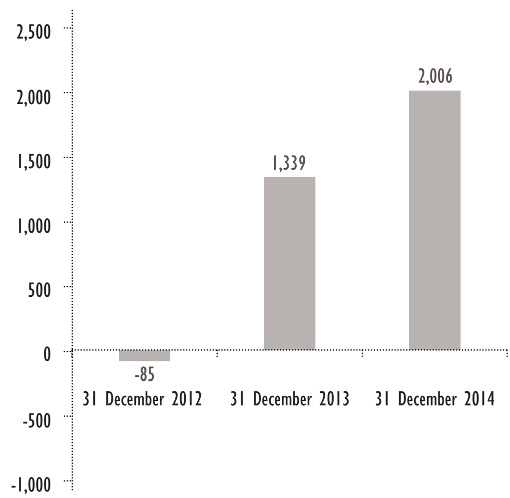
SENSITIVITY OF THE INTEREST MARGIN TO A 100 BASIS POINT RISE IN MARKET INTEREST RATES

(€m)	2015	2016
Sensitivity to short-term interest rates		
Sensitivity of existing loan portfolio	8.7	17.1
Sensitivity of future loan production	-12.4	-23.0
Overall sensitivity to short-term interest rates	-3.7	-5.8
Sensitivity to long-term interest rates		
Sensitivity of future loan production	12.4	23.0
Sensitivity to early loan repayments, renegotiation and past dues	2.8	8.2
Overall sensitivity to long-term interest rates	15.2	31.2

The overall impact of a one percentage point rise in interest rates would be an €11.5 million increase in BRED's interest margin. Although the impact of a one percentage point rise in short-term interest rates would be negative (decrease of €3.7 million) given the existing loan portfolio and future loan production, the interest margin on the portfolio of long-term loans would benefit from a rise in long-term rates.

CHANGE IN COMMERCIAL CUSTOMER INTEREST MARGIN (EXCLUDING FINANCIAL CUSTOMERS)

(€m)



Customer deposits continued to grow in 2014.

4 OPERATIONAL RISK

4.1 Operational risk management principles

Operational risk management is the responsibility of the BRED group's operational departments and subsidiaries, which constantly monitor changes in the risks associated with their activities and the related activity and incident indicators, and take immediate corrective action, within the framework of a system overseen by BRED's Permanent Control and 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.

4.1.1 Supervision by the Operational Risk Management Department

Within the BRED group, the system is overseen by the Permanent Control and Operational Risk Management Department and implemented by correspondents throughout BRED BP and its subsidiaries.
BRED's Permanent Control and Operational Risk Management Department is responsible for:

- measuring operational risk in close collaboration with the decentralised operational risk officers at the BRED group's other departments and subsidiaries,
- implementing second level control of operational risk with the central and/or decentralised permanent control officers at the BRED group's other departments and subsidiaries,
- since 2014, overseeing the second level permanent control system, in particular by verifying performance of the annual second level permanent control plans at the BRED group (departments, subsidiaries and other risk functions).

To perform its duties, the Permanent Control and Operational Risk Management Department relies on operational risk officers appointed in BRED's operational departments and on second level permanent control staff.
Following the change of organisation at the end of 2013 when the second level permanent control officers in head-office departments were all brought under the direct supervision of the Risk Department, the decentralised permanent control officers are the officers within the commercial network and the employees responsible for second level control within the subsidiaries. They 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 individuals' salaries.

4.2 Operational risk measurement and monitoring

BRED's operational risk measurement and monitoring system integrates the principles defined at the Groupe BPCE level. This system is organised in the form of internal procedures that are updated regularly by the Permanent Control and Operational Risk Management Department. Capital requirements for operational risk are calculated using the standard method.
Operational risk indicators are centralised and analysed by the Permanent Control and Operational Risk Management Department on a monthly basis. They help to update second level control plans and rating of mapped risks.

4.2.1 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.

4.2.2 Gathering loss and incident data

Loss and incident data is gathered and input into PARO by the operational risk correspondents within the BRED group's operational departments and subsidiaries. The Permanent Control and Operational Risk Management Department validates the data and, in close collaboration with the Groupe BPCE teams, organises training and information briefings for local correspondents. In 2014, roll-out of the PARO system throughout the entire BRED group was completed.

4.2.3 Monitoring fraud

A Fraud Control Coordination Committee, for which the Permanent Control and Operational Risk Management 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 produces regular general reports to keep the Risk Committee chaired by the CEO informed.

4.3 Exposure to operational risk

With regard to the main operational risks identified in 2014, the operational risk report at 31 December 2014 showed total losses and provisions of €9 million. The change relative to the previous year corresponds to additional provisions booked in 2014. In terms of types of loss recorded, the Basel category "Execution, Delivery and Process Management" was the operational risk with the greatest impact for the Group, followed by "External fraud", which had topped the list in 2013.

5 COMPLIANCE RISK

5.1 Compliance

Each operational department within the parent company and its subsidiaries is responsible for managing the compliance risk affecting its own area of business. 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 and by BRED's Group Compliance Department, which drafts and circulates Guidelines.
The various capital markets departments, with the support of Group Compliance and the Legal Department, take all the regulatory constraints into account when developing new products or changing existing processes.
At the parent company, compliance risks are managed by two departments under the supervision of the Bank's General Counsel, who is a member of the Executive Committee: the Compliance Department and the Investment Services Compliance Department.
Pursuant to Articles 6 and 7 of the Order of 3 November 2014 relating to internal control, these two departments also ensure that procedures for preventing compliance risk are complied with at BRED's subsidiaries in the light of their location, activities, customer bases and applicable 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, defined in Article 10 of the Order of 3 November 2014 on internal control as the "risk of judicial, administrative or disciplinary sanction, of significant financial loss or loss of reputation resulting from failure to comply with the prevailing national or European laws and regulations relating directly to banking and financial activities or with professional and ethical standards or with instructions from accountable managers 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 operational or control functions retains responsibility for the compliance of its respective activities and transactions.
The Compliance Department is the designated contact for Tracfin, CNIL and DGCCRF.

Organisation
The Compliance Department has a banking and insurance compliance unit, which is responsible for compliance with regulations and professional standards as regards new products or processes, compliance of communications 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.
The Compliance Department also 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, an Executive Committee member with relevant line management responsibility and the General Counsel.

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 its activities as an investment services provider.
As such, it ensures compliance with the rules applicable to investment services providers set forth in the AMF's General Regulation (particularly in Book III) and in the French Monetary and Financial Code, and with the Bank's specific obligations as a custodian and issuer. BRED's accreditation as an investment services provider covers the receipt, transmission and execution of orders for third parties, proprietary trading, portfolio management, underwriting, guaranteed and non-guaranteed placements and investment advisory services.
As in previous years, a general Compliance Report was prepared for the AMF presenting a clear map of BRED's compliance system, covering 230 general questions and an audit of 37 recommendations that must be complied with.

Organisation

The Investment Services Compliance Department has two divisions covering the Bank's two main business sectors:

- customers of the networks (Operating Departments and Major Accounts and International Department), and
- 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 Market Risks Department.

5.2 Organisation of control

5.2.1 Compliance Department

The Compliance Department has a compliance risk mapping tool (BPCE self-rating) 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 Department and the 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 New Products 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 heads of AML/FT, permanent control, operational risk management and overseas permanent control. It has remit over BRED and also over those subsidiaries that have delegated authority to BRED's Compliance Department for this purpose.
For foreign subsidiaries, the Banking and Insurance Compliance unit also checks with the subsidiary's compliance officer that local regulatory developments have been properly taken into account in the products, processes and services.
The Banking and Insurance Compliance unit also controls the regulatory provisions included in service agreements with providers of essential services that have been outsourced, as part of a compliance control plan comprising checks performed by the unit itself and controls entrusted to the Permanent Control and Operational Risk Management Department.
The appointment of a Data Protection Officer in October 2013 enables the Bank to stay ahead of European regulatory reform and ensure compliance with data protection regulations. This function is performed by the Banking and Insurance Compliance Officer.

Financial Crime Department

The Anti-Money Laundering/Financing of Terrorism unit is responsible for informing Tracfin of any financial transactions that may be connected with money laundering or terrorist financing.

Accordingly, 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 analyses are also monitored by the Compliance Department's AML/FT unit, which also carries out qualitative controls on a random basis, and arranges employee training and information sessions for the relevant employees if considered necessary on the basis of these controls.
The Compliance Department checks the effectiveness of the controls entrusted to other control functions, in particular the Risk Department.
With regard to BRED's French and foreign subsidiaries, the AML/FT unit supervises the AML/FT surveillance systems and tools put in place by each subsidiary, checking their consistency with Group policies as well as their use and efficiency.

5.2.2 Investment Services Compliance Department

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 part of this mission, the Investment Services Compliance Officer has published a manual of procedures, accompanied by regulatory explanatory, instructional and reporting documents.
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 as regards the marketing by BRED's network of financial instruments linked to life insurance. The AMF's General Regulation is constantly being amended and 2014 featured in particular the ongoing impact of EMIR regulations on asset management and supervision of sales processes. These developments naturally resulted in the introduction of new procedures. Accordingly, as well as amendments and supplementary procedures, all the Investment Services Compliance procedures were revised in 2014.
The Investment Services Compliance Officer's controls must provide the AMF, and also BRED's General Management and Board of Directors, 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 (**Manual of Procedures**) are effective.
To this end, the Investment Services Compliance Officer 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 any resulting recommendations. In this framework, more than 120 control reports were issued without any significant recommendation other than pin-pointing areas for quality improvement.

5.3 Significant events in 2014

5.3.1 Compliance Department

Banking and Insurance Compliance unit

In 2014, the Banking and Insurance Compliance unit performed documented controls to check that the various departments had taken into account in their processes and/or products the most recent regulatory developments, particularly those relating to customer protection (compliance of home loan offers, de-coupling of loan insurance and analysis of equivalent guarantees, checking compliance with ACPR recommendations and controlling complaints handling).

The controls performed did not reveal any material compliance risks. Given the current regulatory developments, the focus was placed on entitlement to an account, and an action plan is under way and will be monitored throughout 2015.

For the French subsidiaries governed by French regulations, the unit fulfilled its supervisory role by verifying that new products and services were presented to the Compliance Department and that customer protection rules were complied with (complaints handling, specific information). These controls enabled some failings, such as those detected in the drafting of contractual or information documents, to be corrected.

An additional person was hired in April 2014, assigned mainly to compliance controls, and a new head of Banking and Insurance Compliance/Data Protection Officer – an analyst within the unit for seven years – was appointed in October 2014.

Financial Crime unit

In 2014, the AML/FT unit continued to enhance the anti-money laundering and terrorist financing system at the BRED BP scope:

- ▶ updating the AML-FT risk classification, which is the cornerstone of the monitoring system the Bank must put in place according to its customer profiles, locations and activities and the products and services it markets,
- ▶ integrating into the filtering software the management control findings on the relevance of operators' responses to alerts relating to updating of KYC data in the electronic KYC file,
- ▶ launching in September 2014 the MAHAKALA Génération 2 project designed to improve the relevance of filtering scenarios and, reduce the number of alerts, particularly "false positive" alerts, without deviating from the surveillance obligations set in the regulations. The target timetable for the project is:
  - roll-out by September 2015 for retail customers and in the first half of 2016 for corporate customers.

With regard to AML/FT oversight of the BRED group's French and foreign subsidiaries, the on-site inspection and support plan initiated in 2013 was completely covered by December 2014. The main purpose of the inspections was to draw up a situation report on the efficiency of the AML/FT system at each subsidiary and prepare an action plan to enhance the system and/or correct any deficiencies detected. The unit monitors the action plans at each Group subsidiary on a regular basis.

With regard to the quality of response to AML/FT warnings at the BRED BP scope, the direct controls performed by the unit or delegated to permanent control staff showed a satisfactory level of knowledge and use of the AML/FT filtering software by operating staff, with points for improvement relating mainly to updating customer knowledge.

The steady improvement in knowledge and use resulting from the training given by AML/FT staff since 2010 has led to a steady and substantial increase in the number of suspicious transaction reports sent to Tracfin.

With regard to our French and foreign subsidiaries, during its on-site visits the unit again provided training for staff involved in AML/FT issues. These training sessions together with enhancement of the system at technical and procedural levels have resulted in better overall application of the financial security rules set by the parent company.

A new person, head of the Banking and Insurance Compliance unit within BRED's Compliance Department for seven years, was appointed to head the AML/FT unit in October 2014.

5.3.2 Investment Services Compliance Department

The Investment Services Compliance Officer is responsible for constant regulatory watch, and developments in 2014 concerned in particular market abuse with the handing down of penalties for attempted price manipulation, dissemination of false information and manipulation of calculation of a financial index. Some directives also concerned, to varying degrees, the transparency of automated processing systems and implementation of the European Market Infrastructure Regulation (EMIR), which introduces new constraints for derivatives markets operators.

Another event was the UCITS V directive which, among other things, reforms the role and responsibilities of UCITS custodians.

The efforts to optimise tools put in place by the Investment Services Compliance Officer were actively continued throughout 2014, with the upgrading of the Insurance Placement Interview (Entretien Placement Assurance – EPA) software. This system – integrated into account managers' workstations – has undergone six quality upgrades since 2007, in particular:

- ▶ electronic signature using a digital tablet of investment advice proposals and pre-contractual information documents relating to the product(s) recommended. This enables BRED to obtain a comprehensive trail of investment recommendations issued through instant recording in the customer's electronic file,
- ▶ control of implementation of the investment advice trail by carefully comparing the statistics relating to performance of EPAs with the number of products sold. Since the end of 2014, this data is updated and provided to the networks each week via the BRED intranet. In addition, numerous controls were conducted to check the EPA performance rate for targeted financial instruments following their marketing launch.

Following the work carried out with Groupe BPCE, BRED integrated some of the numerous controls carried out in the second half of 2014 into the final version of the PILCOP RCSI reporting software. The source of the data input into this new database is the control plan known as Monitoring of Controls of Investment Services and Recommendations, implemented by the Investments Services Compliance departments since 2008.

In the area of market activities, the Investment Services Compliance Officer oversaw the implementation of a sophisticated market abuse warning and control system, Actimize, which is used by all the main market players and is now fully operational. Two new types of alerts were integrated into the monitoring system in 2014.

244

CORPORATE SOCIAL RESPONSIBILITY

246 / BRED's identity and strategy
250 / Economic responsibility
255 / Social responsibility
263 / Civic responsibility
271 / Tackling environmental issues
277 / CSR reporting methodology
280 / Report by a Statutory Auditor designated as an independent third party on the consolidated social, environmental and civic information included in the management report
282 / Cross-reference tables

1 BRED'S IDENTITY AND STRATEGY

1.1 Cooperative identity

1.1.1 History and 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[1]) and the launch of the CASDEN Banque Populaire[2] in 1973, BRED extended its services to public sector employees, including staff of the French national educational, research and cultural departments and institutions.

1.1.2 Organisation and cooperative life

As at 31 December 2014, BRED had 139,372 cooperative shareholders. They vote at the general shareholders' meetings and directly elect the directors who represent them on the Board of Directors. Cooperative shareholders are regularly invited to meetings at their local branch and to special evening events where they can discuss the Bank's affairs with senior executives 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.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDERS

BRED	**As at 31/12/2014**	As at 31/12/2013
Number of cooperative shareholders	139,372	140,111
Average amount of capital (in €) held by each cooperative shareholder	4,500	4,091

In 2014, BRED had 18 directors who, through their experience and diversity, contribute actively to discussions at meetings of the Board of Directors, in the interests of all customers and cooperative shareholders. They are creators of value (company heads, researchers, teachers, etc.) whose occupations mean that they are closely involved in economic and social development in their regions. They are elected by the cooperative shareholders at general meetings.

The National Federation of Banques Populaires (FNBP) is responsible for creating and instilling a common culture among the directors of the various Banque Populaires. At the University of Directors in June 2014, directors, senior executives and employees joined together to consider a theme of interest to all: imagine a cooperative model for the future. This two-day event took place against the background of profound change within the banking sector (the digital revolution, increased demand for a local service, growing impact of European regulations on the sector) and the direct or indirect consequences for the Banques Populaires' cooperative model. Approximately 300 Banque Populaires directors and executives considered topics such as how to capitalise on the new growth opportunities created as a result of these changes, and how to preserve the special nature of the Banques Populaires cooperative model and stand out from our competitors.

1.1.3 Cooperative & CSR[3] Dividend: showcasing BRED's cooperative advantage

BRED uses a proprietary tool developed with the other Banques Populaires and managed by the FNBP to report on its cooperative and CSR actions to its cooperative shareholders. Based on ISO 26000 (the CSR benchmark), the Cooperative & 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, directors, employees and customers, and of civil society.

This tool is a reflection of the Banques Populaires cooperative advantage; it only takes into account initiatives that go beyond the Bank's regulatory requirements.

[1] Association pour favoriser le Crédit et l'Épargne des fonctionnaires et agents des services publics.
[2] *Bank for public sector employees in the educational, research and cultural sectors.*
[3] *Corporate Social Responsibility.*

1.2 Responsible development charters

1.2.1 Global Compact

In April 2012, Groupe BPCE confirmed its support of the United Nations Global Compact, extending its application to all its French and international entities. As the central body, BPCE gives all its entities and networks the opportunity to assert their rights and common interests, in particular with regard to market bodies, and to negotiate and enter into national or international agreements. BRED therefore also benefits from BPCE's signature of the Global Compact.

The Global Compact signatory companies undertake to align their operations and strategies with 10 universally accepted principles concerning human rights, working conditions, the environment and the fight against corruption. With some 12,000 signatories in more than 145 countries, the Compact is the main internationally recognised code for responsible companies. Its primary objective is to promote the social legitimacy of companies and markets[4]. The aims of the Global Compact are compatible with those of ISO 26000[5] and the Global Reporting Initiative[6] criteria. In 2013, Groupe BPCE was awarded active participant status.

1.2.2 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.

1.2.3 Gender equality

An initial company-wide agreement was signed with the trade union organisations in January 2008. BRED subsequently confirmed in 2013 that the fair management of its company and employees was a priority. It declared its intention to pursue the work already underway to eliminate any form of discrimination at work between men and women, and more specifically reiterated that its career management policy upheld gender equality. The agreement identifies five priority areas: effective compensation, recruitment, professional training, terms of employment and work–life balance.

1.2.4 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 designed to promote the employment of young people, in particular by offering fixed-term contracts and work experience under work-study and professional training contracts, while also encouraging the recruitment or continued employment of employees aged over 50, and providing for the transmission of knowledge and skills.

[4] *https:/www.unglobalcompact.org.*
[5] *ISO 26000 provides guidance for any organisation wishing to assume responsibility for the impact of its decisions and activities and report thereon.*
[6] *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.*

1.2.5 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 encouraging the recruitment and continued employment of individuals with disabilities.
BRED has created a disability awareness programme called "Mission Handicap" as part of this policy. The aim is to change how people view disability by offering employment opportunities in all the Bank's business lines 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 focused on skills and knowledge.

1.2.6 Exclusion policy relating to the arms and munitions sector

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 factored into decisions by the relevant decision-making bodies (Credit Committee, Investment Committee, etc.).

1.3 BRED Banque Populaire's sustainable development strategy

BRED has long since developed an approach based on corporate social responsibility (CSR), 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 cohesion and human values. CSR aims to enhance our unique cooperative model by focusing on our customers, employees and cooperative shareholders, who will all have a role to play in society in the future.
BRED's management is 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. This first and foremost concerns our local practices in terms of economic and civic responsibility. With its long-standing local presence, BRED is well-positioned to help its customers to prepare for and capitalise on the current economic and ecological changes.
BRED's responsible development strategy is based on international standards, including in particular the principles of the United Nations Global Compact, signed by BPCE, the group's central body. Our CSR initiatives are also based on the work of the United Nations, the OECD and the ILO.
Early in 2013, BRED created the Cooperative Shareholders and Sustainable Development-CSR Department, which is responsible for coordinating and enhancing BRED's responsible development initiatives. Its role is to raise awareness of stakeholders, particularly the cooperative shareholders, by promoting a responsible cooperative model.
The role of the Department is to identify and propose the BRED group's priority issues and objectives in terms of CSR. Its role is also to motivate, increase awareness and promote good practices within the group, while ensuring that all action taken complies with the CSR policy objectives defined by BRED and with the applicable standards and guidelines.

COOPERATIVE SHAREHOLDERS AND SUSTAINABLE DEVELOPMENT-CSR DEPARTMENT

	2014	2013	2012
Number of employees (full-time equivalent) assigned to sustainable development	2.9	2.9	1

BRED's CSR approach is twofold: first, it implements a CSR strategy based on eight objectives identified and defined with the members of BRED's Executive Committee, which serve as guidelines for its everyday activities and, second, carries on ongoing dialogue with stakeholders.

OUR ECONOMIC RESPONSIBILITY

Our economic responsibility	
Do our job as a local bank by developing local services	**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. **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.
Our social responsibility	
Develop fair practices and promote equal opportunities within the Bank	**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. **Promote job satisfaction** High-quality dialogue between senior management and employees, good working conditions and a decentralised organisation all encourage autonomy and foster collective recognition. **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.
Our civic responsibility	
Support local initiatives for social cohesion	**Make money socially useful** Support the economic and social integration of people in situations of difficulty, promote solidarity and protect vulnerable customers. **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.
Our environmental responsibility	
Reduce the environmental footprint of our operations	**Reduce, sort, recycle** BRED's four main direct environmental challenges are: the reduction of greenhouse gases caused by energy consumption in its buildings and business travel; responsible use of paper; the proper management of waste, including obsolete IT equipment; and the roll-out of an ambitious responsible procurement policy.

1.3.1 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 *départements* has led it to work with a variety of stakeholders (government, local authorities, NGOs, etc.) on social, civic and environmental projects.

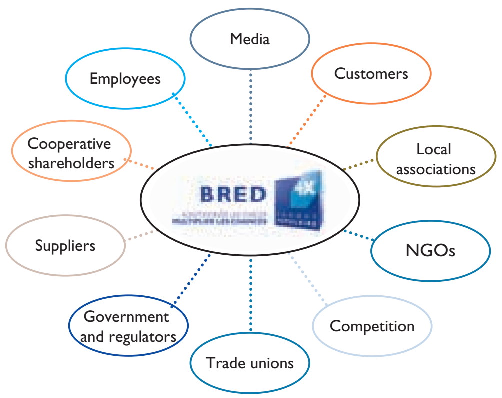
Dialogue with internal or market stakeholders takes the form of discussions or information meetings such as those held for the cooperative shareholders. With civic and business stakeholders, dialogue is organised on a case-by-case basis, drawing on BRED's expertise on sustainable development in the banking sector.

Meetings were organised with cooperative shareholders throughout the year in local branches. These events provide cooperative shareholders and customers with an opportunity to discuss the Bank's affairs and to meet members of BRED management.

In addition to these meetings, an online chat session was held, during which BRED's Chief Executive Officer answered questions from cooperative shareholders.

As part of the policy to improve dialogue with stakeholders and in order to comply fully with the GRI-G4 reporting guidelines, BRED launched a stakeholder mapping project in 2014. Work is ongoing which, upon completion, will provide comprehensive information on all stakeholders and their expectations.

FIRST MAP OF BRED STAKEHOLDERS



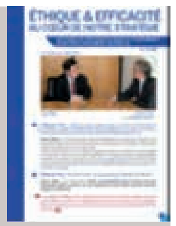
2 ECONOMIC RESPONSIBILITY

Commercial banks play an essential role as an intermediary between those with the ability to provide funding and those who require funding. As a result of their detailed knowledge of their customers, be they private individuals, the self-employed, associations, SMEs or large companies, an incalculable number of economic actors have been able to fund their projects.

Society sees this as the role of banks, believing they should be clearly oriented towards the real economy and focus on economic, social and civic priorities in equal measure.

This duty to finance the real economy coexists alongside a duty to combine an ethical business 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 and the financed projects.

Ethics & Efficiency



BRED has undertaken a programme to develop business by focusing on its role as a local bank, thus supporting key local players and providing local populations with the means to take control of their economic and social development by facilitating projects and initiatives, while continuing to implement a committed and responsible human resources strategy.

BRED requires all its employees to embrace our values in order to promote our unique and deep-rooted cooperative model, which continues to prove its worth on a daily basis. In June 2014, these core values were communicated to all BRED group employees in an internal document setting out BRED's CSR policy, entitled "*l'Ethique et l'Efficacité*" (Ethics and Efficiency).

2.1 Contribution to local development

2.1.1 Financing the local economy and supporting local development

BRED is a major source of financing for social economy companies and structures, in parts of the Greater Paris area, Haute-Normandie, Calvados and the French overseas *départements*, through its 335 branches, 11 wealth management centres and 16 business centres (11 in France and 5 overseas), plus the dedicated branch for business and engineering school students ("Grand'Ze") and the Résoplus branch for overseas customers and their children who travel to 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 boost the local economy in those regions in which BRED operates. Accordingly, despite the difficult economic climate, BRED has continued to provide significant financial support:

- As at the end of 2014, in the CSR reporting scope, loans to individual customers totalled €6.2 billion while loans to self-employed professionals totalled €1.8 billion and loans to companies totalled €5.4 billion, representing a total increase of 5.3% compared to 2013.
- In an economic environment where the general trend is to express concern about the banks' reluctance to lend, BRED's consistency is noteworthy in that new loans to individual customers rose by 19.1%. New loans to self-employed professionals and to local companies remained stable compared to the previous year. This increase reflects our long-term view and capacity to support our customers.
- In 2014, BRED affirmed its commitment to extend micro-loans to individuals and self-employed professionals in order to support investment projects developed by financially vulnerable populations. BRED has consistently offered micro-loans over a number of years, and continues to do so despite the current economic difficulties.
- In 2014, BRED paid €416,255 to local general interest and cooperation structures within the framework of its sponsorship and patronage schemes. Actions focused essentially on social integration through employment, support for business start-ups and cultural initiatives.

2.1.2 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 through its branches in the traditional regions in which it operates.

With a view to reinforcing this local presence and ensuring our service is best adapted to the needs of our local customers in a context where the bank/customer relationship is becoming increasingly mobile and individualised, two years ago BRED launched a large-scale branch renovation project. The new design branches will satisfy customers' changing expectations and be compatible with the new technologies, our objective being to provide a local branch presence while also facilitating online banking.

BREAKDOWN OF BRANCHES

Number	**2014**	2013
Branches, wealth management centres, stand-alone ATMs	346	345
Business centres	16	16
Number of branches in "sensitive urban areas"	11	11

"We are always willing to make organisational changes to better satisfy our customers. As our branch is close to the main Evreux branch, the new system allows us to pool our expertise to better meet the needs of our customers, who can arrange to visit either branch. They can also carry out certain banking transactions on their own using the in-branch ATMs or our website. In addition, customers can always reach me by e-mail or on my usual phone number whichever branch I am at."

https://www.bred-societaires.fr/agenda-societaire/lagence-saint-sauveur-renovee.

✱ A NEW LOOK FOR THE SAINT-SAUVEUR BRANCH

On 22 July 2014 the Saint-Sauveur branch in Evreux, Normandy, re-opened its brand new doors. Its customers have praised the renovation work, and particularly appreciate the light well in the reception area. Naaima Lebrun, account manager for retail customers, describes the branch's new organisation.

2.1.3 Accessibility of our banking services for people with disabilities

As part of its non-discriminatory, "banking for all" policy, over the years BRED has consistently launched initiatives to facilitate access to banking services for people with disabilities. For instance, ATMs are equipped with Braille keys.

Strictly speaking, our branches do not comply with all the requirements of the 2005 decree on access for people with disabilities. Nevertheless, 96 of our branches provide access for people with reduced mobility, and work will be carried out over the next few years to facilitate access to all our branches.

2.2 Ethical business: fair banking practices and anti-corruption measures

In 2014, BRED was not the subject of any sanctions for anti-competitive conduct or under anti-trust or anti-monopoly laws.

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 area, 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 third AML-FT Directive.

Anti-money laundering training for employees is an essential part of this system. The objective is that all of our employees will receive training over a two-year period.

ANTI-MONEY LAUNDERING TRAINING

Indicator	**2014**	2013	2012	2011
% of employees trained in anti-money laundering policies and procedures	49	55	40	60

Source: Compliance Department.

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 (PEP) and their immediate friends and 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 these 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 the benchmark in terms of measuring national performance in combating corruption.

In 2014, BRED took part in a working group led by BPCE's Sustainable Development Department and attended by representatives from all the main departments with an interest in this topic (Group Security and Compliance, Group General Inspection, Group Human Resources, General Counsel, Group Legal Department, BPCE Procurement) and Natixis.

The group met several times over the year for the purpose of mapping existing systems that are dedicated to or contribute to the prevention of corruption, and the documents recording and reporting them.

2.3 Focus on shared interests

2.3.1 Delivering a superior customer experience

BRED has always put customer satisfaction at the heart of its strategy. It regularly evaluates the quality of the service it delivers, and also the perceived quality, as it is customers' perception of a service that will engender their loyalty and lead to recommendations.

The customer relations process, notably the welcome they are given and the service provided, is regularly assessed throughout the network, in all BRED territories, by "mystery customers" making unannounced visits and phone calls.

Customers' perception of our services remains very satisfactory, as confirmed by the annual quality survey. 90% of self-employed customers and 92% of individual customers said that they were satisfied with the welcome they received at their branch, while 98% of our large corporate customers said that they were satisfied and would recommend BRED. Similarly, the quality of the customer telephone and e-mail relations management has continued to improve since 2013.

In 2014, the procedure for obtaining customer feedback was extended and modified. Round tables provided an opportunity for customers to express their opinion on the organisation of our networks. We further demonstrated our commitment to listen by organising meetings and inviting customers to take part in "user tests" before finalising changes to our website and our mobile application, for example.

All these measures will be carried forward and extended in 2015, with the implementation of systematic "immediate" feedback on the quality of the customer experience, by asking our customers for their opinions just a few days after their contact with the Bank.

2.3.2 Responsible marketing

Ten years ago BRED put in place a New Products/Processes Committee to validate 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.

The validation of new products by the Committee 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 ensure consumer health and safety, reinforcing the already very strict banking regulations on consumer protection.

BRED has not put in place a systematic CSR labelling system for all its banking products.

2.3.3 Know-Your-Customer

In a constantly changing banking sector, BRED offers its customers the benefits of a local bank combined with those of an online bank. We firmly believe that a bank's success is not based solely on the quality of its products; it is also reliant on the ability of the customer account manager, who acts as the cornerstone of the customer's relationship with the Bank, to offer comprehensive, high-quality advice based on a detailed knowledge of each customer's projects and requirements.

Accordingly, it is essential that we have relevant and up-to-date information on our customers in order to build a quality relationship, and this information therefore needs to be updated on a regular basis. In addition to processes that guarantee the quality of the data contained in our tools and circulated in the course of our banking activities, BRED has a specific Account Servicing Department, responsible for verifying that the requisite information has been obtained and is reliable.

All data is processed on our computer systems 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.

2.3.4 Customer protection

BRED has developed innovative solutions to facilitate access to banking services while providing optimum protection for banking transactions.

With safe banking in mind, BRED secured access to banking transactions when it launched its website back in 2003. A dedicated subsidiary, Click & Trust, has since developed a range of secure tools using digital certificates to offer a very high level of security, so that customers can use the online banking service with peace of mind.

Another subsidiary, Vialink, was subsequently set up to adapt the electronic signature for use by companies in connection with electronic filing, paperless banking, e-guarantees, digital safety deposit boxes, secure payments and all transactions between customers and the Bank. This has enabled BRED to guide its corporate customers through the implementation of the SEPA[7], ensuring that all their flows and transactions remain secure.

BRED also assists and advises customers wishing to adopt mobile banking (or m-banking)[8], and offers solutions to secure mobile applications and digital identities.

[7] *The Single Euro Payments Area (SEPA) is an area for payment in euro put in place by member banks of the European Payments Council following a request by the European Commission. The objective of this initiative is to harmonise means of payment in euro between member states (transfers, direct debits, bank cards).*

[8] *m-Banking: banking transactions and payments using mobile telephones.*

3 SOCIAL RESPONSABILITY

3.1 Recognising individual merit and fostering employee loyalty

3.1.1 Employment

Breakdown of headcount

In the reporting scope, described in section 6 "CSR reporting methodology", BRED employed a total of 3,924 people under permanent contracts, fixed-term contracts, work-study contracts and professional training contracts, as at 31 December 2014.

TOTAL HEADCOUNT ACCORDING TO REGION AND GENDER

	2014 Men	2014 Women	2014 Total	2013 Men	2013 Women	2013 Total
France	1,360	1,808	3,168	1,294	1,792	3,086
Overseas	231	525	756	205	451	656
Total	**1,591**	**2,333**	**3,924**	**1,499**	**2,243**	**3,742**

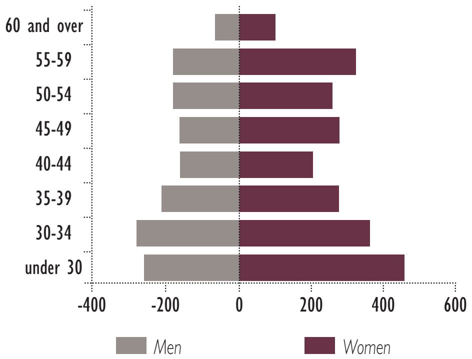
Women account for the majority of staff, representing 59.4% of employees in the reporting scope (and 69.4% overseas).

BREAKDOWN OF HEADCOUNT ACCORDING TO CONTRACT AND GRADE

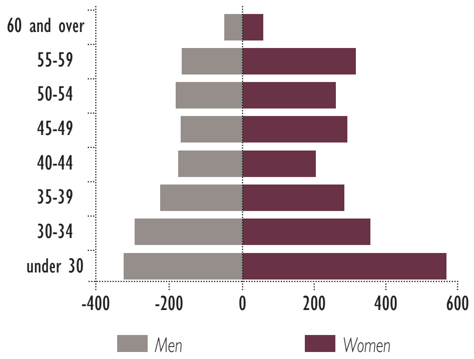
Indicators		2014 Number	2014 %	2013 Number	2013 %
Type of contract	Permanent contracts, excluding work-study contracts	3,763	95.9	3,596	96.1
	Fixed-term contracts, excluding work-study contracts	68	1.7	54	1.4
	Work-study and professional training contracts	93	2.4	92	2.5
Non-management/ management staff	Non-management staff	1,948	49.6	1,863	49.8
	Management staff	1,883	48.0	1,787	47.7
	Work-study and professional training contracts	93	2.4	92	2.5
Total		**3,924**		**3,742**	

95.9% of staff hold permanent contracts. This figure is split almost evenly between non-management and management staff, with management staff accounting for 48%.

2013 HEADCOUNT ACCORDING TO AGE



2014 HEADCOUNT ACCORDING TO AGE



New hires according to contract, grade and gender

BRED is preparing for the gradual replacement of its retirees 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

		2014		2013	
Indicators		**Number**	**%**	Number	%
Contract	Permanent contracts, excluding work-study contracts	237	62.7	124	49.6
	Fixed-term contracts, excluding work-study contracts	64	16.9	51	20.4
	Work-study and professional training contracts	77	20.4	75	30.0
Non-management/ management staff	Non-management staff	306	81.0	198	79.2
	Management staff	72	19.0	52	20.8
Gender mix	Women	186	49.2	125	50.0
	Men	192	50.8	125	50.0
Total		**378**		**250**	

Departures from permanent contracts according to reason and gender

Employee dismissals represented 6.3% of all departures in 2014. Retirements represented 3.0% of the total employees working on permanent contracts.

BREAKDOWN OF DEPARTURES FROM PERMANENT CONTRACTS, ACCORDING TO REASON

	2014		2013		2012	
Indicators	**Number**	**%**	Number	%	Number	%
Resignation	78	27.3	56	26.0	60	27.8
Dismissal	18	6.3	19	8.8	20	9.3
Transfer	16	5.6	14	6.5	18	8.3
Retirement	112	39.2	92	42.8	65	30.1
Severance of contract	6	2.1	3	1.4	7	3.2
Severance during probationary period	52	18.2	30	14.0	42	19.4
Death	4	1.4	1	0.5	4	1.9
Total	**286**		**215**		**216**	

3.1.2 Compensation

Every year BRED analyses and reviews individual pay levels and changes based on performance targets assigned to employees.

PROMOTION/PAY INCREASES

	2014		2013		2012	
	Women	**Men**	Women	Men	Women	Men
Change of level	115	92	119	80	159	114
Change of category *Permanent contracts, excluding work-study contracts, as at 31 December of each year*	22	14	31	21	38	31
Number of individual pay increases *Permanent contracts, excluding work-study contracts, as at 31 December of each year*	423	315	408	301	850	612

3.1.3 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 paid leave under the "reduced working week" legislation, 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.

EMPLOYEES WORKING PART-TIME UNDER PERMANENT CONTRACTS ACCORDING TO GENDER AND GRADE

	2014			2013		
Indicators	**Women**	**Men**	**Total**	Women	Men	Total
Non-management staff	201	8	209	204	7	211
Management staff	126	17	143	136	14	150
Total	**327**	**25**	**352**	**340**	**21**	**361**

Permanent contracts, excluding work-study contracts, as at 31 December of each year.

3.1.4 Absenteeism

As a company working in the service sector, BRED has a duty to improve working conditions in order to reduce absenteeism.

BRED's global absenteeism rate due to illness, excluding maternity leave, paternity leave and other special leave taken is slightly less than 5%.

Indicators at end of December	**2014**	2013	2012
Absenteeism rate for illness	4.88%	4.29%	4.12%

3.2 Diversity and equal opportunities

Diversity is one of BRED's strengths, and takes multiple forms, including its efforts to achieve gender equality when recruiting and promoting employees, and its social mix through inclusion of second-generation immigrants. The number of existing agreements with higher education bodies, such as Paris-Est Créteil University or the Sorbonne (operation Phénix) constitute concrete examples of BRED's non-discrimination policy when hiring. It also has a policy of providing employment for people with disabilities in compliance with the various charters signed directly by BRED and those 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 features, 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.

3.2.1 Gender equality

Gender equality is a contributing factor to economic performance and is also a catalyst for creativity and civic progress. Changing mentalities and modifying gender representation are key concerns for BRED, and promoting gender equality has been a core component of its human resources strategy for a number of years.

Providing equal work opportunities for men and women is a priority for BRED, as although 59.8% of employees on permanent contracts are women, only 40.2% of these hold management or senior management positions; however, equality has almost been achieved at management level, as 48.2% of management level positions were held by women in 2014.

BREAKDOWN OF EMPLOYEES ON PERMANENT CONTRACTS ACCORDING TO GENDER AND GRADE

	2014			2013		
	Non-management staff	**Management staff**	**Total**	Non-management staff	Management staff	Total
Women	1,347	904	2,251	1,298	865	2,163
Men	540	972	1,512	514	919	1,433
Total	**1,887**	**1,876**	**3,763**	**1,812**	**1,784**	**3,596**

Permanent contracts, excluding work-study contracts, as at 31 December of each year.

In terms of salaries, the average salary ratio between men and women is 98.6 for non-management staff and 113.5 for management staff.

AVERAGE BASIC SALARY FOR EMPLOYEES ON PERMANENT CONTRACTS ACCORDING TO GENDER AND GRADE

	2014			2013		
In euro	**Non-management staff**	**Management staff**	**Total**	Non-management staff	Management staff	Total
Women	30,791	47,605	37,355	30,564	46,876	36,943
Men	30,364	54,038	44,986	30,106	53,544	44,631
Total	**30,669**	**50,838**	**40,329**	**30,436**	**50,192**	**39,898**

Permanent contracts, excluding work-study contracts, as at 31 December of each year.
Gross annual salary, excluding incentive scheme and bonuses.

These inequalities are, nevertheless, gradually disappearing, thanks to a recruitment and career management policy that promotes mixity and favours an equal gender balance at all levels of the company.

The Pluri'elles network for management-level female staff within BRED was created in 2013 and now has just over 100 members. This network provides a forum for discussion and networking, and complements the HR policy on gender equality.

It objectives are: a/ to encourage the appointment of women to positions of responsibility, b/ to participate in concrete actions to raise awareness throughout the company, and c/ 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 as shown by the number of women in management positions.

EMPLOYMENT OF PEOPLE WITH DISABILITIES

Indicators		**2014**	2013	2012	2011
Direct employment	Number of new hires	3	11	5	9
	Number of work stations adapted	16	15	-	-
Employment rate	Direct employment rate	2.46%	2.28%	2.04%	1.95%
	Indirect employment rate	0.30%	0.33%	0.27%	0.09%
Total employment rate		**2.76%**	**2.61%**	**2.32%**	**2.04%**

3.2.2 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 throughout the company and support initiatives to integrate employees with disabilities in BRED's various business lines.

A number of initiatives to raise awareness are organised throughout the year, not just during "Disability Week". In 2014, we held an awareness-raising event on National Music Day (*Fête de la Musique*), in the form of a scratch card with questions on disability sent to all BRED employees. The prize was a CD featuring performers with disabilities. This event was a resounding success, raising awareness among all employees, in particular those who do not work in our Paris headquarters.

A number of partnerships with organisations and special schools also form part of BRED's disability programme; they aim in particular to facilitate the re-adaptation of disabled persons, improving their autonomy, preparing them for their return home, and helping them to find or remain in employment. Without listing them all, they include Handisup in Rouen, Ethik Management and the GRETA adult training network.

3.2.3 Supporting senior employees

BRED actively helps its older members of staff to manage their careers, and also provides specific support measures when they reach retirement age.

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.

3.3 Training

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 induction and training to all new employees, who can benefit from a wide range of professional development opportunities that are key to their career advancement. These initiatives foster employee loyalty and improve professionalism; they 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 regardless of background, and
- is firmly focused on improving employees' skills and knowledge and providing them with enriching and motivating career development opportunities.

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 contributing to the personal development of employees.

BRED recognises and makes use of the individual skills and knowledge 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 5.5% 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 both the sector average (4%)[9] and the statutory minimum requirement (1.6%). The number of hours allocated to training in 2014, i.e. 170,314, compared to 169,363 in 2013, is indicative of the BRED group's sustained efforts to provide training for its employees in the demanding and ever-changing banking sector.

In 2014, 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: 85%;
- new skills learning: 15%.

BREAKDOWN OF NUMBER OF EMPLOYEES RECEIVING TRAINING ACCORDING TO GENDER AND GRADE

Indicators	**Women**	**Men**	**2014 Total**	Women	Men	2013 Total	Women	Men	2012 Total
Non-management staff	1,230	594	1,824	1,070	514	1,584	1,257	527	1,784
Management staff	774	854	1,628	687	744	1,431	772	831	1,603
Total	**2,004**	**1,448**	**3,452**	**1,757**	**1,258**	**3,015**	**2,029**	**1,358**	**3,387**

Permanent contracts, including work-study contracts, as at 31 December of each year.

The development of employee skills that are essential to 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 2014 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, 89% of BRED employees who took exams in 2014 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;
- helping employees to adapt to changes in their jobs and business sectors, and providing guidance on career development.

Raising employee awareness of environmental issues

Initiatives have been put in place to protect the environment and simultaneously raise employee awareness.

In 2014, a clear and detailed procedure for all head office employees was put in place covering the ecologically friendly recycling of ink cartridges and how they can be reprocessed and used again.

In November 2014, a Cleaning Day was organised at the Créteil site, which employs almost 1,200 people, to rid both buildings of all unnecessary documents that do not need to be transferred to the new Joinville site. This provided an opportunity for employees to learn more about recycling and immediately put the lessons into practice.

3.4 Health, safety and job satisfaction

BRED is aware of the need for a policy on health and working conditions that goes beyond the simple prevention of risks and fosters 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

Innovative teaching to help employees "learn differently"

The group's training catalogue contains a range of innovative training solutions (virtual classroom technology, e-learning, serious games) which, when combined with more traditional classroom-based training, produces better individual and collective results.

This new training mix, which has been tailored to better match employee profiles and correspond more closely to the learning objectives, was substantially extended over the past year.

Distance learning sessions were attended by 7,458 employees in 2014 (telephone, virtual classrooms and e-learning).

BRED employees also have access to BPCE's training offer, which includes e-learning and a catalogue of regularly updated courses using virtual classroom technology.

[9] *http://www.fbf.fr/fr/secteur-bancaire-francais/metiers-de-la-banque/chiffres-cles/les-chiffres-de-la-formation-continue.*

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 that 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 AND WHEN TRAVELLING

Indicators	**2014** Number	**2014** Number of days' absence	2013 Number	2013 Number of days' absence
Number of accidents reported	118	2,200	99	1,654
Accidents in the workplace	60	1,567	36	357
Accidents when travelling to and from work	58	633	63	1,297

Days' absence based on working days.

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 reserved for use by the company doctors, 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 all employees receive regular information updates, reminding them how to react in specific circumstances.

3.4.1 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 2014, 9.4% of employees opted for part-time work, 92.9% of whom are women.

BREAKDOWN OF PART-TIME PERMANENT CONTRACTS ACCORDING TO TIME WORKED

	2014 Women	**2014** Men	**2014** Total	2013 Women	2013 Men	2013 Total
Less than 50%	17		17	15	1	16
50%	32	9	41	36	6	42
50 to 80%	80	5	85	81	4	85
80%	85	4	89	87	4	91
More than 80%	113	7	120	121	6	127
Total	**327**	**25**	**352**	**340**	**21**	**361**

3.5 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, regional and international establishments and a strong corporate culture.
The employee representative bodies in 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 and safety and working conditions committees (CHSCT).
In 2014, the Central Works' Council held four meetings: two ordinary meetings and two extraordinary meetings.
The CHSCTs held 12 ordinary meetings and several extraordinary meetings to discuss in particular changes to the commercial organisation of the network, and the introduction of tests for the new commercial organisation. Several meetings were devoted to plans to open a new administrative headquarters. Measures put in place to facilitate the work of sales and marketing staff in the branches and address 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 were also discussed. A suicide in the workplace was a priority concern for the CHSCT in 2014, as was the death of a management-level employee while at work.

Two agreements were signed in 2014:
- an agreement on working on public holidays within the framework of the Target 2 system (7 May 2014);
- an incentive scheme agreement (23 May 2014). As a result of this agreement, the calculation method was reviewed to take greater account of unforeseeable data, with the objective of encouraging employee productivity, in line with the company's stated concern.

In addition, the mandatory annual negotiations were held at the end of 2014, resulting in the signature in January 2015 of an agreement on salaries, signed by all the trade union organisations.
Pursuant to a company-wide agreement, the trade union organisations have the possibility of using the internal mail service to write to all employees.

3.5.1 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 International Labour Organization'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).

As regards its international activities, each BRED group entity ensures compliance with rules on the freedom of association and working conditions:
- 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 Organization's conventions, even if local laws authorise such practices.

4 CIVIC RESPONSIBILITY

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. 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 educational and research initiatives.
The BRED Foundation was set up to complement BRED's efforts in these areas. In 2014, it supported the *Fondation des Écoles de la 2ème Chance* (Second Chance Schools Foundation) and 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's priority areas are: micro-finance, education and integration through employment. The Federation uses a special fund to finance projects eligible for patronage within the framework of its partnership and patronage policy, which it pursues on behalf of the Banques Populaires. Its main partners are ADIE, the Banque Populaire micro-financing research chairs at the Audencia (Nantes) 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.

4.1 Financing the social economy

BRED plays a crucial role in the financing of social economy and social housing structures.
As a cooperative bank, BRED is itself part of the social and solidarity economy (SSE), which represents 10.3% of all salaried employment[10] in France and includes organisations and companies with the status of associations (78.2%), cooperatives (13.2%), mutual societies (5.6%) and foundations (3.1%). In France, 30%[11] of all jobs in the banking, financial and insurance sectors are provided by cooperatives and mutual societies.
With a view to further supporting growth in this sector and adapting our offer to meet the associated challenges, BRED has set up a unit within the Major Accounts Department which is responsible for corporate customers in the sustainable development/alternative economy. This unit assists companies whose business aims to reconcile economic with environmental, ecological or civic issues. The unit, which has been operational for one year, aims to gain recognition with green business companies and players in the participatory and circular economy.
To that end, synergies with other departments within the BRED group are regularly activated to improve knowledge of this area and propose specific offers (cooperation with BRED CSR and the Institutional Customers Department and, in particular, its SSE specialists).
To date, customers assigned to this unit operate in a wide range of sectors including the organic retail sector, electric transport, recycling, green energy and ethical investment advisory services.
This range of activities and the very different sizes of our customers, from start-ups to SMEs and international groups, mean the full range of BRED's expertise is deployed, benefiting customers who appreciate a local, personal relationship and share our core values.

4.2 Supporting solidarity-based financing

4.2.1 Micro-lending

In line with the core values it has upheld since its creation, for more than 10 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 labour market and mainstream banking system. 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 ADIE advisory centres in Normandy, as well as to several Adigo agencies, including one in Montreuil near Paris and one in La Réunion. 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.
In 2014, BRED rolled out the framework agreement with ADIE, the National Federation of Banques Populaires and itself, thus confirming its continued and reinforced support of ADIE and of young micro-entrepreneurs in particular, through the CréaJeunes programme.

PERSONAL AND BUSINESS MICRO-LOANS
(loan production – number and amount)

In €	**2014** Number	**2014** Amount	2013 Number	2013 Amount	2012 Number	2012 Amount
ADIE business micro-loans	367	1,464,914	371	1,239,753	481	1,624,633

4.2.2 Crowdfunding

BRED is the co-founder and partner of **Babyloan**, a peer-to-peer lending website. Babyloan.fr website users can help individuals by lending them money as a selfless gesture. A micro-loan is a loan of a small amount, with interest, to micro-entrepreneurs who cannot access traditional financial services. Such small loans allow people who are excluded from the traditional banking system to set up or develop an income-generating business. Micro-loans have a huge impact in terms of increasing the beneficiaries' economic power, reducing social exclusion and tackling vulnerability to economic shocks, but should be seen above all as a tool for the emancipation and autonomisation of populations.

4.2.3 Supporting individual entrepreneurship

BRED and the French Female Business Angels network have signed an agreement to help new businesses. The aim of this partnership is to help project holders to set up and develop a business. After the initial funds have been raised, a business needs the support of a bank for its everyday requirements and to finance its operating cycle. BRED listens to project holders and discusses with them the terms of the business relationship, which serves as a springboard for these young start-ups. This partnership is indicative of the firm resolve of both BRED and FBA to support business creation and development.

4.2.4 The social and solidarity economy

BRED is influential in the social and solidarity economy. More specifically, it is a member of the governing bodies of several regional chambers for social and solidarity economy (CRESS) in the regions in which it operates, including Normandy, the Greater Paris region, Martinique, La Réunion and Mayotte. These are representative, cross-sectoral organisations that bring together local SSE actors such as associations, cooperatives, SSE company foundations, mutual societies, federations of employers in the social economy sector and also, in most regions, social economy and local development networks. Through their daily actions, they develop alternative and innovative solutions for SSE projects.

4.2.5 Socially responsible investments: SRI funds

Like more traditional funds, SRI funds are based on the financial performance of companies and countries. However, they take things a step further: they systematically analyse companies' environmental and social policies and their corporate governance, in other words, how they are managed.
SRI funds invest mainly in companies that have adopted a responsible approach to development by selecting the best environmental, social and corporate governance policies and practices.
By deciding to invest in a socially responsible manner, investors contribute to the financing of the real and sustainable economy, supporting this philosophy.

(10) *Source:* Atlas national commenté de l'économie sociale et solidaire 2014; *http://www.atelier-idf.org/ressources/observatoire-ess/chiffres-clefs/chiffres-clefs-ess-par-territoires/chiffres-nationaux.htm#c729bPI0P1.*
(11) *Source:* Observatoire national de l'économie sociale et solidaire.

Although private investors have embraced socially responsible investment it continues to represent only a minority of investments made by corporate investors.

BRED INVESTMENTS IN SRI FUNDS

(€'000), as at 31 December of each year)	**2014**	2013	2012
Amount invested in funds with the Novethic SRI label	62,578	132,697	21,904
Amount invested in funds that have not been awarded the SRI label but are listed in the Novethic database	46,460	99,758	61,339
Total	**109,038**	**232,456**	**83,243**
Total amount invested in the company investment funds	232,629	161,972	nd

4.2.6 Vulnerable customers

While since 1 October 2014 banks have been legally required to offer specific banking services to people in financial difficulty, BRED has been doing this for the past 17 years, providing a service based on personal contact and dialogue that aims to identify and meet the needs of vulnerable customers and those experiencing financial difficulties.

BRED's objective is to build a smooth relationship by providing special support, including with everyday banking services. BRED regularly reminds its account managers to pay specific attention to customers whose personal or professional situation deteriorates (due to sickness, unemployment or another adverse life event). In such cases action needs to be taken as soon as possible to prevent potential financial problems.

If, despite our efforts, a customer's circumstances worsen and they are unable to meet repayments, they are assigned to a specialist team responsible for recovering debts while avoiding legal action. The aim of this service is to review the customer's position and define with them a policy that combines rigour, compassion and education. Through the rescheduling of debts and personal support and advice, customers are able to avoid or reduce over-indebtedness. In other words, customers are given support so that the Bank can understand their situation and help them rectify it by a change of behaviour. Once a customer has committed to change and their financial position has improved, they are assigned to the Hauban branch, which continues to provide support and guidance on good management practices over a number of months, before they are reassigned to their local branch.

These specific initiatives put in place by BRED to provide assistance and combat exclusion from banking services and over-indebtedness are consistent with the expectations of the public authorities and society.

4.2.7 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.

4.2.8 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 France and the overseas territories 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 provide 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.

4.3 Supporting local associations

4.3.1 Equal opportunities

In France, 25% of young people aged between 15 and 24 are currently unemployed. BRED decided to take positive action to combat this crisis by encouraging its employees to get involved with the association **Café de l'Avenir**. BRED has a seat on its Board of Directors and is active as a member of the Bureau. Café de l'Avenir organises monthly meetings between volunteers from the world of business and young people looking for their first job. 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 8 years, Café de l'Avenir's 200 volunteers have helped approximately 3,500 young people.

BRED also supports the **Fondation des Écoles de la 2ème Chance** (Second Chance Schools Foundation), 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 early without qualifications. 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. This work-study programme gives young graduates the opportunity to learn about various banking professions through a professional training contract (*contrat de professionnalisation*).

BRED has also formed a partnership with the **Un Avenir Ensemble Foundation**, whose members have all been awarded the Order of the Legion of Honour, the National Order of Merit or the Military Medal (the three highest French decorations). The Foundation offers financial support and mentorships to deserving children from underprivileged or disadvantaged backgrounds with a view to facilitating their academic success and integration into the working world.

Equal opportunities also means helping young people to access the most suitable training for them. In this field, BRED is a member of the **AMEF** association, created over 25 years ago, whose members are educational professionals and public and private sector companies. They act on a voluntary basis to facilitate career guidance and training and improve employment prospects for beneficiaries of all ages and all categories.

In the overseas territories, BRED provides financial support for the **Internat de la Réussite** (former Internat d'Excellence). This boarding school, located in Martinique, provides children from disadvantaged backgrounds with an opportunity to study in better conditions.

4.3.2 Culture and education

BRED is a founding member of Rouen University's **Flaubert Foundation**, which promotes cultural activities in the region. The foundation was created at the end of 2013, and organises local cultural, artistic and scientific events with the aim of raising the national and international profile of the Haute-Normandie region and attracting interest within France and further forging international ties.

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 and young adults 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 (Éclaireuses et Éclaireurs de France)**. The organisation has 35,000 members: 28,000 children and young people and 4,000 active volunteers.

Another example of BRED's extensive 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.

Meanwhile, BRED supports sporting initiatives through its branches and, more specifically, a large number of sporting associations that encourage young people to grow through physical effort and the ability to surpass themselves. Sport develops a team spirit and cooperative values. Education through sport opens young people's minds and promotes cohesion, tolerance and diversity within schools and in society as a whole.

One such association is **US Créteil Voile**, which BRED helps financially so that it can purchase appropriate clothing (wetsuits and footwear) to be used by young people from the Paris suburb of Créteil when learning to sail. Travel costs are also covered for the most underprivileged children.

In 2014, BRED decided to sponsor the **Académie Christophe Tiozzo**, which aims to help troubled young people to integrate into society through its "Box in the city" boxing scheme. BRED's financial support covered the cost of training, transport and equipment maintenance for youths from Paris during the summer holidays.

4.3.3 Health and research

BRED asks all new customers to support the **Fondation pour la Recherche sur Alzheimer**, an Alzheimer's research foundation, through its solidarity-driven 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.

BRED supports the cancer research association **Fondation ARC pour la Recherche sur le Cancer** 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 French business and engineering school students. Its objective is to help teenagers and young adults suffering from cancer to realise their ambitions. 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.

Since 2003, BRED has taken part in one of the first corporate sponsorship programmes set up by **Médecins Sans Frontières/Doctors Without Borders (MSF)**. 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 José-Alain Sahel to provide a forum for discussion and share knowledge and is the largest specialist eye disease centre 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.

4.3.4 Solidarity

As proximity is one of BRED's core values, we offer our customers the opportunity to also support the causes that are close to our heart. 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.

BRED also supports an association called **Habitat et Humanisme Ile-de-France**, which aims to eliminate substandard housing. The Association operates in 66 French *départements*, offering people in situations of difficulty access to decent accommodation for a low rent and providing support to help them reintegrate into society. BRED chose to support this association because it aims to combat exclusion as part of its responsible development policy.

Every year since 2011 we have offered used computer equipment to partner associations.

4.4 Procurement and supplier relations

4.4.1 Responsible procurement policy

Integrating 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.

BRED intends to work with companies that share this philosophy and contribute to the development of the local economy and local employment through subcontracting. BRED accordingly favours local suppliers. For example, most of the works contracts for the construction of the new Joinville-le-Point head office, excluding IT equipment, have been awarded to French companies or international groups headquartered in France. Non-French products used in this building represent only 2.3% of the overall cost of all works contracts; they were sourced for the most part in other European countries.

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.

- 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;
  - our calls to tender now include 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.

PROCUREMENT POLICY

Indicators	**2014**	2013
Rate of incorporation of the Responsible Procurement Policy into strategies for purchasing ranges (%)	27	27

▶ Awareness of responsible procurement

TRAINING ON RESPONSIBLE PURCHASING

Number	**2014**	2013	2012
Number of BRED employees who have received training on responsible purchasing	1	2	3

Examples of environmentally friendly purchasing

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 France from the overseas branches. Used consumables are collected separately for recycling or for 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 customers. This means the service is quicker and the number of miles charged to each branch is reduced. Since July 2013, a protected sector company operates the daily shuttle service between the main buildings of BRED and Groupe BPCE. BRED favours maritime transport for overseas deliveries.

Waste recycling: in 2014, BRED contributed to the recycling of approximately 595 metric tons of paper by our waste collection service provider. Virgin 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.

4.4.2 Subcontracting policy

Outside workers

The use of temporary staff is relatively rare, and corresponds to less than 3% of the 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 Organization'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 to provide on each contract anniversary date:

- *details of its social security and other mandatory payments,*
- *a 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."*

Collaboration with the protected worker sector

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.
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	**2014**	2013	2012
Number of full-time equivalent jobs in the protected worker sector	11.14	10.94	9.36
Amount of purchases from the protected worker sector (€'000, excl. VAT)	275	262	262

5 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. Supporting green growth

Banks essentially have an indirect impact on the environment, through the projects they finance. BRED's awareness of environmental issues 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 our 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 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 Sustainable Development Department.

5.1 Supporting green growth

Green growth is transforming the economy, pushing us towards production methods and consumption patterns that are more environmentally friendly. Financing is crucial, in order to relay public initiatives and facilitate the development of eco-industry.
BRED wishes to gain a thorough understanding of the relative complexity of these markets and capitalise on business opportunities; it therefore faces a number of challenges:

- ▶ a technical challenge: we need to learn more about the technical innovations in order to better understand the market so that we can provide more effective financing;
- ▶ an organisational challenge: the green growth market is local, national and international. It concerns everyone, including private individuals, the self-employed, microbusinesses and SMEs, local and regional authorities, large companies and institutions. To be effective on this market, organisations, products and services in this sector need to be tailored and scalable;
- ▶ a financial challenge, as innovation on these new markets requires long-term investments.

PBRED has taken a pragmatic approach to the green market, and has already invested in a number of projects. It offers customers a range of investment solutions and loans for energy-efficient work.

In 2013, BRED partially financed a new 2.45 MW solar photovoltaic power plant in Diamant, Martinique. It has also financed the construction and operation of a wind power plant with energy storage facilities on the east coast of Marie-Galante island, Guadeloupe; construction of the plant is near completion, and commissioning is scheduled for May or June 2015.

Sun'R finalises the refinancing of 34 solar photovoltaic power plants, thanks to BRED

Created in 2007, Sun'R is a photovoltaic electricity production company with power plants throughout France. Its 65 solar power plants required an investment of €50 million, and generate annual turnover of €8 million.

In 2014, the company decided to ensure its expansion and buy out its private investors, thus becoming the sole owner of 34 power plants. The company then decided to refinance its operations through €20 million of project debt over 14 years.

This was achieved through its subsidiary, Sun'R Infrastructures, with the support of BRED which, in view of its sustainable development philosophy and policy of encouraging renewable energy sources, was happy to support and advise Sun'R.

INITIATIVES SUPPORTING THE DEVELOPMENT OF GREEN GROWTH

(Number and €'000)	2014 Number	2014 Loan Production	2013 Number	2013 Loan Production	2012 Number	2012 Loan Production
Regulated products						
Livret Développement Durable (LDD) sustainable development passbook savings account	609	57,003	653	49,625	686	52,557
Loans for energy saving projects	13	140	28	347	42	520
EcoPTZ interest-free eco-loans						
Loan production	128	1,889	109	1,142	95	903
Total loan outstandings	820	8,470	694	7,879	613	7,749

5.2 Reducing our carbon footprint

5.2.1 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[12] certified building in Joinville-le-Pont; the 1,150 employees working in Créteil in older, less energy efficient buildings were transferred to these new headquarters in January 2015;
- increased use of low-energy lightbulbs;
- the introduction in 2014 of a system for the recovery, recycling and ecologically friendly processing of ink cartridges in partnership with Revialis, which is ISO 14001 certified;
- a system to automatically switch off lights in unoccupied offices on the Créteil site.

Meeting and conference rooms have been equipped with videoconferencing and telephone conferencing equipment to reduce travel to meetings that can be held virtually.

ENERGY EXPENDITURE

Indicators (€'000)	2014 (incl. VAT)	2013 (excl. VAT)	2012 (excl. VAT)
Total amount of electricity-related expenditure	3,418.3	2,296.4	2,134.0
Total amount of natural gas expenditure	326.3	255.7	196.2
Total amount of heating oil expenditure	29	99.7	113.1
Total amount of expenditure associated with the steam-heat network	140.7	129.9	112.8

Total energy consumption over 2014 is estimated at 34,951,608 kWh (excluding heating oil).

ENERGY CONSUMPTION

Indicators (kWh)	2014	2013	2012
Total final energy consumption	35,188,373	36,118,140	34,764,525
Total consumption of heating oil *(on a basis of 9.32 kWh per litre)*	236,765	983,260	1,155,680
Total consumption of electricity *(in kWh)*	27,590,433	28,351,019	27,847,025
Total consumption of gas *(in kWh – gross heating value)*	6,145,275	5,266,261	4,431,820
Total consumption of steam-heat network *(in kWh)*	1,215,900	1,517,600	1,330,000
Total consumption of cold network *(in kWh)*	Not known	Not known	Not known
Proportion of renewable energies			
in total final energy consumption (wind, solar photovoltaic, geothermal, biomass, etc.) *(in kWh)*	Not known	Not known	Not known
Total energy consumption per m²			
Total surface area	204,562 m²	181,654 m²	Not known
o/w branches and business centres	107,561 m²	Not known	Not known
(in kWh/m²)	172	199	

(12) *HQE/HEQ: High Environmental Quality. HEQ certification enables project owners to have the environmental quality of their approach and buildings recognised by an independent third party.*

MEASURES TAKEN TO REDUCE TRANSPORT-RELATED ENERGY CONSUMPTION

Indicators	**2014**	2013	2012
Total petrol consumption by company cars *(in litres)*	457	457	2,988
Total diesel consumption by company cars *(in litres)*	100,499	88,427	90,697
Business travel in personal vehicles *(in km – based on standard kilometric allowance)*	2,154,476	1,843,328	Not known
Business travel by train *(in km)*	404,787	340,242	Not known
Business travel by short-haul air travel *(in km)*	1,923,945	Not known	Not known
Business travel by long-haul air travel *(in km)*	8,188,805	Not known	Not known

5.2.2 Sustainable use of resources

CONSUMPTION OF PAPER AND OFFICE EQUIPMENT

Indicators	**2014**	2013
Total consumption of virgin paper *(metric tons)*	0	280
Total consumption of paper for entire workforce *(kg/FTE)*	0	78.8
Total consumption of recycled or FSC/PEFC certified paper for entire workforce *(kg/FTE)*	73	144
Total consumption of recycled or FSC/PEFC certified paper *(metric tons)*	280	539
Total tonnage of recycled paper purchased as a percentage of total tonnage of paper purchased	100	Not known

5.2.3 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	**2014**	2013
Total spending on water *(€'000, incl. VAT)*	190.2	147.4
Total water consumption *(m³)*	47,488	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.

5.2.4 Biodiversity management

Biodiversity is an equally important component of the environmental policy as other aspects such as reducing our 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.).

5.2.5 Reducing our carbon footprint

In accordance with regulatory requirements under the Grenelle 2 Act on the Environment[13], 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.

The following action plans have already 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, workflow optimisation, scanning, reducing the number of individual printers, use of certified paper, collection and recycling system, sanitary water saving system);
- installation of videoconferencing facilities at 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 the Créteil site to an energy efficient ("BBC")[14] and HQE certified building in Joinville-le-Point in January 2015.

BRED measures its greenhouse gas emissions using the Bilan Carbone® calculation method developed by ADEME, the French environmental and energy management agency.

The Banques Populaires have developed a sector-based carbon review of the Bank's network activities. It has the same degree of stringency 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 (39% of all greenhouse gas emissions), buildings, transport and power.

(13) *Article 75 of Act 2010-788 of 12 July 2010.*
(14) 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.*

CALCULATION OF EMISSIONS OF METRIC TONS OF CO_2 EQUIVALENT (CO_2E)

Indicators	**2014**	2013
Direct greenhouse gas emissions (scope 1) in tons of CO_2 equivalent	1,820	1,560
Indirect greenhouse gas emissions (scope 2) in tons of CO_2 equivalent	1,792	1,896
Total direct and indirect greenhouse gas emissions (scope 1 and 2)	**3,612**	**3,456**
Total other indirect greenhouse gas emissions (scope 3)	33,387	37,064

DATA EXTRACTED BY ITEM (CO_2E EMISSIONS)

Indicators	**2014**		2013	
Power	3,831	10%	4,027	10%
Procurement and services	14,532	39%	16,042	39%
Business travel	4,738	13%	6,398	16%
Buildings	6,362	17%	6,259	15%
Other items	7,536	20%	8,022	20%
Total	**39,999**		**40,749**	

5.3 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	**2014**	2013
Total spending on waste management services *(€'000, excl. VAT)*	267	248.2
Volume of waste produced *(metric tons)*. Paper/cardboard/plastics and WEEE (essentially IT equipment)	659	619

5.4 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. These 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 2014, BRED recorded no provisions or guarantees in its financial statements to cover environmental risks.

Any such risks are essentially associated with financing in other countries, where the environmental regulations are not as strict and where the large size of the projects may generate environmental risks. In most cases, these risks are managed by Natixis through its asset management and project financing activities, which involve specific project selection procedures.

6 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 280, along with a cross-reference table showing national regulatory obligations and international standards. 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.

6.1 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 2014, 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 2013 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 environmental data.

6.2 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.

6.3 Reporting period

Published information concerns the period from 1 January 2014 to 31 December 2014.

6.4 Reporting scope

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 2014 financial year was determined on the basis of current possibilities, and is considerably broader than in 2013, with more subsidiaries being included. It will be expanded each year to ultimately achieve the statutory consolidation scope.
In 2013, the reporting scope for CSR indicators encompassed BRED without its French or foreign subsidiaries.
In 2014, the reporting scope for CSR indicators encompassed BRED plus 20 of its French subsidiaries' entities: Sofider, BRED Cofilease, Promepar Gestion, BIC BRED, BRED Gestion, Sofiag, Cofibred, Bercy Gestion Finance, Bercy Patrimoine, BGF+, Cofeg, Click and Trust, LFI 4, Perspectives et participations, SPIG, Vialink, Socama BRED, Socama Normandie, FCC Elide and FCT Eridian.
Foreign subsidiaries are not included in the 2014 reporting scope. Certain French subsidiaries, such as CMMOM, Prepar Vie, Prepar Courtage and Prepar Iard, are also excluded. Subsidiaries consolidated for accounting purposes using the equity method are not included in the reporting scope.
The 2014 scope covered 76.3% of the group's headcount, as opposed to 74.4% in 2013.

6.5 Additional information on HR data

Data on employees refers to the headcount as at 31 December 2014 and 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 2014 who previously worked outside the company or for another BPCE entity and who were still employed as at 31 December 2014. 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 is counted as one new hire, provided he/she is still employed as at 31 December 2014. Likewise, when a person was hired under a fixed-term contract during the year and transferred to a permanent contract before the end of the year, that person is counted as one new hire under a permanent contract.
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.
The absenteeism rate corresponds to the number of days' absence of BRED staff members over the year, based on a calendar year, divided by the number of days' worked, based on a calendar year.
Data on training covers training eligible or not eligible for continuous professional development funding, 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.

6.6 Additional information on environmental data

The environmental data covers the BRED headquarters, i.e., essentially for 2014 the buildings occupied in Paris and Créteil, and consumption by branches. Consumption figures for the building under construction in 2014 in Joinville-le-Point were also included. Reported energy consumption is based on energy bills, with the exception of heating oil, for which data is based on actual consumption.

6.7 Additional information on civic data

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 that have not been awarded the label but are listed in the database.

6.8 Specific nature of the cooperative model

The GRI guidelines 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 increasing standardisation of reporting protocols and investors' growing reliance 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 cooperative 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.

7 REPORT BY A STATUTORY AUDITOR DESIGNATED AS AN INDEPENDENT THIRD PARTY ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND CIVIC INFORMATION INCLUDED IN THE MANAGEMENT REPORT

Financial year ended 31 December 2014

Ladies and Gentlemen,

In our capacity as one of the Statutory Auditors of BRED Banque Populaire, designated as an independent third party, whose request for accreditation was accepted by the French Accreditation Committee (COFRAC) under number 3-149[15], we hereby present our report on the consolidated social, environmental and civic information for the financial year ended on 31 December 2014 presented in the management report (hereinafter the "CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code (*Code du commerce*).

The company's responsibility

The Board of Directors is responsible for drawing up a management report including the CSR Information provided for in Article R.225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocol used by the company (hereinafter, the "Reporting Protocol"), a summary of which is provided in the management report and is available on request from the company's headquarters.

Independence and quality control

Our independence is defined by the applicable regulations, our professional code of ethics and the provisions of Article L.822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes documented policies and procedures designed to ensure compliance with the applicable rules of ethics, professional standards and laws and regulations.

Responsibility of the Statutory Auditor

It is our responsibility, on the basis of our work,

- to attest that the requisite CSR Information is included in the management report or that any omission is explained pursuant to the third paragraph of Article R.225-105 of the French Commercial Code (Attestation of completeness of the CSR Information);
- to express a moderate level of assurance that all the material aspects of the CSR Information, taken as a whole, are presented in a fair manner in accordance with the Reporting Protocol (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of four people over a period of around five weeks between November 2014 and March 2015. We were assisted in our work by our CSR experts.

We performed the work described below in accordance with the professional standards applicable in France, the Order of 13 May 2013 setting out the conditions under which the independent third party performs its assignment and, where the reasoned opinion on fairness is concerned, the ISAE 3000[16] international standard.

1. Attestation of completeness of the CSR Information

Based on interviews with the relevant department heads, we familiarised ourselves with the presentation of the sustainable development strategy with regard to the social and environmental impact of the company's business activities and its civic commitments and, where appropriate, any resulting actions or programmes.

We compared the CSR Information included in the management report with the list in Article R.225-105-1 of the French Commercial Code.

When any consolidated information had been omitted, we verified that explanations had been provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code.

We ascertained that the CSR Information covered the consolidated scope, i.e. the company and its subsidiaries within the meaning of Article L.233-1 and the companies that it controls within the meaning of Article L.233-3 of the French Commercial Code, subject to the limits indicated in the description of methodology, found in section "6. CSR Reporting Methodology" of the management report.

[15] *Information on the scope of the accreditation is available on the www.cofrac.fr website.*
[16] *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

Based on our work and considering the above-mentioned limits, we hereby attest that the requisite CSR Information has been included in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of work

We held two meetings with the people responsible for preparing the CSR Information within the departments in charge of collecting information and, when appropriate, with the people responsible for internal control and risk management procedures, in order to:

- assess the appropriate nature of the Reporting Protocol in terms of its relevance, completeness, reliability, objectivity and clarity, taking best practices in the sector into consideration where applicable;
- ascertain the existence of an information gathering, compilation, processing and control process ensuring the completeness and consistency of the CSR Information, and familiarise ourselves with the internal control and risk management procedures relating to the preparation of CSR Information.

We determined the nature and scope of our checks and controls in view of the nature and significance of the CSR Information, given the company's specific features, the social and environmental challenges posed by its business activities, its sustainable development strategy and best practices in the sector.

For the CSR Information that we considered to be most material[17]:

- at the level of the consolidating entity, we consulted the documentary sources and conducted interviews in order to corroborate the qualitative information (organisation, policies and actions), implemented analytical procedures for the quantitative information, verified, using spot checks, the calculation and consolidation of the data, and ascertained that the data was coherent and consistent with the other information provided in the management report;
- at the level of the headquarters[18], we conducted interviews to verify the proper application of the procedures, and used sampling techniques to perform detailed tests designed to verify the calculations and cross-check data against supporting documents. As all the information was available at the headquarters, our tests were based on 100% of the headcount, 100% of the quantitative environmental information and 100% of the quantitative civic information.

Regarding the other consolidated CSR Information, we assessed its consistency in view of our knowledge of the company.

Lastly, we assessed the appropriateness of the explanations relating to the total or partial omission of some information.

We believe that the sampling methods and the size of samples that we selected by exercising our professional judgement enable us to express a moderate level of assurance; a higher level of assurance would have required more extensive verifications. Due to the use of sampling techniques and the other limits inherent in the operation of any information and internal control system, the risk of a material misstatement in the CSR Information not being detected cannot be totally eliminated.

Conclusion

Based on our work, we did not observe any material misstatement likely to call into question the fact that the CSR Information, taken as a whole, is presented in a fair manner, in accordance with the Reporting Protocol.

Paris La Défense, 28 April 2015
KPMG S.A.

Anne Garans	Marie-Christine Jolys
Partner	*Partner*
Climate Change & Sustainable Development Department	

[17] *Social indicators: breakdown of workforce by gender, age and geographic location; hires by contract, grade and gender; departures from permanent contracts by reason and gender; breakdown of employees with permanent contracts by hours worked; absenteeism rate for sickness.*
Environmental indicators: electricity consumption; gas consumption; heating oil consumption; heating and cooling system (steam/chilled water) consumption; CO_2 emissions linked to energy consumption.
Civic indicators: ADIE business micro-loans; solidarity-driven SRI investments.
Qualitative data: organisation of management–employee dialogue, including in particular procedures for informing, consulting and negotiating with employees; health and safety conditions in the workplace; training policies; equal opportunities; organisation of the company to take account of environmental issues and, if applicable, initiatives relating to environmental assessments or certification; territorial, economic and social impact of the company's business activities on neighbouring and local populations; relations with individuals and organisations concerned by the company's business activities; fair practices.
[18] *Joinville-le-Pont site and Quai de la Rapée site.*

8 CROSS-REFERENCE TABLES SHOWING CSR DATA PUBLISHED AND FRENCH REGULATORY OBLIGATIONS (ART. 225 OF GRENELLE 2 ACT)[19]

8.1 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 ▶ contract (permanent, fixed-term, work-study) ▶ grade (management, non-management) ▶ gender	p. 252
	Breakdown of employees as at 31/12 according to age and gender (age pyramid)	p. 254
Recruitments and dismissals	New hires according to: ▶ contract (permanent, fixed-term, work-study) ▶ grade (management, non-management). ▶ gender	p. 254
	Departures from permanent positions, according to reason	p. 254
Compensation and pay increases	Basic average salary of employees with permanent contracts according to grade and gender, and average M/F salary ratio	p. 256
Organisation of work		
Organisation of working time	Percentage of part-time employees (permanent contracts only), o/w percentage of women	p. 260
	Average weekly working hours on an annual basis	p. 254
	Breakdown of permanent contracts as at 31/12 according to working hours	p. 254
Absenteeism	Absenteeism rates	p. 254
Management-employee relations		
Organisation of management-employee dialogue, including procedures to inform, consult and negotiate with employees	Percentage of employees covered by a collective bargaining agreement	p. 260
	Number of meetings: health and safety and working conditions meetings (CHSCT), personnel representatives, Works' Council	p. 260
Review of collective bargaining agreements	Description	p. 260

[19] *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 civic 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
Health and safety		
Health and safety conditions in the workplace	Description of health and safety conditions in the workplace	p. 259
Review of agreements signed with trade union organisations and employee representatives concerning health and safety in the workplace		p. 259
Accidents in the workplace, including their severity and frequency, and occupational illnesses	Number of accidents in the workplace	p. 260
	Monitoring of reasons for accidents in the workplace	p. 260
Training		
Training policies implemented	Percentage of payroll allocated to training	p. 258
	Amount of training expenditure (€)	
	Breakdown of training according to type (specific to position/development of skills)	p. 258
	Breakdown of training according to area	p. 258
	Breakdown of employees on permanent contracts as at 31/12 who received training, according to grade and gender	p. 258
	Total volume of training expenditure (€) and percentage of employees trained	p. 258
Total number of hours of training	Total number of hours of training	p. 258
Equal opportunities		
Measures taken in favour of gender equality	Description of gender equality policy	p. 256
	Show all indicators according to gender, including: average M/F salary; age pyramid	p. 256
Measures taken to promote the insertion and employment of people with disabilities	Description of policy on employment of people with disabilities	p. 257
	Rate of employment of people with disabilities (direct and indirect)	p. 257
	Number of new hires and adapted workstations	
Anti-discrimination policy	Description of anti-discrimination policy	p. 257
Promotion and observation of the ILO's fundamental conventions		
Respect of freedom of association and the right to collective bargaining		p. 261
Elimination of discrimination in respect of employment and occupation		
Elimination of forced or compulsory labour		
Effective abolition of child labour		

8.2 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. 269
- 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. 259
- Resources allocated to the prevention of environmental risks and pollution		p. 274
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	p. 274
- Measures for the prevention, recycling and elimination of waste	Volume of waste electrical and electronic equipment (WEEE)	p. 274
	Total ordinary industrial waste (OIW)	p. 274
- Management of noise pollution and any other type of pollution caused by a specific activity	Not applicable given our business activities	NC
Sustainable use of resources		
- Water consumption and water supply in light of local restrictions	Total water consumption	p. 272
	Total water-related expenditure	p. 272
- Consumption of raw materials and measures taken to improve efficient use thereof	Consumption of recycled and/or FSC or PEFC certified paper per FTE	p. 272
	Consumption of virgin paper per FTE	p. 272
	Total paper consumption	p. 272
	Total consumption of recycled and/or FSC or PEFC certified paper	p. 272
	Total consumption of virgin paper	p. 272
- Energy consumption, measures taken to improve energy efficiency and use of renewable energies	Total energy consumption per m²	p. 271
	Description of products and services in terms of energy performance of buildings	p. 270
	Total business travel by car	p. 272
	Description of initiatives to reduce energy consumption and greenhouse gas emissions	p. 270
- Land cover	Not applicable given our business activities	NC

Information to be included in the management report	Indicators – annual report	Page
Climate change		
- Greenhouse gas emissions	Direct greenhouse gas emissions (scope 1)	p. 274
	Indirect greenhouse gas emissions (scope 2)	p. 274
	Average grams of CO_2 per km (manufacturer information) of company cars and other vehicles	p. 274
- Measures implemented in view of consequences of current climate change	Description of measures implemented	p. 270
Protection of biodiversity		
- Measures taken to preserve or increase biodiversity	Description of strategy implemented with regard to biodiversity management policy	p. 272

8.3 Civic 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 economy: annual loan production (amount)	p. 263
	Loans to individual customers: annual loan production (amount)	
	Loans to self-employed and corporate customers: annual loan production (amount)	
	Savings: total savings as at 31 December 2013	NC
- On neighbouring and local populations	Number of branches/sales outlets/business centres (including stand-alone ATMs)	p. 249
	Number of branches in "sensitive urban areas"	p. 249
	Number of branches with disabled access (2005 Disability Act) as a proportion of all branches	p. 250
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 concerned individuals and organisations	Description of main stakeholders and related consultation process	p. 265
- Partnership and patronage initiatives	Amount of donations made over the financial year to organisations eligible for tax treatment under the patronage system	p. 265

Information to be included in the management report	Indicators – annual report	Page
Subcontractors and suppliers		
- Consideration of social and environmental issues in the procurement policy	Amount of purchases from the protected sector (2013 estimate)	p. 267
	Number of full-time equivalent jobs provided in the protected sector (2013 estimate)	p. 269
	Description of responsible procurement policy	p. 267
	Training in responsible purchasing	p. 268
- Scale of subcontracting and consideration of suppliers' and subcontractors' social and environmental responsibility	Description of measures taken	p. 268
Fair practices		
- Action taken to prevent corruption	Percentage of employees (management and non-management) trained in anti-money laundering policy	p. 251
	Description of the current policy and procedures to prevent internal and external fraud	p. 251
- Measures taken to protect consumers' health and safety	Description of the CSR analysis of new products and services	p. 252
	Measures taken to facilitate access by people with disabilities or reduced mobility	p. 252

8.4 Business indicators

Information to be included in the management report	Indicators – annual report	Page
Responsible products and services		
Green credit solutions	Eco-PTZ interest-free eco-loans: stock (number and amount) as at 31/12	p. 270
SRI	SRI and solidarity funds: assets under management by funds as at 31 December 2013	p. 264
LDD sustainable development passbook savings accounts	LDD sustainable development passbook savings accounts: stock (number and amount) as at 31/12	p. 270
Micro-financing	ADIE business micro-loans: annual loan production (number and amount)	p. 263

9 CROSS-REFERENCE TABLE BETWEEN FRENCH REGULATORY OBLIGATIONS AND INTERNATIONAL STANDARDS

Area/reference	Equivalence GRI 3.1	Equivalence GRI 4[20]	Equivalence Art. 225 French Grenelle 2 Act	Equivalence French NRE (new economic regulations) 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. 225 105		
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. 225 105 1-I 2° a)	Art. 148-3.3°	
			Art. R. 225 105 1-I 2° a)		
			Art. R. 225 105 1-I 3° b)		
Environment					
Materials	EN1/EN2	G4-EN1, G4-EN2	Art. R. 225 105 1-I 2° c)	148-3 1°	7/8/9
Energy	EN3 to EN7	G4-EN3 to G4-EN7	Art .R. 225 105 1-I 2° c)	148-3 1°	
Water	EN8 to EN10	G4-EN8 to G4-EN10	Art. R. 225-105-1-I 2° c)	148-3 1°	
Biodiversity	EN11/EN12	G4-EN11; G4-EN12	Art. R. 225-105-1-I 2° e)	148-3 2°	
Emissions, effluents and waste	EN16 to EN18	G4-EN15 to G4-EN19	Art. R. 225-105-1-I 2° d)	148-3 1°	
	EN22	G4-EN23	Art. R. 225-105-1-I 2° b)	148-3 1°	
Products and services	FS2/FS11/FS7/FS8	FS2/FS11/FS7/FS8	Art. R. 225-105-1-I 3° d)		
	EN26	G4-EN27	Art. R. 225-105-1-I 3° d)		
Transport	EN29	G4-EN30		148-3 1°	
Environmental actions			Art. R. 225-105-1-I 2° a)	148-3 5°	7/8/9
Society					
Communities	SO1/SO9/SO10	G4-S0/G4-S02	Art. R. 225-105-1-I 3° a)		
	FS14	FS14			
Anti-money laundering procedures	SO2/SO4	G4-SO3	Art. R. 225-105-1-I 3° d)		10

(21) For the purpose of chapter 6 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[20]	Equivalence Art. 225 French Grenelle 2 Act	Equivalence French NRE (new economic regulations) Act	Global Compact
Product liability					
Product and service labelling	FS16/FS15		Art. R. 225-105-1-I 3° b)		8
Responsible marketing	PR1		Art. R. 225-105-1-I 3° d)		
Compliance with laws and regulations	PR9			148-3 6°	10
Economy					
Economic performance	EC2				7/8/9
Procurement policy	EC5/EC6		Art. R. 225 – 105 1-I 3° c)	Art. 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. 225-105-1-I 1° a) and c) and d)	Art. 148-2.1° a)	1/3/4/5/6
Health and safety in the workplace	LA9		Art. R. 225-105-1-I 1° d)	Art. 148-2.1° a) and b)	
	LA8/LA7		Art. R. 225-105-1-I 1° b) and d)	Art. 148-2.2°	
Training and education	LA10		Art. R. 225-105-1-I 1° e)	Art. 148-2.6°	
	LA11		Art. R. 225-105-1-I 1°e)		
Diversity and equal opportunities	LA13/LA14		Art. R. 225-105-1-I 1°f)	Art. 148-2.3°	
Human rights					
Freedom of association and right to collective bargaining	HR5		Art. R. 225-105-1-I 1° g)	Art. 148-2.4°	2/3/4/5
Prohibition of child labour	HR6				
Abolition of forced or compulsory labour	HR7				

GENERAL MEETING

292 / Ordinary General Meeting of Wednesday 27 May 2015
298 / Statutory Auditors' special report on regulated agreements
300 / General information

ORDINARY GENERAL MEETING

of Wednesday 27 May 2015

Agenda

1. Management report by the Board of Directors on the 2014 financial year and reports by the Statutory Auditors on the annual company and consolidated financial statements.
2. Approval of the annual company financial statements for 2014. Discharge to the Board of Directors.
3. Approval of the consolidated financial statements for 2014. Discharge to the Board of Directors.
4. Appropriation of 2014 income and determination of interest to be paid on cooperative shares.
5. Statutory Auditors' special report and approval of the agreements referred to in Article L.225-38 *et seq.* of the French Commercial Code.
6. Consultation on the aggregate amount of compensation of any kind paid to accountable managers and other specific categories of staff members in the 2014 financial year – Article L.511-73 of the French Monetary and Financial Code.
7. Capping of the variable compensation paid to certain categories of staff members – Article L.511-78 of the French Monetary and Financial Code.
8. Determination of the amounts paid to members of the Board.
9. Delegation of authority to the Board of Directors to allow the Company to buy back its own cooperative shares.
10. 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.

Approval of the 2014 financial statements (Resolutions 1 and 2)

Your Board asks that you approve its management report and the annual company and consolidated financial statements for the 2014 financial year. The annual company financial statements take account of the change to retained earnings since 31 December 2013, which is due to a change in accounting methods used, namely the deduction made in application of recommendation No. 2013-02 of the French accounting standards authority (*Autorité des normes comptables*) concerning the valuation and recognition of pension and other post-employment benefit obligations under French accounting standards, in the amount of €3,640,465. Following this deduction, retained earnings fell from €110,000,000 as at 31 December 2013 (after appropriation of the year's income) to €106,359,535 as at 31 December 2014.

Appropriation of income (Resolution 3)

With regard to the appropriation of income for the financial year, i.e. €139,335,812.60, in view of the twofold capital increase completed on 19 September 2014 (issue of cooperative 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. €6,979,790.63.

Given that the retained earnings account shows a positive balance of €106,359,535, the distributable profit stands at €238,728,556.97. We propose that you proceed as follows:

- pay interest at a rate of 1.89% (the statutory maximum) of the average par value of cooperative shares in 2014, i.e. €0.191 on each of the 56,758,441 shares with rights accruing from 1 January 2014, and €0.048 on each of the 4,729,870 cooperative shares with rights accruing from 1 October 2014, giving a total payment of €11,067,895.99,
- allocate €117,660,660.98 to the other reserves,
- and carry forward the balance, i.e. €110,000,000.

Note that the interest paid on cooperative 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 cooperative shares	Number of cooperative investment certificates	Total interest paid out on shares	Total dividends paid out on cooperative investment certificates	Amounts eligible for the 40% allowance(1)
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
2013	56,758,441	10,405,715	€11,238,171.38	€207,954,415(2)	€11,238,171.38

(1) For natural persons.
(2) Repurchase of investment certificates.

Regulated agreements (Resolution 4)

We ask that you note that no agreement of the type referred to in Article L.225-38 of the French Commercial Code was entered into during the financial year, and also note the continued performance of agreements entered into and authorised prior to 2014.
These agreements are described in the Statutory Auditors' special report.

Supervision of compensation paid to accountable managers and certain categories of staff members (Resolutions 5 and 6)

The fifth and sixth resolutions specifically concern banks and are put to you in application of the articles of the French Monetary and Financial Code that transpose European Directive CRD IV into French law.
Since 2009, and as required by applicable regulations, BRED has put in place and implements a system to supervise compensation paid, the aim of which is to limit risk taking and align compensation with the BRED group's long-term objectives. The system concerns the so-called "regulated" staff members, namely:

- the accountable managers, i.e. the Chief Executive Officer and Deputy Chief Executive Officer;
- certain categories of employees including risk-takers, staff members 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 risk profile of BRED or the BRED group.

In 2014, the principles governing the compensation policy were reviewed to take account of changes to regulations and the new criteria defined by the European Banking Authority to identify regulated staff members. Following application of these new provisions, the number of regulated staff members identified within the group rose significantly (162 staff members in 2014, as compared to 62 in 2013).

Pursuant to Article L.511-73 of the French Monetary and Financial Code, shareholders must be asked once a year to express their opinion on the aggregate compensation of any kind paid in the previous financial year to regulated staff members. This is the purpose of the **fifth resolution** to be put to the vote.

Given the deferred payment of the variable component of these staff members' compensation, as required by European Directive CRD III, the aggregate amount of compensation actually paid in 2014 includes a substantial portion corresponding to payments made for financial years prior to 2014.

On the basis of a review by the Compensation Committee, the aggregate amount of compensation actually paid during the financial year ended 31 December 2014 is €22,345,554. This amount includes fixed compensation for 2014, immediate variable compensation paid in 2014 for the 2013 financial year, and deferred variable compensation paid in 2014 for earlier financial years.

The **sixth resolution**, which also specifically concerns banks, relates to the capping of the variable compensation paid to regulated staff members.

Article L.511-78 of the French Monetary and Financial Code provides that the variable portion of the aggregate compensation paid to these staff members should not exceed the fixed portion of their compensation. This article also provides that shareholders can, however, approve a higher ratio of 200% maximum.

The purpose of raising the maximum cap is to ensure that compensation paid to these employees – who in most cases are financial market specialists with essential expertise and/or exceptional performance records – remains competitive. BRED is the victim of a distortion of competition in a small and highly specialised labour market, in particular as some of its competitors are not required to comply with this regulatory cap on variable compensation and given that the individuals in question, who have a high degree of international mobility, can decide to work in neighbouring countries.

You are therefore asked to approve a maximum ratio of 200% between the fixed and variable portions of the aggregate compensation of each regulated staff member in the BRED group, with effect from the compensation awarded for the 2014 financial year until any resolution to the contrary is adopted.

The estimated number of staff members concerned by these capping rules is eight.
The Board of Directors, with the assistance of the Compensation Committee, will ensure that the variable compensation thus awarded takes account of risk-adjusted performance and remains compatible with the preservation of a solid financial base. In the event that the number of staff members concerned by this provision becomes incompatible with this objective, the Board will put a resolution to the general meeting that takes account of the new circumstances.

Please note that this resolution must be approved by a qualified majority that will depend on the quorum at the time of voting: the resolution must be approved by a majority of two-thirds if the quorum is 50% or more or, in other cases, by a majority of three-quarters.

The staff members concerned by these variable compensation caps are not authorised to exercise any voting rights they may hold as cooperative shareholders.

Determination of the amounts paid to members of the Board of Directors (Resolution 7)

You are asked to set the aggregate amount allocated to the members of the Board of Directors for their governance of the Bank at €735,000.

This aggregate amount includes fees for Board members and the compensation paid to the Chairman of the Board of Directors. Note that these amounts are similar to those approved last year.

Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares (Resolution 8)

The purpose of the eighth resolution is to authorise your Board to arrange for the Company to buy back, in compliance with Article L.225-209-2 of the French Commercial Code, a number of cooperative shares that may not exceed 10% of the Company's capital, i.e. a maximum of 6,148,831 shares.

This authorisation may be used to offer the said shares, within five years of their repurchase, to cooperative shareholders who inform the Company of their wish to purchase them in the course of sales organised by the Company itself within three months of each annual ordinary general meeting.

Powers for formalities (Resolution 9)

Lastly, the ninth resolution concerns the grant of powers to carry out all filings, publications and other formalities laid down by law in relation to the general meetings.

Resolutions

First resolution: approval of the annual company financial statements

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 2014 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 specifically approve the change made to retained earnings since 31 December 2013 due to a change in the accounting methods used, namely:

Retained earnings as at 31 December 2013 after appropriation of 2013 income	€110,000,000
- Deduction made in application of recommendation No. 2013-02 of the French accounting standards authority concerning the assessment and recognition of pension and other post-employment benefit obligations under French accounting standards	-€3,640,465
Retained earnings as at 31 December 2014	€106,359,535

They give full discharge to the Board of Directors for its management until 31 December 2014.

Second resolution: approval of the consolidated financial statements

After reviewing the management report by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements for the 2014 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 2014.

Third resolution: appropriation of income and determination of interest to be paid on cooperative shares

The shareholders note that a profit of €139,335,812.60 was recorded in 2014 and resolves to allocate it as follows, in accordance with the proposals of the Board of Directors:

In €

Profit for the year	139,335,812.60
Allocation to the legal reserve (5%)	-6,966,790.63
Retained earnings	+106,359,535.00
Distributable profit	238,728,556.97
Interest on cooperative shares	-11,067,895.99
Allocation to other reserves	-117,660,660.98
The balance, to be carried forward	110,000,000.00

The shareholders resolve, as proposed by the Board of Directors, to pay out for 2014 interest in the amount of €0.191 on each share with rights accruing from 1 January 2014 and interest in the amount of €0.048 on each share with rights accruing from 1 October 2014.

All the interest paid on cooperative 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 cooperative shares will be paid as from 1 June 2015. All the interest on cooperative 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 cooperative shares	Number of cooperative investment certificates	Total interest paid out on shares	Total dividends paid out on cooperative investment certificates	Amounts eligible for the 40% allowance(1)
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
2013	56,758,441	10,405,715	€11,238,171.38	€207,954,415(2)	€11,238,171.38

(1) For natural persons.
(2) Repurchase of investment certificates.

Fourth resolution: approval of agreements referred to in Article L.225-38 et seq. of the French Commercial Code

After reviewing the Statutory Auditors' special report on agreements of the type referred to in Article L.225-38 *et seq.* of the French Commercial Code, and deliberating on the basis of this report, the shareholders take note of the continued performance of agreements entered into and approved in previous years and also note that no agreements of the type referred to in Article L.225-38 of the said Code were entered into during the past financial year.

Fifth resolution: consultation on the aggregate amount of compensation of any kind paid in the 2014 financial year to the accountable managers and to certain categories of staff members – Article L.511-73 of the French Monetary and Financial Code

After reviewing the report by the Board of Directors, the shareholders, who are consulted pursuant to Article L.511-73 of the French Monetary and Financial Code, indicate that they are in favour of the aggregate amount of compensation of any kind paid during the 2014 financial year to the accountable managers and categories of staff members referred to in Article L.511-71 of the French Monetary and Financial Code, totalling €22,345,554.

Sixth resolution: cap on the variable portion of compensation paid to certain categories of staff members – Article L.511-78 of the French Monetary and Financial Code

Voting in accordance with the quorum and majority requirements set out in Article L.511-78 of the French Monetary and Financial Code, and after reviewing the report by the Board of Directors, the shareholders resolve that the variable portion of the individual compensation paid to the staff members referred to in Article L.511-71 of the French Monetary and Financial Code cannot exceed twice the amount of the fixed portion of the aggregate compensation paid to each of these staff members, for all financial years from 1 January 2014.

Seventh resolution: determination of amounts paid to members of the Board of Directors

After reviewing the report by the Board of Directors, the shareholders:

- resolve to set the aggregate amount paid as compensation for time spent on governance of the cooperative bank at €735,000 for 2015;
- take note that this amount, which is similar to the amount approved for the previous year, includes Board fees paid to directors and the compensation paid to the Chairman of the Board of Directors.

Eighth resolution: delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares

After reviewing:

- the report by the Board of Directors;
- the report prepared by an independent expert appointed by the Presiding Judge of the Paris Commercial Court;
- the special report by the Statutory Auditors containing their opinion on the method used to set the purchase price,

and voting in accordance with Article L.225-209-2 of the French Commercial Code, the shareholders:

1. authorise the Board of Directors to arrange for the Company to buy back, in accordance with the terms and conditions set out below, a number of cooperative shares that may not exceed 10% of the Company's capital, i.e. a maximum of 6,148,831 cooperative shares;
2. resolve that this authorisation may be used to offer the said shares, within five years of their purchase, to cooperative shareholders who inform the Company of their wish to purchase them in the course of a sale organised by the Company itself within three months of each annual ordinary general meeting;
3. resolve that the purchase price will correspond to the par value of the cooperative shares as set in the Company's Memorandum and Articles of Association on the day this delegation of authority is used;
4. resolve that this delegation of authority will remain valid for 12 months from the date of this general meeting;
5. take note that in the event that the cooperative shares purchased by the Company are not used for the purpose described in point 2 within five years of their purchase, they will be cancelled automatically;
6. grant full powers to the Board of Directors, with the right to sub-delegate as allowed by law, to implement this authorisation, place all buy and sell orders, enter into any agreement, including for the administration of registers recording cooperative shares bought and sold, allocate the purchased shares in accordance with the applicable laws and regulations, carry out all procedures, filings and formalities and, more generally, do everything necessary to implement decisions taken pursuant to this delegation of authority;
7. take note that the Statutory Auditors will present a special report on the conditions under which the cooperative shares were purchased and used during the financial year at the next annual ordinary general meeting.

Ninth resolution: powers

The shareholders give full powers to the bearer of an original, copy or excerpt of the minutes of this 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 approve the financial statements for the financial year ended 31 December 2014

BRED Banque Populaire
Registered office: 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

Please note that we have not been informed of any agreement authorised during the past financial year that requires the approval of the shareholders pursuant to Article L.225-38 of the French Commercial Code.

Agreements already approved by the shareholders

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 shareholders.

Tax consolidation agreement between BRED Banque Populaire and BPCE

Holder of two corporate offices concerned
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. It was approved by the shareholders at the ordinary general meeting of 21 May 2010.

Terms and conditions
As a result of this agreement, €8,514,495 was paid in respect of the financial year ended 31 December 2014.

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 capital adequacy. This document provides, *inter alia*, for the introduction of a system to contribute to the Group's prudential capital based on an aggregation/offsetting system.

Terms and conditions
This agreement did not have any impact on BRED Banque Populaire's 2014 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 the simplification of 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 did not have any impact on BRED Banque Populaire's 2014 financial statements.

Paris la Défense and Neuilly-sur-Seine,
28 April 2015

THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG S.A.

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
75604 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 the "Company" is a French limited cooperative mutual bank (*société anonyme coopérative de banque populaire*) 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 the decision relating to the guarantee system for the network of mutual banks laid down by BPCE in the context of the powers granted to this central body 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 performance of all transactions guaranteed by a mutual guarantee society incorporated in accordance with Section 3 of Chapter V of Title I of Book V 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. In this regard, 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 equity interests 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 achievement thereof.

Information relating to the capital of BRED Banque Populaire

Composition of capital

The Company's current capital amounts to €627,180,772.20.
It is divided into 61,488,311 cooperative shares with a par value of €10.20, all fully paid up and held in registered form only.

BRED has not issued any financial instruments giving access to its capital.

Market for the cooperative shares

Cooperative shares in BRED Banque Populaire are not listed. Transfers, which take place mainly between the Bank's customers, are carried out at par value (€10.20) by account to account transfer following approval by the Board of Directors.
The number of cooperative shareholders as at 31 December 2014 was 139,372.

Dividend policy

Dividend policy:
- €0.35 for 2009;
- €0.30 for 2010;
- €0.34 for 2011;
- €0.27 for 2012;
- €0.262 for 2013.

DELEGATIONS GRANTED BY THE GENERAL MEETING TO THE BOARD OF DIRECTORS RELATING TO CAPITAL INCREASES (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 by the issue of cooperative shares	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 cooperative 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 cooperative 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.
			Share capital increase in the amount of €53,920,518.10 carried out on 19 September 2014, raising the share capital from €573,260,254.10 to €627,180,772.20: ▶ by the issue at par of 4,729,870 new cooperative shares of €10.10 each for a total amount of €47,771,687; ▶ by the capitalisation of €6,148,831.10 drawn from the available reserves, and the corresponding increase of the par value of old and new shares from €10.10 to €10.20.
Ordinary and extraordinary general meeting of 27 May 2014	€400,000,000 by the issue of cooperative shares	26 months	On the date of publication of the annual report, no transactions have been carried out on the basis of this delegation of authority.

REPORT BY THE BOARD OF DIRECTORS

On the use of the delegation of authority to organise a capital increase

On 10 March 2014, 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 the shareholders delegated authority to the Board of Directors to increase the share capital by a maximum amount of €400,000,000 by the issue at par of cash cooperative 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 €47,771,687 by the issue at par of 4,729,870 new cooperative shares of €10.10 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 24 May and 12 September 2014. If the AMF does not approve the transaction before 24 May 2014, 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 12 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.

Cooperative 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 cooperative shares from 1 October 2014. They will be governed by all the provisions of the Articles of Association, in the same way as existing shares.

The Company itself 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 subscriptions to the amount of subscriptions actually received, provided they equate 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 a maximum amount of €6,148,831.10 drawn from the available reserves, and the par value of the old and new cooperative shares will be raised accordingly from €10.10 to €10.20.

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 (0)1 48 98 60 00

This report was prepared by the Institutional Communication Department.
Creation and design eUROKAPI
Photos: Eric Demarcq and Nicola Gleichauf.