ANNUAL REPORT 2015

GROUPE BPCE

BRED

ADDITIONNER LES FORCES
MULTIPLIER LES CHANCES

BANQUE POPULAIRE

SUMMARY

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MESSAGE FROM THE CHAIRMAN

"We succeed because of our values"

In 2015, our revenue exceeded one billion euros for the first time in our history.

This was despite, or perhaps because of, the transformation currently taking place in the banking profession. Changes in our environment, not least the rise of online banking, have opened up new avenues for the future of our bank and for the repositioning of its distribution strategy. To travel them successfully and continue to invest in key projects, we will need determination, entrepreneurial spirit and professionalism, but also solidarity and the desire to ensure that the human aspect is always central to our thinking.

BRED's values lie in its attention to people, their businesses and the places they come from. They lie in our will to get involved in close relationships and stay committed over time.

In a demanding and competitive environment, this is how we reaffirm our fundamental calling as a cooperative bank. BRED has defended, and continues to defend in our new distribution model, the individuality of each and every one of us as we realise our plans in our families and businesses. Day by day, we weave a personal bond with our customers and members, while also making sure we stay abreast of new technology.

Year by year, we uphold our commitment to the places where we operate in mainland France, in the overseas territories and through our banks and representative offices internationally. As a decentralised cooperative bank, BRED puts funding back into the economies of the regions from which it draws its resources, a task we have been performing successfully ever since our first members founded the bank with the goal of broadening access to bank lending.

As a regional bank, BRED also supports social initiatives and associations in the regions where we operate.

We owe all of this to a shared mindset, and most of all to each and every one of our staff members, their sense of values and their ethics: in short, to their commitment.

These values are also the values of our members, who by responding positively to each of our capital increases support the growth of a BRED which is free to invest for the long term, sheltered from the pressure of the financial markets – the fixed value of BRED shares is immune to fluctuations in share prices.

Our growth is founded on close relationships with our customers and members. They are represented on our Board of Directors, which guarantees our ability to respond to their needs and expectations. It is a source of pride for us that the number of our members has been increasing for six years, while the number and diversity of our customers is rising too.

We will continue to advance and invest as we have always done, bolstered by our values as we confront the future, taking up the challenges that await us, keeping the door open to new things and modernising without renouncing our identity. BRED's history is the story of a capacity to overcome crises through innovation and engage with new fields in anticipation of change while maintaining the stability of our foundations.

For these values are not shrouded in nostalgia for times past. On the contrary, they are firmly anchored in the present, and defending them is all the more essential insofar as they embody our aim that the economy exists first and foremost to serve people and society.

This conviction is what makes us a unique force in the French banking landscape. We stand by our values, and we succeed through those values.

"BRED's values lie in its attention to people, their businesses and the places they come from. They lie in our will to get involved in close relationships and stay committed over time."

Stève Gentili, Chairman

MESSAGE FROM THE CEO

"Our aim is to offer banking without distance."

After a particularly lively and productive year for all of the businesses in BRED and its subsidiaries, consolidated net banking income passed the symbolic one billion euro mark for the first time. This represented growth of 8.7%, and profitable growth too, since consolidated net income at the year end was 19% higher at €238 million.

Commercial banking in France accounted for 50% of the increase in these results, a remarkable achievement given the difficulties that retail banks are compelled to face, such as weak growth, a saturated market, highly unfavourable yield curves for banks' net interest margins and overregulation.

The success of our most recent capital increase has moreover enabled an increased number of members to contribute to our success and further cement the position of their bank.

The strategy pursued by all BRED group staff is bearing fruit. We have created new momentum in French commercial banking, private banking, private equity, online banking, on the Trading Floor, in banking for SMEs and for large businesses, as well as internationally. We have grown in metropolitan France, in the overseas départements, in New Caledonia, in the Pacific region (Vanuatu and Fiji), in Geneva, in the Horn of Africa (Djibouti and Ethiopia) and in south-east Asia (Laos, Burma, Thailand and Cambodia).

We have – thus far successfully – embraced the new technological revolution that is altering the behaviour of our retail customers in particular and justifiably raising their demands in terms of both practicality and the relevance and added value of banking advice. We have thus capitalised on our staff and established new training schemes to enhance our skills in all of our business areas. We work unremittingly on our IT and online tools to improve the "customer experience". Our customer satisfaction rate for retail customers has risen strongly as a result. We are working hard to continue our pursuit of these objectives.

Our offering and our efforts aim to combine the concept of an online bank with that of branch banking – with committed, proactive and skilled advisers in every branch who can provide specific and relevant responses to every customer's personal or business goals, and with tools that make it easier, due especially to our investments in online, for customers to contact their advisers and improve their "experience" of banking with us each month.

We are therefore able to offer a close relationship whichever channel the customer chooses to use, whether in the branch, over the telephone or by e-mail.

We will continue to work and invest to this end.

In a more globalised world, where decisions seem to be taken far away, we need to become even closer, more practical and more accessible through the use of new technology in all its forms. We need to provide an ever higher quality of service and advice. We need to anchor ourselves ever more firmly in the regions where we operate and commit our resources sustainably to financing local economies and supporting regional development. And we need to be ever more entrepreneurial too, like the professionals and businesses we assist every day.

It is to this shared BRED mindset that we owe our success. This mindset is crucial to our future.

Throughout BRED, in our branches and our head offices, in France and outside France, we strive permanently to obtain the maximum added value for our customers. To build the bank they want. A bank that changes with its customers. For its customers.

A growth of
8.7%

Net Profit
€238 M
an increase of 19%

"Our aim is to offer banking without distance. A bank which combines the best human attributes with the best digital attributes."

Olivier Klein, CEO

CORPORATE GOVERNANCE

Board of Directors

FROM LEFT TO RIGHT:

Michèle CLAYZAC Deputy Secretary
Pierre MURRET-LABARTHE Director
Isabelle PASTORET Censor
Isabelle GRATIANT Director
Leïla TURKI Director
François MARTINEAU First Deputy Chairman
Raphaël POCHET Director
Jean-Claude BOUCHERAT Director
Georges TISSIÉ Deputy 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 Secretary to the Board
Nathalie BRIOT Director

THE FOLLOWING ALSO ATTEND BOARD OF DIRECTORS' MEETINGS:

Olivier KLEIN CEO
Jean DESVERGNES Honorary Chairman
Éric MONTAGNE Deputy CEO
Vincent GROS General Counsel & Company Secretary

The Statutory Auditors

PricewaterhouseCoopers Audit
represented by Anik Chaumartin and Nicholas Montillot

KPMG SA
represented by Marie-Christine Jolys

Central Works Council delegates:

Marie Loulette Petit
Catherine le Gargasson

Information concerning corporate officers
(article L225-102-1(4) of the Commercial Code)

The main activity is shown in blue

Stève Gentili

• Chairman of the Board of Directors of BRED Banque Populaire,
Chairman of the Board of Directors of: Banque Internationale de Commerce – BRED (BIC-BRED), Banque Internationale de Commerce – BRED (Switzerland), Compagnie Financière de la BRED (Cofibred), Natixis Institutions Jour, Pramex International and (representing BRED) NJR Invest,
• Deputy Chairman of the Supervisory Board of BPCE,
• Director of: BCI Mer Rouge, BRED Gestion, BRED Cofilease, Prépar IARD, Promepar AM, Spig, BICEC, Générale des Eaux Guadeloupe – Veolia Group and (representing BRED) IRR Invest,
• Member of the Supervisory Board of PREPAR-VIE.

Olivier Klein

• CEO of BRED Banque Populaire,
• CEO (director) of Cofibred (Compagnie financière de la BRED),
• Chairman of the Board of Directors of Promepar AM,
• Deputy Chairman of the Boards of: SOCFIM, Banque Franco-Lao,
• Chairman (SAS) of: Perspectives & Participations, Perspectives Entreprises,
• Director of: BRED Gestion, Natixis Asset Management, Natixis Global Asset Management, Prépar IARD, BRED Bank Fiji, Unigestion Asset Management, Banque Internationale de Commerce – BRED, Banque Internationale de Commerce – BRED (Switzerland), BRED Bank Cambodia,
• Member of the Supervisory Boards of: PREPAR-VIE, Tikehau IM,
• Permanent representative of BRED Banque Populaire on the Boards of: Banque Calédonienne d'Investissement, BCI Mer Rouge, Sofiag (Société Financière Antilles-Guyane), Sofider (Société Financière pour le Développement de la Réunion),
• Permanent representative of Cofibred on the Board of: Click and Trust.

Deputy Chairmen

François Martineau

Counsel,
• 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 the Confédération Générale des Petites et Moyennes Entreprises (CGPME – French association of small and medium-sized enterprises),
• Director of: Compagnie financière de la BRED (Cofibred).

Secretary

Bruno Blandin

• Manager of Établissements 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 Boyer Saint Rose, Sci Californie 97, Sci CBP, Sci de l'Angle, Sci l'Epi Epinay, Sci de l'Espérance, Sci de l'Union-Delessert, 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 Marengo-Collery, Sci Kappa Lamartine, Sci Omicron Frebault, Sci Rivière aux Herbes, Sci Sigma Dugazon, Sarl Efo Morangis, Sarl Parc d'activité de Jabrun, Sarl La Lamentine and Sarl Les Hauts de colin.
• Chairman of the Board of Directors of: Tridom,
• Deputy CEO of: Blandin Sas and Bca,
• Director of: BRED Cofilease, Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer, Union des Entreprises Medef Guadeloupe (UDE Medef, of which he is also Chairman), Canal overseas, Port autonome de Guadeloupe and 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 Guadeloupe, Martinique and Guyana.

Deputy Secretaries

Michèle Clayzac

• Deputy Chairwoman of the Union des Acef Paris and its region,
• Chairwoman of the Cooperative Bank Membership Committee on the Board of Directors of BRED Banque Populaire and on the Board of cooperative members of the Saint-Maur-des-Fossés branch of BRED Banque Populaire,
• Director of the Union des Acef of BRED territory, the Fédération Nationale des Acef Socacef, BRED Corporate Foundation (Fondation d'Entreprise BRED) and (representing BRED) the Chambre Régionale de l'Économie Sociale et Solidaire d'Île-de-France

Gérard Kuster
- Senior Consultant to The Conference Board Brussels,
- Deputy Chairman of the Cercle d'Éthique des Affaires, Director of: Transparency International France, Prépar Courtage, Promepar AM.

Directors

Jean-Claude Boucherat
- Former Chairman of the Conseil économique, social et environnemental régional d'Île-de-France, (Île-de-France regional economic, social and environmental council), of the Assemblée des CESER de France and of the Board of Directors of the Association Gestionnaire du Centre Hospitalier Spécialisé en Pneumologie in Chevilly-Larue,
- Chairman of the Monitoring Committee for the merger of Centre Hospitalier Spécialisé en Pneumologie in Chevilly-Larue and Gustave Roussy in Villejuif,
- Deputy Chairman of the Nogent-sur-Marne/Le Perreux-sur-Marne Legion of Honour Committee,
- Director of the Institut Gustave Roussy in Villejuif, of Fondation INFA in Nogent-sur-Marne and of OPH Valophis Habitat du Val-de-Marne in Saint-Maur-des-Fossés.

Nathalie Briot
- Institutional relations and lobbying consultant,
- Chief of staff to the Chairman and head of institutional relations at ADEME, the French Environment and Energy Management 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 East Paris Board of cooperative members of BRED Banque Populaire,
- Chairman of the Seine-Saint-Denis Board of cooperative members of BRED Banque Populaire,
- Director of BRED Gestion, Banque Internationale de Commerce – BRED, BRED Corporate Foundation (Fondation d'Entreprise BRED) and Banque Internationale de Commerce – BRED (Switzerland).

Isabelle Gratiant
- Professor (university),
- Director of Click and Trust, Prépar Courtage and BRED Corporate Foundation (Fondation d'Entreprise BRED).

Patricia Lewin
- Chief of staff to the Director General for international relations and strategy of the Ministry of Defence.

François Messina
- Special Advisor to the Head of the Department for the Environment and Sustainable Development, Aéroports de Paris,
- Executive Director of the Fondation Aéroports de Paris.

Pierre Murret-Labarthe
- Honorary Advisor (Conseiller Maître honoraire) at the Court of Auditors (Cour des Comptes),
- Chairman of the Comité National de Gestion des Risques en Agriculture, Assad XV,
- Director of Promepar AM.

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, BRED Corporate Foundation (Fondation d'entreprise BRED), Sofider, Spig.

Raphaël Pochet
- Security executive training consultant.

Jacques Szmaragd
- Director of Mutuelle Centrale de Réassurance and of Capma-Capmi,
- Director of Prépar IARD, Mudetaf,
- Chairman of the Supervisory Board of PREPAR-VIE,
- Manager of Szmaragd & Cie Sarl.

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

Non-voting members

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

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.

Renewal of the term of office of two directors

(articles L225-115(3) of the Commercial Code and 135.5 of the Decree of 23 March 1967 on commercial companies)

Gérard Kuster
Born on 20 December 1948
is:
- Senior Consultant to The Conference Board Brussels,
- Deputy Chairman of the Cercle d'Éthique des Affaires,
- Director of: Transparency International France, Prépar Courtage, Promepar AM.

Other duties performed during the last five years:
- Special Advisor to the General Secretary of the GDF Suez Group (Engie),
- Head of Ethics and Compliance at the GDF Suez Group (Engie).

Mr Gérard Kuster holds 1,565 shares in BRED Banque Populaire.

Isabelle Gratiant
Born on 8 April 1960
is:
- Lecturer (university),
- Director of: Click and Trust, Prépar Courtage and BRED Corporate Foundation (Fondation d'Entreprise BRED).

She has not performed any other duties or held any other offices during the last five years.

Ms Isabelle Gratiant holds 13,418 shares in BRED Banque Populaire.

Appointment of a director

Anne Bay
Born on 25 January 1962
is:
- Co-manager – Chief Financial Officer – Nostromo Communications agency – Paris.

Other duties performed or offices held during the last five years:
- Special Advisor to the Head of the Department for Development – Veolia Eau,
- Head of Change Management, Human Resoures Department – Eau de Paris.

Ms Bay holds 100 shares in BRED Banque Populaire.

Ratification of the cooptation of a director
(articles L225-115(3) of the Commercial Code and 135.5 of the Decree of 23 March 1967 on commercial companies)

Patricia Lewin
Born on 24 November 1960
is:
- Chief of staff to the Director General for international relations and strategy of the Ministry of Defence.

She has not performed any other duties or held any other offices during the last five years.
Ms Patricia Lewin holds 260 shares in BRED Banque Populaire.

Executive Committee

Olivier KLEIN,
Chief Executive Officer

Éric MONTAGNE,
Deputy Chief Executive Officer

Michèle BOULET,
Chief Operations Officer

Philippe CUVELIER,
Information systems

Pascal DUPHOT,
French Retail Banking Network

Françoise EPIFANIE,
Sales and Marketing

Baltasar GONZALEZ-COLLADO,
Group Audit

Jean-Paul JULIA,
Corporate Banking

Olivier LENDREVIE,
Chief Financial Officer

Stéphane MANGIAVACCA,
Chief Risk Officer

Marc ROBERT,
International Banking

Christian SCHELLINO,
Credit Control

Stéphane VANONI,
Human Resources

Pierre VEDRINES,
Capital Markets

Vincent GROS,
General Counsel

Thierry MOREAU
Overseas departments' network

CHAIRMAN
Stève GENTILI

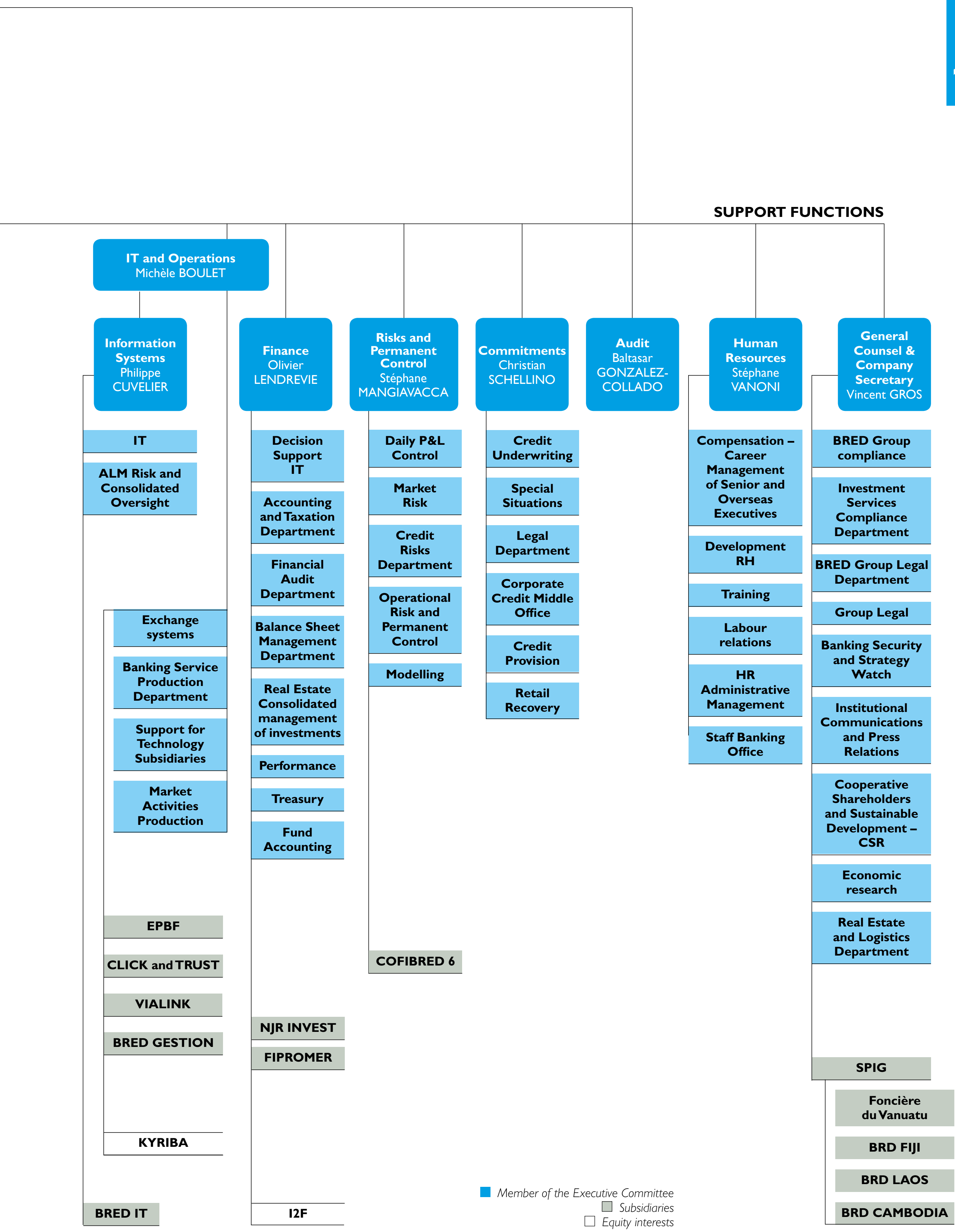
CHIEF EXECUTIVE OFFICER
Olivier KLEIN

HEAD OF ORGANISATION AND PROJECT MANAGEMENT

OPERATIONAL DEPARTMENTS

Deputy Chief Executive Officer
Éric MONTAGNE

- **Major Accounts** – Jean-Paul JULIA
  - Financing Solutions
  - Real Estate Activities
  - Institutional Customers
  - Retail Sector Customers
  - Industriel and Service Sector Customers
- **Development** – Françoise EPIFANIE
  - Marketing
  - Corporate Marketing
  - Professional Partnership
    - Mutual Guarantee Companies (SCM)
  - Retail Distribution – BRED Direct
  - Commercial Communication and Event Management
  - Customer Experience & Innovation
  - PROMEPAR AM
  - PREPAR
- **International** – Marc ROBERT
  - International Commercial Banking
  - Correspondent Banking and Foreign Trade
  - Multinational Corporate Lending
  - BIC BRED
  - BIC BRED (Switzerland)
  - Banque Franco-Lao
  - BRED Vanuatu
  - BRED BANK (Fiji) Limited
  - Banque Calédonienne d'Investissement
  - BRD China
  - BCI Mer Rouge
  - BRED Bank Cambodia
  - BRD Singapore
  - ACLEDA
  - SOCREDO
  - BCEL
- (Deputy Chief Executive Officer)
  - SME Banking
  - Private banking Management and Financial Engineering
  - BRED Espace and Grand'Zé
  - Origination Intermediaries
  - Sales Management
  - Perspectives et Participations
  - SBE
  - Adviso Partners
- **Overseas Network** – Thierry MOREAU
  - Martinique/Guiana Region
  - Guadeloupe and Northern Islands Region
  - Indian Ocean Region
  - 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/Aisne Region
  - Normandy Region
- **Capital Markets** – Pierre VEDRINES, *Deputy Didier ROGUET*
  - Financing solutions
  - Investment solutions
  - Placement solutions
  - Support and controls


SUPPORT FUNCTIONS
IT and Operations Michèle BOULET
Information Systems Philippe CUVELIER
IT
ALM Risk and Consolidated Oversight
Exchange systems
Banking Service Production Department
Support for Technology Subsidiaries
Market Activities Production
EPBF
CLICK and TRUST
VIALINK
BRED GESTION
KYRIBA
BRED IT
Finance Olivier LENDREVIE
Decision Support IT
Accounting and Taxation Department
Financial Audit Department
Balance Sheet Management Department
Real Estate Consolidated management of investments
Performance
Treasury
Fund Accounting
NJR INVEST
FIPROMER
I2F
Risks and Permanent Control Stéphane MANGIAVACCA
Daily P&L Control
Market Risk
Credit Risks Department
Operational Risk and Permanent Control
Modelling
COFIBRED 6
Commitments Christian SCHELLINO
Credit Underwriting
Special Situations
Legal Department
Corporate Credit Middle Office
Credit Provision
Retail Recovery
Audit Baltasar GONZALEZ-COLLADO
Human Resources Stéphane VANONI
Compensation – Career Management of Senior and Overseas Executives
Development RH
Training
Labour relations
HR Administrative Management
Staff Banking Office
General Counsel & Company Secretary Vincent GROS
BRED Group compliance
Investment Services Compliance Department
BRED Group Legal Department
Group Legal
Banking Security and Strategy Watch
Institutional Communications and Press Relations
Cooperative Shareholders and Sustainable Development – CSR
Economic research
Real Estate and Logistics Department
SPIG
Foncière du Vanuatu
BRD FIJI
BRD LAOS
BRD CAMBODIA
Member of the Executive Committee
Subsidiaries
Equity interests

Chairman's report

Prepared in accordance with article L225-37 of the Commercial Code

Ladies and Gentlemen

As in previous years, in my capacity as Chairman of the Board of Directors, I am delighted to submit to you the report I have prepared in accordance with the requirements of article L225-37 of the Commercial Code.

This report has been prepared 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 29 March 2016.

Corporate governance of BRED

1. The Board of directors

1.1 The Board's role and powers

1.1.1 Applicable laws and regulations, articles of incorporation

The Board of Directors determines the policies applying to the Company's activities and oversees 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 articles of incorporation state that the Board's powers include:

• defining the company's strategic directions and general objectives and the general directions of its risk management and particularly the extension of credit and level of appetite for risk;

• authorising commitments that exceed the internal delegation of authority to the CEO or 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 members;

• deciding on the admission and exclusion of cooperative members;

• 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 the 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 that the bank complies with its obligations as set out in the aforesaid Decree and all the legislative and regulatory provisions governing a credit institution's risk management and control.

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

1.1.2 Internal regulations

In addition to the provisions of the articles of incorporation, in 1996 the Board of Directors adopted internal regulations that 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 operate, the conditions for transmitting documents before 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 made up of 18 members, all of whom are natural persons.

At 31 December 2015, more than 27% 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 that they manage or over which they have effective control.

The Board of Directors proposes candidates to General Meetings capable of ensuring that the various socioeconomic categories that form the bank's customer base and the various regions in which it operates are fairly represented. In accordance with the provisions of the articles of incorporation, no one may stand for office as a director for the first time if he/she has reached the age of 68.

The offices and duties of the members of the Board of Directors are set out in the Corporate Governance section of the annual report.

Non-voting members attend Board meetings in an advisory capacity.

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

1.3 Preparation and organisation of the Board's work

Strategic directions and general objectives proposed to the Board of Directors are prepared by the Chairman in consultation with the CEO.

The Board of Directors' work is organised and overseen by its Chairman, who reports to the General Meeting. 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 to members of the Board of Directors one week in advance.

1.3.1 The bureau of the Board

The bureau of the Board is made up of six members: Stève Gentili, Chairman; François Martineau and Georges Tissié, Deputy Chairmen; Bruno Blandin, Secretary; Michèle Clayzac and Gérard Kuster, Deputy Secretaries.

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

1.3.2 Board committees

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

The Audit and Accounts Committee and the Risk Committee

Until 2015, the Audit and Risk Committee was a single committee and had a dual function:

- in accordance with article L823-19 of the Commercial Code, it considered questions concerning the preparation and control of accounting and financial information. More specifically, it monitored the process of preparing financial information, the statutory audit of the annual financial statements and the independence of the Statutory Auditors;
- the Committee also fulfilled the role bestowed on risk committees by articles L511-92 et seq. of the Monetary and Financial Code. As such, its main duties included:
  - providing expertise to the Board on the bank's global strategy and its existing and future appetite for risk,
  - 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.

In accordance with the Decree of 3 November 2014 on internal control of companies in the banking sector, the Board of Directors decided on 27 May 2015 to split it into two committees: the Audit and Accounts Committee and the Risk Committee.

In the course of their work, the Audit and Accounts Committee and the Risk Committee regularly meet 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 Chairman of both these committees, Gérard Kuster, was selected by the Board of Directors as an independent member with the requisite expertise on financial or accounting matters and ethical issues.

The Audit and Accounts Committee and the Risk Committee systematically report to the Board on the exercise of their duties and inform it without delay of any difficulty encountered.

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

They are each made up of seven directors.

The General Inspector is regularly invited to attend their meetings.

The Compensation Committee

The Compensation Committee assists the Board of Directors in defining the principles of the compensation policy in accordance with the provisions of chapter VIII of title IV of the Decree of 3 November 2014 on internal control and the regulatory provisions in force.

Accordingly, in accordance with article 266 of this decree, it prepares the decisions that the Board of Directors takes concerning compensation, particularly compensation that has an effect on the risks assumed by the bank.

Most of its members are Board members who have been selected for their independence and ability to analyse compensation policies and practices. This committee annually reviews:

- 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.

This Committee is chaired by Georges Tissié and has five members.

The Appointments Committee

The Board decided to create the Appointments Committee in December 2014, in accordance with legislation transposing European Directive CRD IV on governance within credit institutions into French law.

In accordance with articles L511-98 et seq. of the Monetary and Financial Code, the Appointments 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 corporate governance matters.

More specifically, the Appointments 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;
- examining the policy for recruiting executives and managers in charge of controlling and managing risks;
- 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 related to cooperative members, notably projects related to membership policy, specific commercial actions in favour of cooperative members, and the functioning of Cooperative Bank member representation at local level.

This Committee is represented at the meetings of cooperative members 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 public sector employee credit and savings associations (Associations pour le Crédit et l'Épargne des Fonctionnaires, ACEF).

It is chaired by Michèle Clayzac and has eight members.

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.

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

This committee meets on a regular basis to consider strategic and topical issues.

1.4 Work carried out by the Board and its committees in 2015

1.4.1 Work carried out by the Board in 2015

The Board of Directors held six meetings in 2015, as required by the articles of incorporation, with an attendance rate by directors of 98%.

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.
• In particular, it approved the union between the bank and Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer and prepared a report to the Extraordinary General Meeting on this planned absorption.
• It improved the functioning of the market for the shares, strengthened its liquidity and expanded its base of cooperative members.
• It regularly reviewed the economic situation and the markets, and also examined the hedging measures taken by the Trading Desk in a relatively volatile environment.
• It reviewed the bank's international growth strategy and results in line with the international development policy it has defined.
• It heard the heads of the bank's main departments on business activity and the growth in the results, both of the commercial operations in France and abroad and of the Trading Desk and the management of investments, and on credit policy.
• It renewed its authorisations for the issuance of subordinated securities and euro medium-term notes (EMTNs).

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.
• It approved share transfers at each of its meetings.

Corporate governance

The Board took note of the resignation of Mr Daniel Giron as director and appointed him as non-voting member. It coopted Ms Patricia Lewin as director. This cooptation and appointment are subject to ratification by the General Meeting. In accordance with the provisions of article L511-98 of the Monetary and Financial Code, the Board examined the candidature of Ms Lewin.

The Board appointed Mr Michel Chatot as member of the Risk Committee and the Audit and Accounts Committee.

Ms Isabelle Gratiant joined the Compensation Committee and the Appointments Committee.

Mr Raphaël Pochet was appointed to the Compensation Committee and the Appointments Committee.

Internal control, risks, compliance

• At the beginning of the year the Board reviewed the permanent controls carried out in 2014 by the second-level permanent control functions and took note of the planned controls and action plans for 2015.
• It regularly reviewed summary reports on the work of the Audit and Accounts Committee and the Risk Committee.
• It reviewed the results of audits, the 2015 annual audit plan and the plan for future years, as well as the follow-up of recommendations.
• It 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.
• It approved changes to the thresholds used to measure the materiality of incidents.
• It was informed of all the significant risks.
• It was informed of the main findings of the annual meeting with representatives of the ECB and of the tasks carried out by the supervisory authorities.
• It approved the 2014 internal control report and took note of changes to internal control resources.
• It was informed of the 2014 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 2014 and also reviewed a summary report of the Audit and Risk Committee's work and the findings of the Statutory Auditors.
• It approved the draft annual report as of 2014.
• It reviewed the company and consolidated results for the first three quarters of 2015 and approved the budget forecasts for 2016.

Compensation

• The Board regularly reviewed summary reports on the Compensation Committee's work.
• On the basis of a proposal by the Compensation Committee, the Board 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.
• The Board 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 the BPCE Group 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 2015

The Audit and Accounts Committee

- This committee met six times in 2015. Besides accounting aspects, it dealt with subjects devolved to the Risk Committee until the latter's creation on 29 June 2015.
- 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 French Prudential Supervisory Authority (Autorité de Contrôle Prudentiel et de Résolution, ACPR) and by BPCE General Inspection.
- 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 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 in 2014.
- It analysed the impact of the new governance rules resulting from the CRD4 Directive and forwarded an information note to the members of the Board.
- The Audit and Accounts Committee continues to meet in accordance with the provisions laid down in articles L823-19 and L823-20 of the Commercial Code.

The Risk Committee

The Risk Committee met three times in 2015.

- 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 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 periodically reported its work to the supervisory body, which it assisted in overseeing the management of the accountable managers.

The Compensation Committee

The committee met once during the past year, in March 2015, when 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 complied 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.
- The committee took note of the report required by article L511-102 of the Monetary and Financial Code.
- It examined the new terms and conditions applying to retirement plans for the BPCE Group executive officers.
- 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 related to regulated staff classification.

The committee reported on its work to the supervisory body.

The Appointments Committee

The Committee met twice during the past year.

The Committee noted:

- the new procedure for notifying to the French Prudential Supervisory Authority appointments and reappointments of executives, now extended to members of the collegial bodies of institutions in the banking sector. Decree No 2014-1357 stipulates the areas in which members must – collectively – have knowledge, expertise and sufficient experience;
- of its task in terms of gender equality among Board members;
- of the collective age limit of the Board members;
- of the laws and regulations related to its role and tasks.

The Committee took note of the end of the term of office of Mr Daniel Giron, effective from July 2015. It proposed that the Board:

- appoint him non-voting member;
- replace him by coopting Ms Patricia Lewin, after examining her candidature and suitability for carrying out the duties of director, when the Board met in September.

Finally, it drew up the questionnaire for assessing members of the Board of Directors.

2. General management

2.1 Organisation

The CEO chairs the Executive Committee, made up of the Deputy CEO and the heads of the operational and functional departments.

2.2 CEO's role and powers

The CEO is vested with the broadest powers to act on the bank's behalf in all circumstances and to represent it in dealings with third parties.

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

He must first obtain the Board's 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 head office.

In terms of commitments, the CEO may not take decisions involving amounts exceeding the maximum stated in article 1 of CRB Regulation 93-05, i.e. when the net weighted risk would exceed 25% of the consolidated members' 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, since 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 to attend.

The notice to attend must be sent at least two weeks before the date of the meeting.

3.2 Conditions for admission

All cooperative members 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 hold.

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 duly and properly authorised to represent them.

The proxy is valid for one meeting only; however, it may be given for an Ordinary General Meeting and Extraordinary General Meeting held on the same day or within seven days of each other. A proxy given for a General Meeting is valid for subsequent General Meetings convened with the same agenda.

All cooperative members 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 members 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 authorised by the Board of Directors and indicated in the notice to attend, 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 by 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.

In accordance with article L512-5 of the 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 members 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 sum allocated by way of compensation for time devoted to the administration of the company is voted on each year by the General Meeting. This amount is divided equally by the Board of Directors between its members, after deducting the amount paid to non-voting Board members, where applicable.

4.3 Compensation paid to the CEO

In accordance with the recommendations of the Compensation Committee, the Board has determined the CEO'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 members' equity (Group share, excluding capital transactions and the revaluation of securities in BPCE or its subsidiaries, excluding interest on BPCE's dividends) since 31 December of the year in which compensation is awarded;
- a reduction clause may apply, based on compliance with the bank's financial soundness and performance criteria;
- restrictions conditioning payment and related to effective presence may apply.

In accordance with the rules in force within the BPCE Group, the CEO:
- is eligible for a benefit scheme and a supplementary and additional supplementary pension scheme;
- will receive a compensatory payment if he/she is asked to leave or retires.

Internal control and risk management

The main purpose of the internal control system put in place by 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 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 Autorité des Marchés Financiers (AMF).

The objectives of BRED's internal control system are to:
- develop a risk management culture among Group employees, particularly to prevent the risk of fraud;
- constantly improve the effectiveness and quality of the organisation of the bank and its subsidiaries;
- ensure information, and more specifically accounting and financial information, which 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 BPCE Group's control function charters.

2. Organisation of internal control

2.1 General organisation

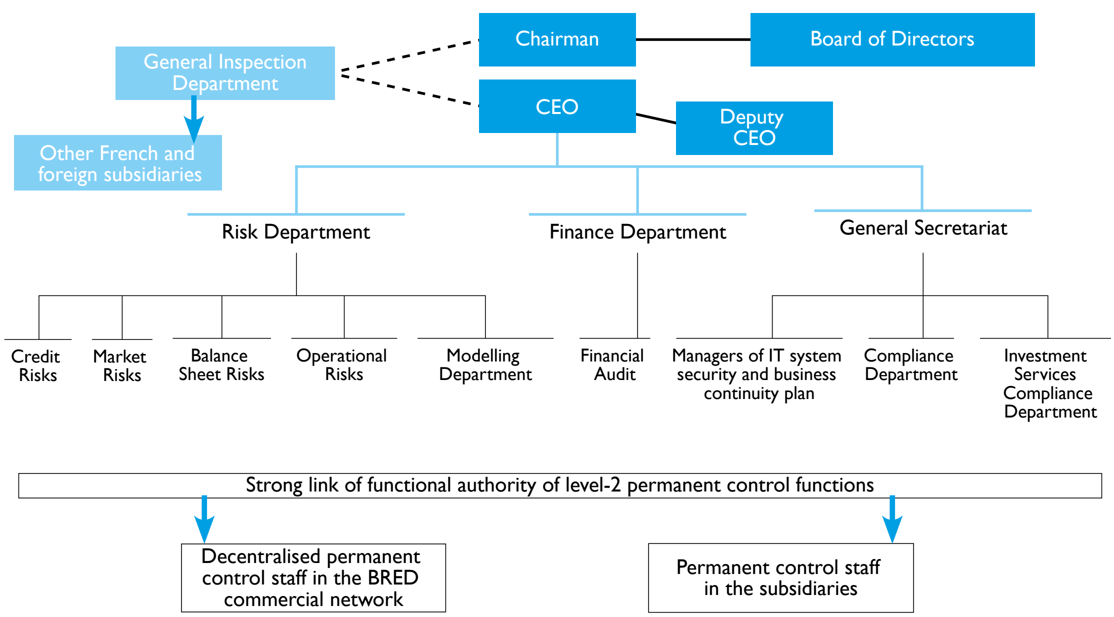
In accordance with banking regulations, the bank's internal control system is based on first-level controls carried out by the operational managers, second-level permanent controls carried out by dedicated staff members who do not have any operational duties as defined by the regulations, and periodic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

The permanent and periodic control functions are integrated into the BPCE Group'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 Group's internal control system at 31 December 2015



Consolidated control

One of the fundamental principles of internal control relates to the exhaustiveness of its scope: it must cover all types of risks and all BRED Group's consolidated entities – whether banking or non-banking, French or foreign. Internal control within the subsidiaries is in particular structured around:
- the supervisory bodies and the accountable managers of each of the subsidiaries;
- 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 BRED Group's consolidated risk monitoring system.

2.2 Employees assigned to internal control

EMPLOYEES ASSIGNED TO INTERNAL CONTROL (FULL-TIME EQUIVALENT) AT 31 DECEMBER 2015

	Total	Parent company	Subsidiaries
Risk function	**106.5**	**73.3**	**33.2**
Operational risks	55.6	38.6	17.0
Credit risks	24.9	11.9	13.0
Financial risks	26.1	22.9	3.2
Compliance function	**55.1**	**34.8**	**20.2**
Financial audit	**9.7**	**5.0**	**4.8**
ISSM	**4.7**	**3.0**	**1.7**
PUPA	**7.8**	**6.1**	**1.7**
Audit	**32.5**	**26.5**	**6.0**
TOTAL	**216.3**	**148.7**	**67.6**

2.3 Organisational changes in 2015

BRED Group's internal control system underwent major organisational changes.

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 in reassigning 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 an Executive Committee (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. This system functioned properly in 2015.

2.3.2 The role of the control functions

The Control Function Coordination Committee met more frequently than in the past. In particular, it:

I. updated the risk mapping of all BRED Group entities;
II. examined the plans for deploying the PILCOP tool – managing the permanent controls – and for strengthening money laundering alert detection scenarios; and
III. conducted a methodical follow-up of the implementation of the General Inspection's 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

- Risk Management assumed the name of 'Risk and Permanent Control Department', ensuring a global vision over the permanent control system from the beginning of 2014. On that occasion Risk Management become hierarchically attached to the Modelling Department, in charge of measuring market risk. The dismissal or change of the Chief Risk Officer requires prior authorisation from the Board of Directors, in accordance with article L511-65 of the Monetary and Financial Code.

- The Information Systems Security Officer reports to the General Secretary and provides a second-level control over areas within the remit of the Information Systems Department.
- To comply with AMF requirements, the Investment Services Compliance Department has since January 2014 operated under the authority of the General Secretary.
- The Investment Services Compliance Officer assumed responsibility for the function of funds depositary control, in functional terms, from April 2014 and, in hierarchical terms, from November 2014. The Investment Services Compliance Department this year integrated two new 'market abuse' alert queries to improve surveillance and controls of market activities.
- Work was carried out during the year, in collaboration with BPCE to determine a risk appetite model. It was formally approved by the Board of Directors on 29 March 2016.

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. As such, 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 BRED Group and the diversity of its activities, the CEO decided that members of the Executive Committee would be fully involved in the control system through delegations of authority and responsibilities, in keeping with each member's area of 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 supervisory 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 related 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 hierarchical managers and to the control functions when appropriate;
- providing comprehensive answers to requests for information from the permanent and periodic control departments, particularly when they 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 Risk 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, 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 CEO); 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 hierarchical managers of any corrective action that needs to be taken unless suitable action plans have 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 BRED Group's internal control charter. Regular reports on the permanent control system and the risks to which BRED Group is exposed are submitted to both General Management and the Board of Directors.

If necessary, the Chief Risk Officer may consult the Board of Directors or any 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 (known as third-level controls)

Periodic control is exercised by the General Inspection Department, which covers all 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), its Audit and Accounts Committee and its Risk Committee. Periodic control is also presented to the Board of Directors (the supervisory body) for information.

In accordance with the tasks defined in article 17 of the Decree of 3 November 2014 on internal control, the General Inspection 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 supervisory body with reasonable assurances that BRED Group is functioning correctly, through periodic assignments conducted in the context of a four-year audit plan using a risk-based approach.

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, findings and recommendations.

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

The audit assignments carried out by the Audit Department in 2015 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 Risk Committee. All recommendations made have been incorporated into action plans approved by General Management.

In 2015, BRED's General Inspection continued to promote the implementation of the recommendations issued by itself, the BPCE General Inspection Department and the French Prudential Supervisory Authority. The six-monthly checks, designed to verify 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 BRED Risks 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 financial information.

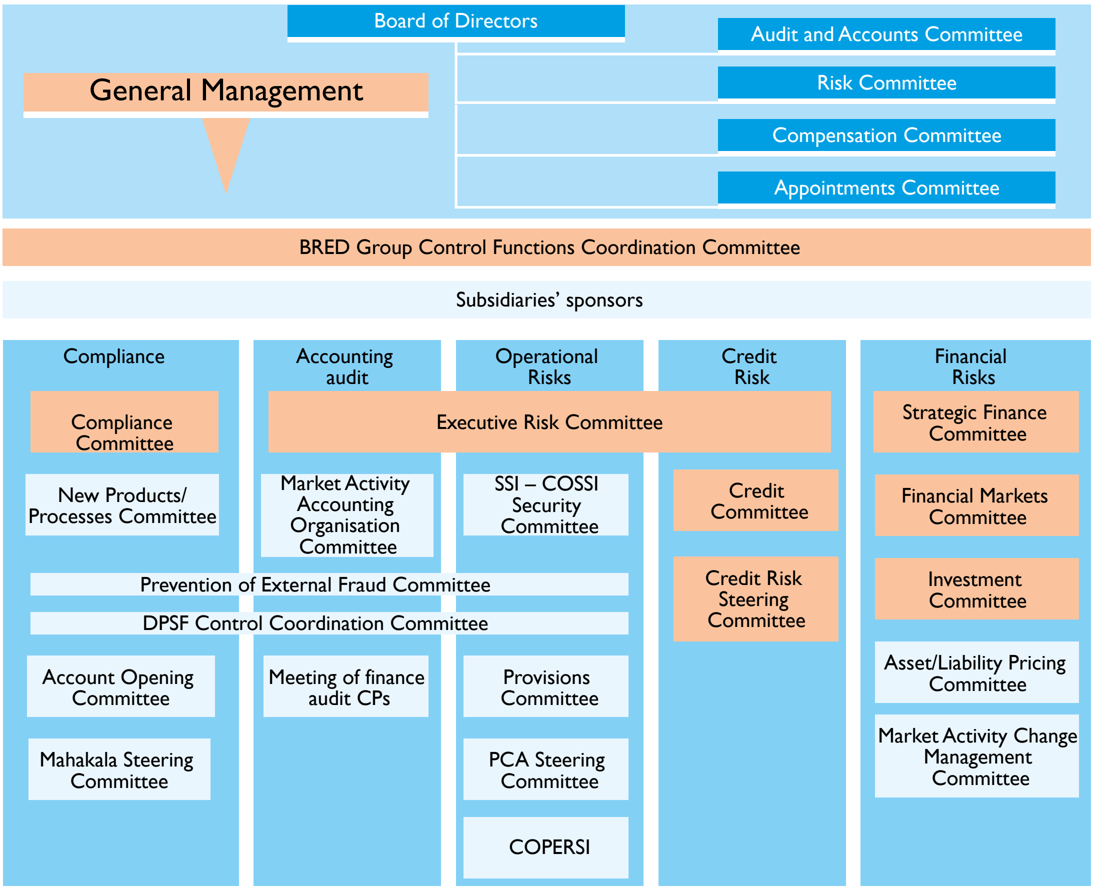
To do so, the Board works in conjunction with the Audit and Accounts Committee and the Risk Committee, which express an opinion on the quality of the internal control work carried out, verifying in particular that the consolidated risk measurement, monitoring and management systems are coherent, and make recommendations whenever it considers additional action should be taken in this regard. In accordance with the aforementioned 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 Risk and Permanent Control Department, operating under the authority of the accountable managers, provides a global overview of BRED Group's permanent control system.

ORGANISATION OF BRED GROUP'S INTERNAL CONTROL COMMITTEES AT 31 DECEMBER 2015



Committee presided over by the manager

As a general rule, the Executive Committee has authority to consider any topic of importance to BRED Group. This means that any matters related 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 Accounts Committee and the Risk Committee** set up by the Board of Directors: In the context of their work preparing for the review by the Board of Directors of the bank's status and changes in risks and its internal control system, these committees meet many operational managers and officers responsible for permanent control as well as the General Inspector. The conditions under which the committees prepare and organise their work and the work carried out in 2015 are described in the chapter on the work of the Board of Directors;
- **BRED Group Control Function Coordination Committee,** chaired by the CEO, which regularly brings together the Deputy CEO, the General Inspector responsible for periodic control, the General Secretary and the members of the Executive Committee responsible for second-level permanent controls, as well as the Chief Compliance Officer. This committee is essentially responsible for ensuring that 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 such consistency and effectiveness. It met nine times in 2015.

3. Internal control and management procedures related 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.

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 CFO.

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;
- in conjunction with the General Accounting Department, Management Control produces financial information related to market activities. A dedicated back office manages the accounts that provide the basis for these documents;
- a special committee (the Market Activities Accounting Organisation Committee) meets each fortnight with the back office, Management Control and the General Accounting 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 BRED Group's consolidated financial statements and those of the BPCE Group 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 BPCE Group consolidated entities.

Its production follows the same rules as those set out above for the company financial statements: production of the financial statements is the responsibility of the General Accounting Department, with breakdown by market entrusted to Management Control.

3.1.3 Regulatory and tax reports

The General Accounting Department is responsible for producing regulatory and tax reports.

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 BRED Group's internal control system and complies with the legal and regulatory requirements ensuing, in particular, from the Monetary and Financial Code.

3.2.1 Financial audit

The Financial Audit Department is a second-level control function that reports to the CFO 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.

BRED Group Financial Audit charter is consistent with that of the BPCE Group and was approved by the Audit and Risk 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 accounting fraud. The Financial Audit Department's remit covers BRED Group as a whole, i.e. all its departments and subsidiaries. The Financial Audit Department intervenes with regard to subsidiaries in accordance with the thresholds and needs defined by 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 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 consolidation of BRED Group's accounts.

The Financial Audit Department is also responsible for internal communication with BRED Group's various control functions, including the Audit and Risk 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 collegial 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 submitted to the Audit and Risk Committee before approval by BRED's Board of Directors, which then presents its management report on the financial statements for the period to the Ordinary General Meeting of members.

Statutory auditors' report,

prepared in accordance with article L225-235 of the Commercial Code, on the report by the Chairman of the Board of Directors of BRED Banque Populaire

(Period ended 31 December 2015)

To the cooperative members

BRED Banque Populaire

18, quai de la Rapée 75012 Paris

In our capacity as Statutory Auditors of BRED Banque Populaire, and in accordance with article L225-235 of the Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L225-37 of the Commercial Code for the period ended 31 December 2015.

It is the Chairman's responsibility to submit for approval 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 L225-37 of the Commercial Code, related 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 related to the preparation and processing of financial and accounting information, and
- to certify that this report contains the other information required under article L225-37 of the 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 related 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 related to the preparation and processing of financial and accounting information. These procedures consist mainly of:
- obtaining an understanding of the internal control and risk management procedures related 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 whether any material weaknesses in internal control and risk management related 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 related to the preparation and processing of financial and accounting information contained in the report by the Chairman of the Board of Directors, prepared in accordance with article L225-37 of the Commercial Code.

Other information

We certify that the report by the Chairman of the Board of Directors contains the other information required under article L225-37 of the Commercial Code.

Done in Paris La Défense and Neuilly-sur-Seine, 3 May 2016

THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG SA

Marie-Christine Jolys
Partner

PricewaterhouseCoopers Audit

Anik Chaumartin
Partner

Nicolas Montillot
Partner

Compensation policy and practices

Description of the compensation policy in force in the company

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).

At the level of BRED, individual variable compensation is capped at 20% of the fixed compensation. Depending on the bank's results, employees benefit from an incentive and profit-sharing scheme.

Furthermore, as regards the periodic and permanent control functions, it is recalled that compensation is fixed independently of that of the controlled business lines. Compensation levels within the support and control functions are sufficient to attract individuals who are fully qualified to perform the work assigned to them.

Since 2010, BRED's variable compensation scheme has evolved to comply with recent changes in French and European regulations. In 2014 and 2015 BRED notably complied with the legislation on compensation policies set out in the 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.

Decision-making process

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.

2.1 Composition of the Compensation Committee

The Compensation Committee is made up of five directors: Georges Tissié, Chairman; Jacques Szmaragd, Deputy Chairman; Jean-Claude Boucherat, Isabelle Gratiant and Raphaël Pochet, who meet all the following independence criteria, taken from the list set out in the Viénot and Bouton reports: they are not employees of 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 any 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 revenue 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.

They are also members of the supervisory body but do not exercise any executive function within the company.

2.2 Duties of the Compensation Committee

The Compensation Committee, which met once in 2015, is provided with a file prepared under General Management's supervision, containing in particular the report submitted to the French Prudential Supervisory Authority (ACPR) in accordance with article 266 of the Decree of 3 November 2014 on internal control within companies in the banking, payment services and investment services sector 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).

This committee conducts an annual examination of:

- the principles governing the company's compensation policies;
- compensation, allowances and benefits of any kind granted to the company's corporate officers;
- compensation 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.

The Compensation Committee expresses its opinion on General Management's proposals concerning the regulated staff members and proposes to the supervisory body the principles of the compensation policy for such staff members. It is informed of any observations made by the ACPR or any other supervisory bodies.

Description of compensation policy

3.1. Composition of risk takers among staff members

Delegated Regulation 604/2014 defines a set of 18 criteria to identify regulated staff members. There are 15 qualitative criteria and three quantitative criteria. 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 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' within the meaning of European regulations (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 CEO or 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, compensation 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 specified in articles 79 to 87 of Directive 2013/36/EU other than credit risk or 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 any of the criteria set out in points 1) to 14).

Identification on the basis of quantitative criteria

16. Staff member who was awarded total compensation of €500,000 or more in the preceding period;
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 compensation in the preceding period;
18. Staff member who was in the preceding period awarded total compensation equal to or greater than the lowest total compensation awarded in that period 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. Thus, in 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 submitted to the Compensation Committee. 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. The Risk Department and the Compliance Department formally validate the methodology for identifying regulated staff members.

3.2. General principles of the compensation policy applicable to regulated staff members

3.2.1 Financial soundness and performance criteria applicable to all regulated staff members

Only the Board of Directors may derogate from application of the general financial soundness or performance criteria or any other rule of the compensation policy applicable to the regulated staff members, including in respect of penalties.

BRED financial soundness and performance criteria

In accordance with article L511-83 of the 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 of regulated staff members would be paid only on condition that the bank's capital (CET 1 ratio) complied with the regulatory criteria at the end of each period (general criterion of financial robustness). If these criteria are not complied with, said variable compensation is cancelled.

Likewise, a general financial performance criterion is defined: the regulated staff members may not be awarded variable compensation in respect of any period for which BRED Group records a net loss. Any payments of deferred portions occurring during such a period are also cancelled.

BPCE financial soundness criterion

Lastly, in the event that the BPCE Group's minimum regulatory ratio (CET 1 ratio) is not achieved at 31 December of the period concerned, BPCE's Supervisory Board proposes a reduction of the variable compensation that may be awarded and any deferred compensation that may be paid in respect of the period ended. The reduction rate proposed, which must be at least 50%, may not reach 100% if its application enables the minimum threshold, set at the start of the period concerned, to be reached.

3.2.2 Chairman

As BRED has opted for separation of the Chairman and CEO functions, the Chairman receives fixed compensation, the amount of which remains unchanged, and compensation for time spent on the governance of the cooperative bank.

3.2.3 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.

3.2.4 CEO

The fixed compensation for the CEO remains unchanged. The variable portion of the CEO's compensation allocated in respect of 2015 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 comprises 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 period 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 'BPCE Group' 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 period;
- 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 (2017, 2018 and 2019 for the allocation in 2016 of compensation for 2015), i.e. at least six months after the vesting date, which is set as 1 April in each of the three periods following the allocation year.

For each deferred instalment, final vesting is subject to the financial performance and robustness criteria referred to in paragraph 3.2.1, as well as to the CEO's continued presence in the company. 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.

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, excluding dividends from BPCE since 31 December of the period in respect of which the variable compensation was allocated.

3.2.5 Other regulated staff members

The variable portions of regulated staff members are determined within the general framework for defining bonuses. Specific terms and conditions, dealt with below, cover traders. If non-trading regulated staff members benefit from an amount of variable compensation exceeding the threshold that determines application of the specific terms and conditions of award and payment (deferred portion), they are also subject to them, subject to compliance with the law applicable to employment contracts before the regulations were put in place.

For all the regulated staff members, the award of variable compensation is linked to observance of the risk and compliance rules. The heads of these functions must pronounce on the variables of the employees concerned and propose the application of penalties as required.

3.2.6 Traders

The principles and methods described below specifically concern regulated positions within BRED's trading desk.

The main characteristics of the variable compensation policy for traders are as follows:
- independent determination of operational staff, with validation by General Management, of a maximum potential amount of variable compensation based in particular on measuring the financial performance of the trading desk;
- proposals for individual bonuses from the trading desk hierarchical 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.) formalised in individual files;
- individual capping of variable compensation that can be awarded at 200% of the fixed compensation with a maximum maintained at €900,000 for traders;
- formal opinion from the Risk Department concerning traders' compliance with compliance and risk policies;
- formal opinion from the Human Resources Department on individual proposals of variable compensation for traders (including compliance with internal standards for variable compensation);
- discretionary decision taken by General Management on bonus proposals;
- 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 2016 forms part of the '2016 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 period for amounts over €100,000 and 60% for amounts over €500,000, with BPCE guidelines setting a cap of €1 million on this tranche;
- all bonuses subject to conditions of continuing 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 periods following the allocation year based on performance indicators and effective presence within the Group six months before the potential payment date;
• linking of each instrument implemented in accordance with the directions of the European Banking Agency in the matter with a view to reflecting the change in BRED share price. Such linking is capped at the interest rate used on BRED shares over the deferment period considered;
• 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 Risk Department and the Compliance Department formally validate the compensation policy applicable to the regulated staff members.

AGGREGATED QUANTITATIVE INFORMATION ON COMPENSATION, BROKEN DOWN BY BUSINESS AREA

(Article 450 g) of EU Regulation 575/2013

	Management Body executive function	Management Body supervisory function	Investment bank	Retail bank
Headcount	2.0	20.0	47.8	26.8
Fixed compensation	€723,751	€745,000	€4,911,551	€3,169,550
Variable compensation	€490,000	€0	€3,854,500	€655,000
TOTAL COMPENSATION	**€1,213,751**	**€745,000**	**€8,766,051**	**€3,824,550**

AGGREGATE QUANTITATIVE INFORMATION ON COMPENSATION, BROKEN DOWN BY SENIOR MANAGEMENT AND MEMBERS OF STAFF WHOSE ACTIONS HAVE A MATERIAL IMPACT ON THE RISK PROFILE OF THE INSTITUTION

(Article 450 h) of EU Regulation 575/2013)

Headcount
Total compensation
– o/w fixed compensation
– o/w variable compensation
– o/w not deferred
– o/w cash
– o/w equities and equity–linked instruments
– o/w other instruments
– o/w deferred
– o/w cash
– o/w equities and equity–linked instruments
– o/w other instruments
Outstanding variable compensation awarded for previous periods and not yet paid
Amount of variable compensation awarded for previous periods and paid (after reductions)
– Amount of reductions
Severance pay awarded
Number of beneficiaries of severance pay
Highest amount of severance pay awarded
Amounts paid on hiring
Number of beneficiaries of amounts paid on hiring

Asset management	Support functions	Independent control function	Others	Total
0.0	48.6	15.7	4.0	164.9
€0	€5,383,811	€1,391,736	€577,398	€16,902,796
€0	€883,000	€202,000	€170,000	€6,263,500
€0	**€6,266,811**	**€1,593,736**	**€756,398**	**€23,166,296**

Governing bodies	Others	Total
22.0	142.9	164.9
€1,958,751	€21,207,545	€23,166,296
€1,468,751	€15,434,045	€16,902,796
€490,000	€5,773,500	€6,263,500
€290,000	€4,870,500	€5,160,500
€290,000	€4,870,500	€5,160,500
€0	€0	€0
€0	€0	€0
€200,000	€896,000	€1,096,000
€0	€0	€0
€200,000	€896,000	€1,096,000
€0	€0	€0
€200,000	€941,835	€1,141,835
€145,133	€927,835	€1,072,968
€0		€0
€0	€0	€0
0	0	0
€0	€0	€0
€0	€0	€0
0	0	0

ACTIVITY REPORT

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Activity report

Economic environment

The French economy grew by 1.1% in 2015, after 0.2% in 2014. This growth was not enough to reduce the unemployment rate (10% for mainland France, against 9.9% in 2014) and the public deficit (3.9% of GDP). It was, however, lifted by an alignment of favourable external circumstances (oil, euro, interest rates). In particular, the fall in oil prices enabled a net increase in purchasing power (1.7%), resulting in a recovery in household consumption (1.9%), the main engine for business activity. The absence of inflation does not seem to have led to a wait-and-see attitude. Exports benefited in part from the revitalisation of intra-zone trade and the decline in the euro. However, signs of a real strengthening of supply, the condition of a self-sustaining recovery, continued to be absent. Thus productive investment grew too slowly despite the rise in companies' profit margins, resulting from the increased level of the tax credit for competitiveness and employment (CICE), reductions in employers' contributions and above all the improved terms of trade connected with oil.

The European Central Bank embarked, beginning in March then again in December, on a policy of negative deposit facility rates (minus 0.3%) and expanding the size of its balance sheet (monthly purchases of €60 billion of public and private debt until the end of March 2017) to comply with its mandate of an inflation target close to 2%. Accordingly, German and French long yields, while suffering strong volatility, reached historically low levels going all the way to zero for 10-year German paper or even into negative territory for maturities lower than five- to seven-year area. French 10-year treasury bonds stood at 0.84% on average in 2015, against 1.66% in 2014. In this context of European and American monetary policies being uncoupled, the euro fell almost 10% against the dollar on average in 2015.

The economic recovery was confirmed in the euro zone countries and, while levels of recovery differ, none of the member countries is now in recession. Spain was the great winner for the second year running, posting growth of 3.1%, followed by Germany with 1.7% then France with 1.1%. The recent recovery in Italy, concomitant with the implementation of reforms and administrative simplifications, particularly in the labour market, will enable it to move out of recession.

Global growth, estimated at 3% in 2015 against 3.3% in 2014, continued to decelerate despite a real oil counter-shock (Brent down 46%) and the accommodating or expansionist monetary policies of the major central banks. Anxiety has mainly come from the emerging countries with the marked slowdown in the Chinese economy, whose volumes of imports have fallen for the first time in 25 years, and the entry into recession of large commodity or energy producing countries like Brazil and Russia. For their part, the United States and the United Kingdom continued to benefit from a moderate cycle of expansion, driven without excess by their robust domestic demand. Finally, Japan remained mired in its secular stagnation.

For 2016, the favourable trend in Europe will need to be encouraged by an acceleration in investment, which is still 13 percentage points below its pre-crisis level.

Low energy costs (which are expected to persist as long as geopolitical conditions block any production agreement between OPEC countries), equipment obsolescence after a long period of underinvestment and the exceptionally low level of credit rates are among the factors favourable to such a recovery in investment.

Not all euro zone countries will benefit from this to the same extent, with differences in competitiveness remaining sizeable and progress in structural reforms unequal. Finally, secessionist temptations (Greece, Catalonia, Scotland, UK referendum), aggravated by political tensions around the migrant crisis, represent a risk factor that should not be underestimated.

Commercial banking strategy

After a rise of 3.8% in 2014, consolidated net banking income of commercial banking France was up 4.6% in 2015, an excellent performance given the persistently morose economic climate and the structure of interest rates.

This development relies on a strategy that was initiated three years ago, based on two pillars that complement each other. The first is to make the bank more accessible to and more practical for our customers, and the second is to offer them greater added value in the support provided for their personal projects, over time. By thus combining the best of traditional banking and online banking, we are working to develop the bank of tomorrow; a bank with a strong and close relationship, a bank that sees its channels converge and offers the best of the physical branch and the e-branch, bank that's never far away.

In 2015 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 6.9% increase in active customers equipped with products. In the professional segment, the number of customers increased by 5.4% while the number of customers with a double banking relationship (covering their professional and personal needs) grew by 8.4%.

Accessible and practical banking facilities

In 2015 BRED Banque Populaire continued to invest to further develop the practical aspect of its customer relationship. The enhancements made to BredConnect, the online banking service, make it a service greatly valued by our customers (94% of customers satisfied) and used ever more frequently. Thus the mobile app alone is now seeing 2 million connections a month against 1 million a year ago. Almost 500,000 online transfers are made every month. Our customers now have a digital safe where they can find not only their bank contracts and statements (350,000 customers have chosen to have digital statements) but also their everyday bills automatically downloaded.

Our advisors have also been made more accessible. The direct lines and emails made available to our customers for the past two years facilitate contacts, as does the secure messaging service available on BRED.fr or on the mobile app. Outside our branches' opening hours, BRED Direct advisors take over during extended hours until 22:00, providing a quality welcome and advice.

Enhancing the customer and employee experience

BRED has continued its digitalisation programme aimed at simplifying and streamlining customer and employee pathways.

The electronic signature associated with distance selling processes enables our advisors to offer a wide rage of products and services remotely, thus providing our customers with the option of not visiting the branch.

Each advisor is now equipped with an individual scanner making it possible to digitise all documents and records and thus limit paper exchanges with the bank's other services. A new mortgage process, 'zero paper', is thus being tested in a number of branches and will be rolled out in 2016.

New agile and collaborative working methods have made it possible to develop, more rapidly and with greater efficiency, new tools for customers or employees, by involving future users very upstream (tablet app for sales staff, opening of 100% online account, new customer internet space, etc.).

A bank obtaining ever more feedback from its customers

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 are thus tested for 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 88% of professional customers, 92% of individual retail customers and 98% of corporate customers were satisfied with the way they were dealt with in their branch and would recommend BRED to others. Similarly, the quality of the customer telephone and email relations management has continued to improve since 2013. Among our individual customers, 96% are satisfied with the replies made by email to their requests.

In 2015 the procedure for obtaining customer feedback was extended and modified by implementing 'on-the-spot' measurement of the quality of the experience gained by our customers, who are asked to systematically assess us a few days after contact with the bank.

All these measures will be renewed and amplified in 2016 to enable our customers to express their opinions even further on the development of the quality of service that we offer them.

Helping customers carry out their personal projects by giving them added value

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 tools and methods 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.

Dedicated advisors remains our system's cornerstone. Supporting their customers over time and developing a detailed knowledge of their environment and projects, advisors are partners of trust, for requirements in both the private and the professional sphere.

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. Advisors' in-branch training pathways have been revisited and supplemented, with support adapted to the experience acquired and enabling ever-growing professionalism.

State-of-the-art private banking management

2015 confirmed the resurgence of BRED Banque Privée and the emergence of a high-quality private management bank. Our business headquarters were relocated to Place de l'Opéra, in the heart of Paris, in prestigious premises in keeping with our positioning: high-end, contemporary, discreet and elegant.

Our commercial organisation is suited to our customers' expectations with the principle of the dual relationship becoming more widespread: a dedicated in-branch adviser for 'everyday banking' products and services and a Cercle Patrimonial private banker for the 'advisory and management banking' business lines.

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 established or renewed many partnerships with leading management companies: 21 new agreements were signed in 2015.

BRED constantly focuses on building its private banking management advisors' skills in order to develop top-level expertise in the most demanding fields and be able to advise its increasingly demanding customers at all times.

BRED's private banking customers, whose number increased by 20% in 2015, all seek this level of excellence in expertise, be they 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

New private banking management spaces were opened in Neuilly-sur-Seine, Paris Courcelles and Paris Opéra. Situated on the ground floor, these spaces provide our customers with the personalised welcome they expect. Two further private banking management spaces will be opened in 2016.

Working closely with corporate customers

BRED supports its customers in mainland France and the overseas departments and territories with their projects: financing, real estate and other expansion, means of payment, asset management, leasing, etc.

BRED provides business leaders with advice and support over the long term, with regard both to their business and to their assets. BRED covers the entire range of corporate customers: micro-businesses and professionals, small and medium-sized enterprises, with 16 dedicated business centres and the medium-sized enterprises, CAC 40 members, institutional and real estate professional companies with its wholesale bank.

Our business managers have the same spirit of enterprise as our customers. They are present at each stage in the life of the company and its management. They mobilise all BRED Group's areas of expertise to enable them to adopt the strategy best suited to each of their interests and to create solutions facilitating the company's growth.

In 2015 we strengthened our investment capital activity by endowing our Perspectives & Participation subsidiary with additional human and financial resources so that we could provide equity to help growing companies with their business expansion and transfer plans. We continued to expand our activities in the structuring of 'tailor-made' financing solutions and undertook a high-level training programme of all our business advisors in specialist areas of corporate and financial strategy and debt engineering so as to provide an expert service.

We also continued our proactive support in engineering liquidity or funds, particularly with customers of the wholesale bank. We have thus created with them innovative solutions combining agility, robustness and digitalisation, as can be attested by the numerous successes encountered in our responses to consultations.

BRED Espace: A 100% online bank

BRED Espace, BRED's online bank, saw marked growth in 2015 in two major directions.

First, ongoing modernisation of BRED Espace, with the release in June of the new website, www.bredespace.com, a new version of the brand and a new process for opening 100% online accounts, showing the structure's firm commitment to digitalisation and innovation.

Second, the development of a top-end approach around non-resident customers and the creation of BRED Espace Cercle Privé for supporting high net worth customers remotely and with all the necessary expertise.

BRED Espace GrandZé also saw further growth, with 19% of additional student customers.

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. Three new branches were opened in 2015: Caen Mondeville, Saint Marcel and Dieppe Saint Aubin. This strengthening of our presence will continue in 2016, both in mainland France and in the overseas departments and territories.

A new branch concept has been defined that strengthens our image of modernity, accessibility and transparency and offers new self-service functionalities during extended hours. This new concept will be gradually rolled out to all our branches.

Furthermore, with a view to devoting more time to supporting our customers, most of our branches now reserve the afternoons for meetings. During these dedicated times, our customers can more easily speak to their advisors at a branch meeting or over the phone.

A bank with an international focus

2015 was a year when BRED strengthened its international presence and continued to expand geographically. The Cambodian central bank granted a banking licence to BRED Bank Cambodia, which is likely to start trading at the end of 2016. This will enable BRED Group to complete its presence in the Mekong zone, now one of the most dynamic regions in the world.

BIC BRED's branch office in Switzerland was transformed into a subsidiary after obtaining a banking licence from the Swiss regulator in August 2015. Staff were supplemented by the arrival of new specialists in the financing of international trade. The bank is now on an ambitious trajectory in its specific market. BRED is also continuing to expand its worldwide network of correspondent banks while at the same time enriching its range of products and services to support the growth of the business in the financing of international trade.

More generally, staff were strengthened in three zones (Southeast Asia, the Horn of Africa and the South Pacific) to gain the maximum potential from the Group's presence in four of the eight countries in the world in which economic growth will be strongest in 2016.

A bank that belongs to its customers

All the initiatives and changes described above illustrate BRED's desire to be able to 'do business differently'. A desire based on a long-term approach, favouring the real economy, beyond simply looking for a short-term financial return, an approach that comes within the logic of collective responsibility and sustainable development to the benefit of our customers and the territories in which BRED is active on a day-to-day basis.

This model and these achievements are extensively supported by our cooperative members who, as for any cooperative bank, own the entire bank.

Their support is reflected in particular in the great success of the capital increase realised in the last quarter of 2015 and by the rise of 15% in the number of cooperative members, confirming the positive trend observed at the time of the last two capital increases in 2013 and 2014. It is also reflected in the very active presence of many cooperative members and customers at meetings of cooperative members organised throughout the year, which enable exchanges, answers to questions and explanations of the bank's day-to-day strategy.

At these meetings, cooperative members are attentive to BRED's growth and to the way in which we go about our business, but they also remind us that they are sensitive to the way in which BRED reflects its responsible development in its social practice and in the activities carried out in its territories.

In particular, they appreciate hiring policy at BRED, which steadily continues to recruit, including a significant number of young people, whose integration and capacity for success are supported by a system of professional training that ensures a general banking culture and skills training suited to enhancing their areas of expertise.

Our cooperative members are also sensitive to the way in which BRED supports its customers in times of difficulties. For vulnerable customers, BRED has for a number of years deployed appropriate support mechanisms to consolidate their financial situation and thereby assist their return to a better financial footing.

They are eager and pleased to know that BRED is committed, with the help of associations and local players, to actions in favour of many areas of civil society. BRED is particularly involved in actions in favour of reintegration of people excluded from the world of work by creating businesses, particularly via microfinance. BRED is also strongly committed to actions favouring equal opportunities and helping talented people, regardless of their origins, achieve excellence. It thus facilities, in various ways, social mobility, a factor that integrates society and makes it cohesive by actively supporting the world of education and research.

Consolidated income statement: key figures

CONSOLIDATED INCOME STATEMENT (MANAGEMENT PRESENTATION, IFRS BASIS)

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**954.8**	**972.3**	**1,057.2**	**8.7%**
Interest and similar income	584.6	592.7	652.8	10.1%
Fees and commissions	475.3	480.0	513.3	6.9%
Banking expenses	-105.1	-100.4	-108.9	8.4%
Operating expenses	**614.1**	**614.6**	**637.9**	**3.8%**
Personnel costs excluding incentive schemes and profit-sharing	321.6	320.5	328.2	2.4%
Incentive schemes and profit-sharing	35.5	38.1	43.4	13.9%
Other general operating expenses	221.5	221.9	227.1	2.4%
Depreciation and impairment	35.5	34.1	39.2	14.7%
Gross operating income	**340.8**	**357.7**	**419.3**	**17.2%**
Cost of risk	-81.3	-86.0	-83.7	-2.7%
Net operating income	**259.5**	**271.7**	**335.6**	**23.5%**
Gain on non-current assets	1.1	0.0	0.3	nm
Share of profits of associates	21.4	22.7	26.8	17.8%
Change in value of goodwill	0.0	0.0	-11.0	nm
Pre-tax profit on ordinary activities	**282.0**	**294.4**	**351.7**	**19.4%**
Corporate income tax	-97.8	-92.6	-114.4	23.5%
Consolidated profit	**184.2**	**201.8**	**237.3**	**17.6%**
PROFIT ATTRIBUATE TO EQUITY HOLDERS OF THE PARENT COMPANY	**182.6**	**200.4**	**238.1**	**18.8%**

In 2015 BRED's consolidated net banking income for the first time exceeded a billion euros to stand at €1,057.2 million, a rise of €84.9 million (up 8.7%).

Net banking income attributable to non-recurring items came to €42.6 million in 2015, including in particular capital gains of €15.5 million on the partial disposal of Kyriba securities and €6.3 million on the disposal of BPI securities.

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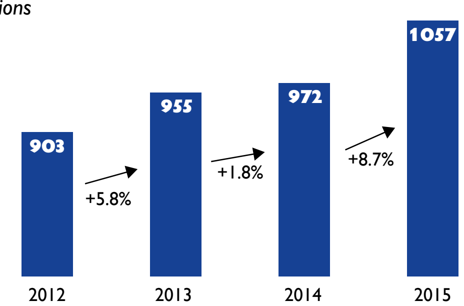
TREND IN CONSOLIDATED NET BANKING INCOME
€ millions



Commercial banking France (including ALM) continued to perform well with growth in net banking income excluding non-recurring items of €35.7 million (up 4.6%) despite a highly competitive context, this thanks to the business expansion strategy based on developing the equipment of existing customers and winning new customers. This momentum is observed in particular in BRED's network, which continued its growth with its net banking income up 4.5% (a rise of €26.1 million), and in the wholesale bank, whose net banking income excluding non-recurring items was up 4.6% (a rise of €4.2 million).

Net banking income excluding non-recurring items of the other business divisions also saw increases. The international and overseas territory commercial bank saw its net banking income up 21.4% (a rise of €9.1 million), lifted by growth in banking subsidiaries and favourable currency effects. The international trade financing division posted net banking income of €5 million, up 19.4%. Growth in customer business enabled the Capital Markets Department to generate net banking income up 10.5% (a rise of €8.1 million). Net banking income generated by consolidated management of investments was up €17.6 million.

Staff expenses excluding incentives and profit-sharing saw an increase of €7.7 million (up 2.4%), of which €1.5 million was connected with unfavourable exchange rate effects on the international subsidiaries. Incentives and profit-sharing, which benefited from the bank's excellent results, saw a rise of €5.3 million (up 13.9%).

Other operating expenses were up slightly by 2.4%, hit in particular by BRED's contribution of €4.6 million paid to the Single Resolution Fund.

Depreciation and impairment, impacted by the delivery of the new Joinville administrative headquarters in January 2015, saw an increase of €5.1 million.

Gross operating income stood at €419.3 million, an improvement of €61.6 million (up 17.2%) on 2014. Excluding non-recurring items, it came to €380 million (up 12.2%).

The very favourable differential between the rapid growth in net banking income (up 8.7%) and the rise in operating expenses (up 3.8%) enabled BRED to improve its operating coefficient by about 3 percentage points. This was thus 60.3% against 63.2% in 2014, placing BRED in a very strong position within the French banking landscape.

The cost of risk came to €83.7 million against €86.0 million in 2014 mainly through a better established cost of risk of commercial banking France.

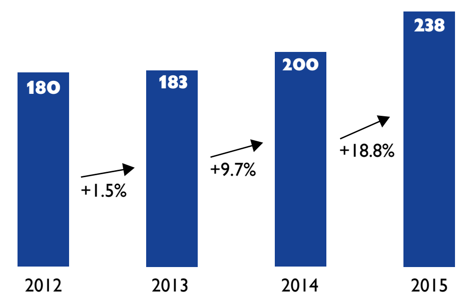
The share of profit in associates grew by more than €4 million, up 17.8%. This growth is explained in particular by the good commercial performance of Banque Calédonienne d'Investissement (rise of €0.7 million) and Acleda in Cambodia (rise of €3.3 million), in which BRED holds 49.9% and 12.25% respectively, to which was added a favourable exchange rate effect of €1.4 million on Acleda.

A goodwill impairment charge of €11 million has been recognised on the NJR and BCI Mer Rouge subsidiaries.

Corporate income tax came to €114.4 million against €92.6 million in 2014, a consequence of the excellent level of business in 2015.

All these facts resulted in a net profit attribuate to equity horlders of the parent company of €238.1 million, up an impressive 18.8%. Net income excluding non-recurring items was €224.8 million, a rise of €36.3 million (up 19.2%) on 2014.

TREND IN CONSOLIDATED NET INCOME – BRED GROUP
€ millions



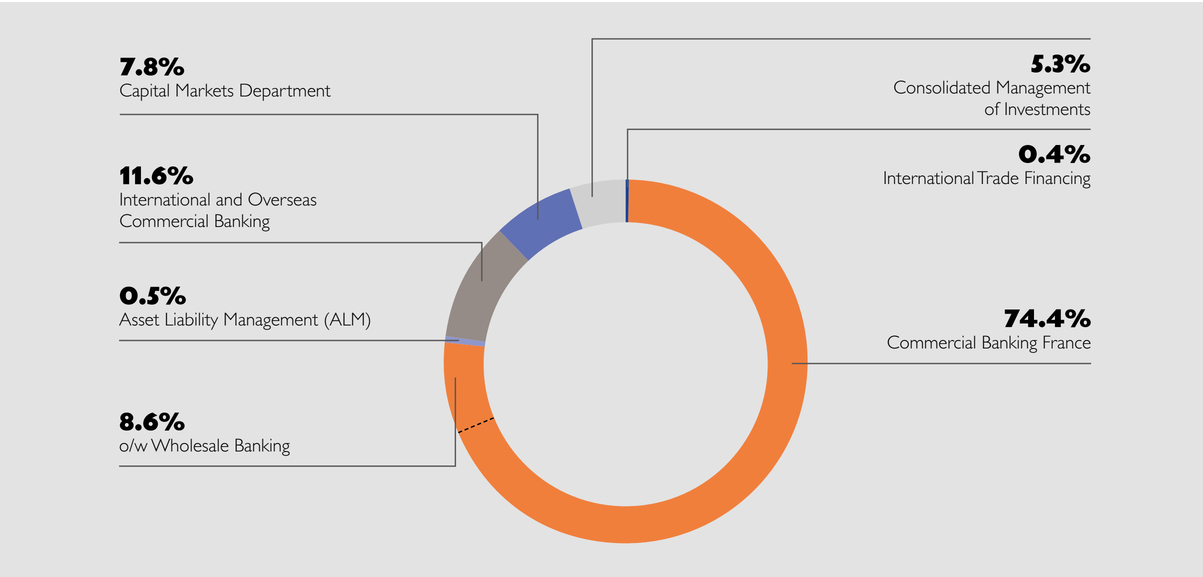
Analysis of results

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

- commercial banking France, which includes all the activities of the branches, private banking management centres, business centres, large corporate and institutional customers banking division and subsidiaries linked to these business lines;
- international and overseas territory commercial banking;
- international trade financing (BIC BRED);
- asset/liability management (ALM);
- capital markets department;
- consolidated management of investments.

The contribution made by each division to BRED Group's consolidated net banking income under IFRS is presented below, after restatement for non-recurring items.

BREAKDOWN OF RECURRING NET BANKING INCOME BY BUSINESS DIVISION



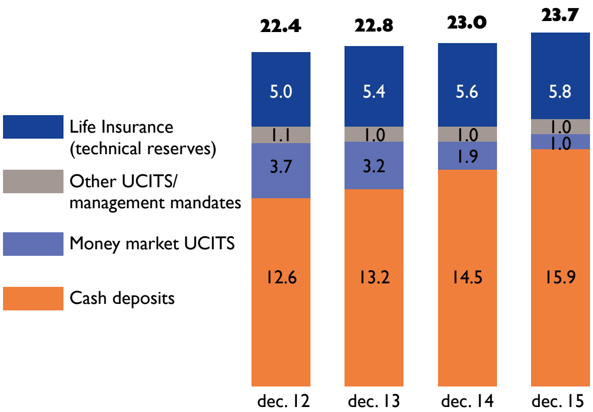
The net banking income of international subsidiaries and banking holdings is dealt with on the basis of the percentage of control independently of the method of accounting treatment.

Commercial banking France

At the end of 2015, BRED's network comprised 342 local branches (including 83 in the French overseas departments and territories), 16 business centres (including five overseas), six BRED Premier branches (including five overseas), 11 asset management centres (including three overseas), a private banking 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.).

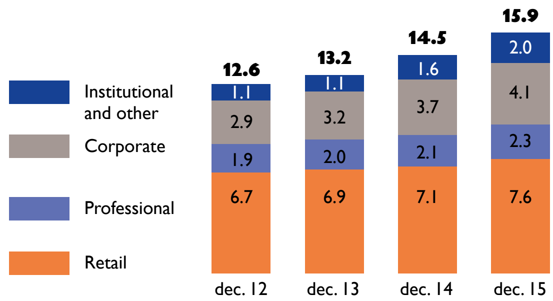
CUSTOMER DEPOSITS – COMMERCIAL BANKING FRANCE AND ITS SUBSIDIARIES

(in € billions, average value)
Excluding financial customers and Promepar money market UCITS



CASH DEPOSITS – COMMERCIAL BANKING FRANCE AND ITS SUBSIDIARIES

(in € billions, average value)
Excluding financial customers



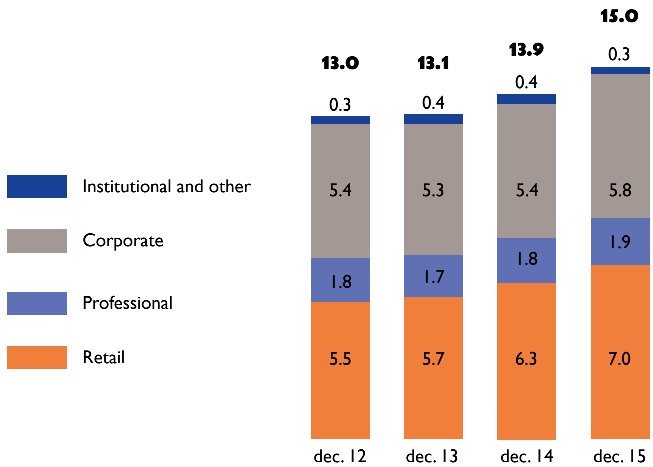
Average cash deposits received from commercial banking France customers came to €15.9 billion, up 10%. BRED's average sight deposits were up 18% on December 2014, reflecting the network's commercial proactiveness, while average regulated savings accounts (Livret A, housing savings, etc.) were up 6%. Average term deposits were up 7% on December 2014.

Average savings invested in life insurance came in December 2015 to €5.8 billion, up 3.7% on December 2014.

Average money market fund holdings stood at €1 billion after two years marked by money market rates of virtually zero.

OUTSTANDING LOANS – COMMERCIAL BANKING FRANCE AND ITS SUBSIDIARIES

(in € billions, average value)
Excluding financial customers



Average outstanding loans saw an increase of €1.1 billion on December 2014, up 7.9%, to stand at €15 billion. Globally, BRED's average outstanding loans were up 11% for home loans, 14% for personal loans and 13% for equipment loans. Growth in outstanding loans was stronger for the segments of individuals customers (up 11.3%) and corporates (up €0.4 billion).

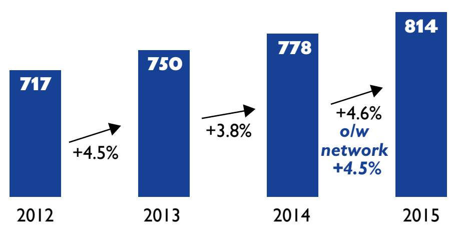
INCOME STATEMENT: MANAGEMENT PRESENTATION EXCLUDING NON-RECURRING ITEMS, IFRS BASIS

€ millions	2013	2014	**2015**	2015-2014
Interest and similar income	393.6	420.7	435.6	
Net fees and commissions	356.0	357.3	378.3	
Net banking income	**749.6**	**778.0**	**813.9**	**4.6%**
Operating expenses	524.2	523.3	540.7	
Gross operating income	**225.4**	**254.7**	**273.2**	**7.3%**
Establised cost of risk	-69.9	-67.4	-63.3	
Net operating income	**155.4**	**187.3**	**210.0**	**12.1%**
Share of profits of associates	1.1	0.9	1.1	
PRE-TAX ON ORDINARY ACTIVITIES (excluding collective provisions)	**156.5**	**188.2**	**211.1**	**12.2%**

In a highly competitive context, the growth in existing business capital and the efforts to gain customers enabled net banking income excluding non-recurring items of commercial banking France to carry on growing, increasing by €35.9 million (up 4.6%) to stand at €813.9 million. This sustainable growth was brought about primarily by BRED's network of branches, wealth management centres and business centres (a rise of €26.1 million, up 4.5%). The wholesale bank, whose net banking income increased by €4.2 million (up 4.6%), also enjoyed sustained activity in 2015.

TREND IN CONSOLIDATED NET BANKING INCOME EXCLUDING NON-RECURRING ITEMS OF COMMERCIAL BANKING FRANCE

(€ millions)



In an environment of particularly unfavourable interest rates (the lending rate to customers fell by 28 basis points while the customer deposit rate lost 12 basis points), BRED continued its commercial growth with increases in its average outstanding loans excluding financial customers of 8% and in its average outstanding money market deposits excluding financial customers of 10%.

The interest margin excluding non-recurring items stood at €435.6 million, thus gaining €14.9 million (up 3.5%). BRED benefited from a positive volume effect of €47 million, offsetting the negative interest rate effect of €34 million.

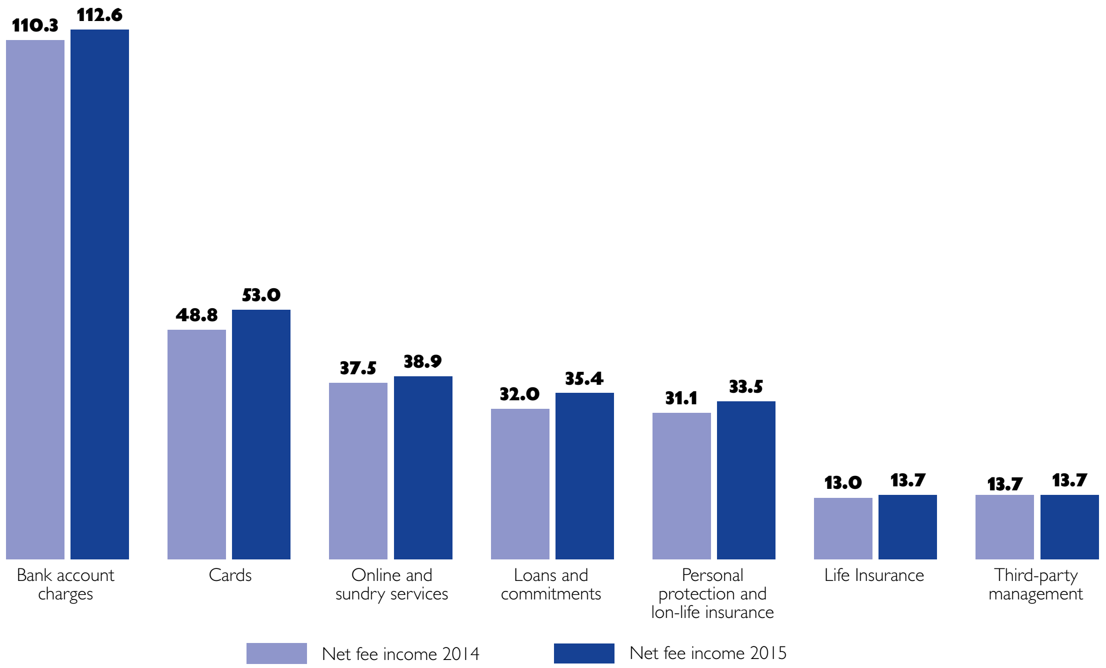
The sizeable volume effects of the branches' loans and deposits enabled them to increase their interest margin by 2.3%. The other commercial banking France structures also posted strong increases in their interest margins: up 2.5% for business centres and 11.8% for the wholesale bank, which was particularly active in the segments of institutional customers, financing solutions and real estate activities.

Net fee income increased by €21 million (up 5.9%) for the commercial banking France division.

As a result of the network's momentum, the fee income of BRED (excluding subsidiaries) grew globally by €14.3 million, driven by fee income connected with lending, which grew by €3.4 million (up 10%), and fee income on cards, which saw growth of €4.2 million (up 9%). Distribution of pension and non-life insurance products generated €2.4 million (up 8%) of additional fee income while fee income on life insurance investments saw a rise of €0.7 million (up 6%), reflecting the network's commercial performance.

BRED'S NET FEE INCOME

(€ millions)
Excluding non-recurring items, company scope



Operating expenses excluding non-recurring items of the commercial bank in France saw growth of €17.4 million, up 3.3% over the period, reflecting BRED's desire to invest in people and infrastructure to ensure the sustainable growth of its net banking income.

The established cost of risk fell by €4.1 million to stand at €63.3 million. The provisioning rate for doubtful loans came to 41% and was prudently set at 66% for non-performning loans.

Commercial banking France thus posted pre-tax profit on ordinary activities (excluding non-recurring items and collective provisions) of €211.1 million, a rise of 12.2% reflecting the network's commercial momentum and profitability.

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

PREPAR-VIE (wholly owned subsidiary)

Life insurance and personal protection

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS BASIS

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**37.0**	**43.4**	**41.2**	**-5.1%**
Operating expenses	15.1	16.4	16.7	
Gross operating income	**21.9**	**27.0**	**24.5**	**-9.2%**
Corporate income tax	-7.6	-10.4	-8.7	
NET PROFIT	**14.3**	**16.6**	**15.8**	**-4.9%**

The French life insurance market performed well in 2015 (up 5%).

In 2015 PREPAR-VIE generated net banking income of €41.2 million. 2014 had been marked by a real estate capital gain of €3.3 million and a reversal of provisions connected with the financial markets of €0.9 million (against an allocation of €0.4 million in 2015). Excluding these elements, PREPAR-VIE's net banking income was up 6.1% under the effect of the performance of the Personal protection segment (premiums received up 11.5%) and the Unit-linked contracts segment (premiums received up 27%).

Operating expenses were up 1.6% following recruitment of claim control and management staff, mitigated by the non-renewal in 2015 of costs linked to a software commissioned in 2014.

PREPAR-VIE's net banking income came to €15.8 million.

PREPAR IARD (wholly owned subsidiary)

Non-life insurance

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS BASIS

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**6.1**	**6.7**	**7.2**	**7.5%**
Operating expenses	0.5	0.5	0.6	
Gross operating income	**5.5**	**6.1**	**6.6**	**7.0%**
Corporate income tax	-1.9	-2.1	-2.2	
NET PROFIT	**3.7**	**4.1**	**4.3**	**7.0%**

PREPAR IARD's net banking income was up 7.5% to stand at €7.2 million, boosted by the growth in earned premiums of 22.6% but tempered by the 29.6% increase in claims. This growth, combined with control of operating expenses, enabled PREPAR IARD to post net income of €4.3 million, up 7%.

Promepar AM (wholly owned subsidiary)

Private banking management and fund management

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS BASIS

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**5.8**	**7.4**	**13.9**	**88.5%**
Operating expenses	3.9	4.5	5.4	
Gross operating income	**1.9**	**2.9**	**8.5**	**nm**
Corporate income tax	-0.7	-1.0	-2.9	
NET PROFIT	**1.2**	**1.9**	**5.6**	**nm**

Promepar's assets under management reached €2.8 billion at 31 December 2015. The period was marked by the recovery in the management of the Bercy diversified fund and the Gestival money market fund, whose assets under management at the end of December 2015 stood at €150 million and €390 million respectively.

Promepar's net banking income benefited from outperformance fees of €7.5 million (€1 million in 2014) and came to €13.9 million.

Costs connected with finalising migration to new management software and replacing staff generated a rise in operating expenses of €0.9 million.

Net income thus came to €5.6 million.

SOFIDER (wholly owned subsidiary)

Financing of residential housing and businesses in Réunion

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS BASIS

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**20.8**	**18.3**	**20.3**	**10.9%**
Operating expenses	5.7	5.6	5.8	
Gross operating income	**15.1**	**12.7**	**14.5**	**13.9%**
Cost of risk	-2.7	-2.6	-3.0	
Net operating income	**12.4**	**10.1**	**11.5**	**14.0%**
Other items	0.1			
Corporate income tax	-4.7	-3.6	-4.0	
NET PROFIT	**7.9**	**6.4**	**7.5**	**17.3%**

In 2015 the economic environment of Réunion was characterised by an improving economic climate. Recourse by households to home loans grew by 2.5% and bank lending for corporate investment was up 5.2%.

In this context, Sofider's production of loans was up 16%, driven by real estate lending and a full year of business at the St Paul branch, which opened in 2014.

Sofider's net banking income, which benefited in particular from a capital gain on securities of €1.4 million, was up almost 11%. Excluding non-recurring items, net banking income was up 3.3%.

Operating expenses remained in check (up 3%), with the increase in business providers' fees being partly absorbed by the reduction in staff expenses.

Benefiting from a controlled cost of risk of €3 million, Sofider's net income thus came to €7.5 million, up 17.3%.

COFILEASE (wholly owned subsidiary)

Overseas leasing

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS BASIS

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**6.5**	**7.1**	**7.4**	**4.1%**
Operating expenses	1.5	1.8	1.5	
Gross operating income	**5.0**	**5.4**	**5.9**	**10.8%**
Cost of risk	-0.4	0.8	0.4	
Net operating income	**4.6**	**6.1**	**6.4**	**4.1%**
Corporate income tax	-1.6	-2.1	-2.2	
NET PROFIT	**3.0**	**4.0**	**4.2**	**4.1%**

Commercial performance enabled net banking income to grow by €0.3 million to reach €7.4 million. Cofilease's production exceeded €75 million at the end of December 2015.

Given the control of operating expenses, net operating income was almost €6 million, up 10.8%.

Net reversals of provisions related to credit risk came to €0.4 million.

Net income was €4.2 million, up more than 4%.

International and french overseas territory commercial banking

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

€ millions	2013	2014	**2015**	2015-2014
Interest and similar income	31.4	34.3	41.3	
Net fees and commissions	7.1	8.3	10.4	
Net banking income	**38.5**	**42.6**	**51.7**	**21.4%**
Operating expenses	33.7	35.3	38.8	
Gross operating income	**4.7**	**7.3**	**12.9**	**76.7%**
Established cost of risk	-1.2	-3.3	-8.7	
Net operating income	**3.5**	**4.0**	**4.2**	**3.6%**
Share of profits of associates	21.4	21.8	25.6	
PRE-TAX PROFIT ON ORDINARY ACTIVITIES (excluding collective provisions)	**24.9**	**25.8**	**29.8**	**15.5%**

Established in particularly high-growth geographical zones (Oceania, Southeast Asia, Horn of Africa), BRED Group's international subsidiaries have a great ability to adapt, enabling them to follow the developments of their market and be on the lookout for new market conquests.

This division includes:

- BCI Mer Rouge, BRED Vanuatu, BRED Fiji, Banque Franco-Lao and BRED IT platform based in Thailand, all fully consolidated;
- equity interests in Banque Calédonienne d'Investissement (49.9%), Acleda in Cambodia (12.25%), BCEL Public in Laos (10%) and Socredo in Tahiti (15%), whose results are consolidated using the equity method and included in the profit in ordinary activities;
- a correspondent bank activity on behalf of foreign banking institutions.

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

Outstanding customer deposits of subsidiaries consolidated by global integration were sharply up by almost 17% to €750 million (at constant exchange rates), mainly through the contributions from BCI Mer Rouge (up €71 million), BRED Fiji (up €24 million) and BRED Vanuatu (up €14 million). Outstanding loans grew by 13% (at constant exchange rates) to stand at €553 million at the end of the period. Their growth was driven mainly by BRED Fiji (up €30 million) and Banque Franco-Lao (up €27 million).

The contribution from International and Franch overseas territory commercial banking to BRED Group's net banking income excluding non-recurring items grew by 21.4% to stand at €51.7 million. This performance is explained in particular by the commercial successes of the banking subsidiaries (up €4.2 million) and the favourable exchange rate effects they benefited from (up €5.5 million).

Operating expenses excluding non-recurring items saw an increase of €3.5 million, hit by unfavourable exchange rate effects they benefited from of €4.2 million.

The advantageous differential between the growth in net banking income (up 21.4%) and the growth in operating expenses (up 10%) enabled gross operating income to climb by €5.6 million.

Considering a cost of risk amounting to €8.7 million, impacted in particular by a policy of restructuring the portfolio of BCI Mer Rouge, and the share of profit of associates of €25.6 million, up 17.7%, pre-tax profit on ordinary activities excluding non-recurring items came to €29.8 million, up 15.5%, against €25.8 million in 2014.

In 2016 these subsidiaries will gain more business by offering their customers a mobile account that can be used from any mobile phone so as to provide simple financial services at an attractive price.

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

Oceania

Banque Calédonienne d'Investissement (49.9% owned subsidiary)

INCOME STATEMENT: ACCOUNTING PRESENTATION, LOCAL GAAP

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**72.3**	**81.3**	**86.3**	**6.1%**
Operating expenses	34.9	36.3	37.9	
Gross operating income	**37.4**	**45.0**	**48.3**	**7.3%**
Cost of risk	-2.6	-4.3	-5.0	
Net operating income	**34.7**	**40.8**	**43.4**	**6.4%**
Other items		0.4	-0.6	
Corporate income tax	-14.9	-18.4	-18.7	
NET PROFIT	**19.8**	**22.8**	**24.2**	**6.2%**

In 2015 New Caledonia presented mixed economic indicators. The business climate indicator fell back but household consumption held firm. Boosted by the fall in interest rates and tax exemption laws, assistance provided by all the territory's banking players was up 3%.

Relying on specialised branches and the launch of innovative products like the Fonds Elite savings product combining security and performance, Banque Calédonienne d'Investissement enjoyed excellent commercial performance in 2015 with almost 15,000 accounts opened and a 5% increase in the number of cards. It had more than 79,000 customers at the end of December 2015 and is now the leading banking network in New Caledonia with market shares of 28% in deposits and 32% in loans.

Customer loans reached €1.9 billion (up 7%) and customer deposits were up 10% to stand at €1.5 billion.

Net banking income was up 6.1% in 2015 under the combined effect of the growth in the net interest margin (up 5%), driven by strong activity in home loans, and fee income (up 8%), boosted by the increase in the number of customers and improvement in the equipment rate.

Control of operating expenses and the cost of risk enabled net operating income to grow by €2.6 million (up 6.4%).

The rising trend in net income observed over the past few years was thus confirmed in 2015 with net income of €24.2 million, up 6.2%.

BRED Vanuatu (85% owned subsidiary)

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

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**9.8**	**10.3**	**11.0**	**6.7%**
Operating expenses	5.0	5.4	5.7	
Gross operating income	**4.8**	**5.0**	**5.3**	**7.3%**
Cost of risk	-0.6	-0.5	-0.8	
Net operating income	**4.2**	**4.5**	**4.5**	**0.8%**
Corporate income tax	-0.5	-0.5	-0.5	
NET PROFIT	**3.7**	**4.0**	**4.1**	**2.7%**

Since cyclone Pam in March 2015, Vanuatu has been working on the reconstruction of its economy, particularly in the tourist and agricultural sectors and in infrastructure projects. After a decline in GDP in 2015, the IMF estimates that Vanuatu's GDP could grow by 4.5% in 2016.

In this difficult context for 2015, BRED Vanuatu endeavoured to support its customers in particular by restructuring their loans. With more than 19,200 customers at the year-end and a 19% increase in the number of cards, BRED Vanuatu's market shares were 29% in deposits and 33% in loans.

The customer loan portfolio came to €162 million (up 6% excluding exchange rate effect) and customer deposits were up 9% (excluding exchange rate effect) to stand at €170 million.

BRED Vanuatu's net banking income came to €11 million, up 6.7%. Net income was €4.1 million, up 2.7%.

In 2016 BRED Vanuatu will strengthen the synergies of the Pacific zone with BRED Fiji and continue its bid to gain new customers.

BRED Fiji (wholly owned subsidiary)

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

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**0.6**	**2.4**	**3.8**	**60.1%**
Operating expenses	3.6	4.5	5.4	
Gross operating income	**-2.9**	**-2.1**	**-1.6**	**22.0%**
Cost of risk	-0.2	-0.1	-0.1	
Net operating income	**-3.1**	**-2.2**	**-1.7**	**19.7%**
Corporate income tax	0.0	0.0	0.0	
NET PROFIT	**-3.1**	**-2.2**	**-1.7**	**19.7%**

With a GDP growth rate of 4%, Fiji is one of the most developed islands in the Pacific. Its economy relies mainly on tourism (about one-third of GDP), sugar and fishing. Investment programmes in infrastructure and the reforms planned over the long term have encouraged foreign investors.

BRED Fiji is characterised by a balance between customer loans (€66 million) and deposits (€65 million). Its market share has been constantly rising and is approaching 3%.

The bank has almost 38,000 customers. BRED Fiji opened more than 2,400 accounts in the last quarter of 2015 and has more than 35,000 cards.

With net banking income seeing a rise of €1.4 million (up 60.1%), BRED Fiji further cut its losses in 2015 to -€1.7million and remains on target with its growth plan.

Despite recent climate events, BRED Fiji will in 2016 continue to increase its market shares, benefiting in particular from the country's growth prospects.

Southeast Asia

Banque Franco-Lao (54% owned subsidiary)

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

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**5.5**	**5.8**	**6.9**	**18.0%**
Operating expenses	4.6	5.4	5.9	
Gross operating income	**0.9**	**0.5**	**1.0**	**nm**
Cost of risk	-0.2	0.0	-0.3	
Net operating income	**0.7**	**0.5**	**0.7**	**35.3%**
Corporate income tax	0.0	0.0	-0.2	
NET PROFIT	**0.7**	**0.5**	**0.5**	**11.0%**

Laos maintained a high growth rate in 2015 of 7%, benefiting from foreign investments concentrated in energy infrastructure and a sizeable volume of trade with its Asian neighbours.

Five years after its formation, Banque Franco-Lao, which has almost 170 staff, crossed the threshold of 21,500 customers and is posting growth of 32% in the number of accounts managed. Outstanding loans were up 45% (excluding exchange rate effect) to stand at €86 million in December 2015 for a market share of 2%.

Under the effect of the development of its business, and despite the maturing of government bonds in 2015, net banking income at Banque Franco-Lao was up 18% to stand at €6.9 million at the end of December 2015, driven mainly by the net interest margin on operations with customers, which was up 36% (excluding exchange rate effect). This performance is all the more remarkable since it was realised in a very competitive market made up of 40 banking institutions where Banque Franco-Lao is the only European bank.

The change in operating expenses (up €0.5 million) is linked to the rise in headcount and development of the branch network.

After a reversal of provision bringing about a zero cost of risk in 2014, a net allocation of €0.3 million was recorded in 2015, low with regard to the level of net banking income.

Net income at Banque Franco-Lao was €0.5 million, up 11%.

Horn of Africa

BCI Mer Rouge (51% owned subsidiary)

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

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**29.5**	**25.0**	**24.9**	**-0.7%**
Operating expenses	18.5	17.7	16.3	
Gross operating income	**11.0**	**7.4**	**8.6**	**16.3%**
Cost of risk	-7.5	-3.4	-8.3	
Net operating income	**3.4**	**4.0**	**0.2**	**-93.8%**
Non-recurring items	-0.9	-1.6	0.5	
Current income before tax	**2.5**	**2.5**	**0.7**	**-71.2%**
Corporate income tax	-0.8	-1.2	-0.3	
NET PROFIT	**1.7**	**1.2**	**0.4**	**-65.8%**

Djibouti's economic environment evolved favourably in 2015, with GDP growth of 6.5% in 2015 against 6% in 2014 and inflation remaining under control at 2%.

Djibouti's government has endeavoured to develop the country's infrastructure, banking in particular on trade with Ethiopia via the construction of a railway line between Djibouti and Addis Ababa, to become operational in the first half of 2016, and the construction of a pipeline linking the two countries in 2018. Djibouti also aims to become an airfreight platform, with the resumption of Air Djibouti flights in 2015 after 13 years of inactivity, and is trying to achieve energy independence by investing in the construction of solar power plants.

In this rapidly growing market offering good growth prospects, BCI Mer Rouge is the leading banking network in the territory with market shares of 44% in deposits and 51% in loans.

In 2015 the loan portfolio stood at €238 million while customer deposits were €451 million, up 19% (excluding exchange rate effect).

Net banking income was stable at €24.9 million. Operating expenses fell by €1.4 million on account of the decline in expenses associated with IT services. Gross operating income was thus up 16.3% and the operating ratio saw a sharp increase to 65.5%.

A portfolio restructuring policy led to a global €4.9 million increase in provisions on outstandings.

The review in 2015 of the corporate tax bases made it possible to significantly reduce the tax charge, which came to €0.3 million at 31 December 2015.

Net income generated by BCI Mer Rouge in 2015 stood at €0.4 million.

International trade financing

INCOME STATEMENT: MANAGEMENT PRESENTATION, IFRS BASIS

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**7.2**	**4.2**	**5.0**	**19.4%**
Operating expenses	4.2	4.5	8.9	
Gross operating income	**3.0**	**-0.3**	**-3.9**	**nm**
Cost of risk	-14.4	0.0	-11.1	
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**-11.4**	**-0.3**	**-15.1**	**nm**

The international trade financing division specialises in commercial transactions in goods and supports the growth of trading companies active in energy and agricultural commodities and metals. This division is made up of the BIC BRED and BIC BRED Switzerland entities, the latter of which was a branch office of BIC BRED until a licence was obtained in August 2015 from the Swiss supervisory authority enabling it to become a fully fledged bank.

For its first year as a fully fledged bank, BIC BRED Switzerland posted good performance figures, with customer outstandings of €137 million and net banking income of €2.4 million at the end of December 2015. BIC BRED, on the other hand, had €79 million of customer outstandings and net banking income of €2.4 million. Globally, the division saw its customer outstandings up 3.6% and generated net banking income of €5 million, up 19.4% despite the unfavourable economic environment in 2015 (falling prices of raw materials).

Operating expenses incurred by this division in 2015, which came to €8.9 million, were hit by the investments needed for the rollout of BIC-BRED Switzerland's new banking status.

At €11.1 million, the cost of risk reflected the delicate situation of a loan made to an oil refinery before the arrival of the new staff and the upgraded status.

The division's current income thus came to a loss of €15.1 million.

For 2016, the aim of the international trade financing division is to continue developing its financing activity and its services while controlling the associated risks and relying on professional staff in the context of a sustainable strategy.

ALM (Asset/Liability Management)

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

€ millions	2014	**2015**	2015-2014
Net banking income	**5.8**	**5.6**	**-3.6%**
Operating expenses	1.7	1.5	
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**4.0**	**4.1**	**1.8%**

The revision in 2015 of assumptions of analytical allocation means that it is irrelevant to compare years before 2014.

The Asset/Liability Management division is responsible for BRED Group's refinancing and oversees the major financial balances, particularly with regard to solvency and liquidity. It protects the Group's net banking income against interest rate and foreign exchange risks.

ALM's contribution to current income remained high at €4.1 million thanks to revenue generated by the rate hedging portfolio related to the commercial banking France.

Capital markets department

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

€ millions	2013	2014	**2015**	2015-2014
Interest and similar income	65.9	76.0	83.8	
Net fees and commissions	0.4	0.9	1.3	
Net banking income	**66.3**	**76.9**	**85.0**	**10.5%**
Operating expenses	30.3	34.1	37.6	
Gross operating income	**36.0**	**42.8**	**47.5**	**10.9%**
Cost of risk	7.8	2.9	0.0	
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**43.8**	**45.8**	**47.5**	**3.7%**

The Capital Markets Department continued the commercial development of the solutions offered to its customers.

Foreign exchange transactions with corporate customers, the number of which soared by 89% in 2015, generated net banking income up 54%, due mainly to a 36% increase in the number of active customers.

A new service was rolled out to large institutional customers aimed at enhancing their stocks of securities. The results obtained during this first year of marketing bode well for future years.

The liquidity service, which offers international investor customers money market investment solutions, also performed well with rises of 58% in its deposits and more than 37% in the intermediation of money market securities (treasury bills, euroCPs, deposit certificates, etc.).

Finally, a financing solution product, focused on debt origination, particularly with medium-sized enterprises, enjoyed great success, with around 15 transactions realised in 2015.

These various initiatives resulted in a 10.5% increase in net banking income – which climbed to €85 million – and a contribution of €47.5 million to current income.

Consolidated management of investments

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

€ millions	2013	2014	**2015**	2015-2014
Interest and similar income	35.1	40.0	57.7	
Net fees and commissions				
Net banking income	**35.1**	**40.0**	**57.7**	**44.0%**
Operating expenses	4.9	4.5	7.3	
Gross operating income	**30.2**	**35.5**	**50.4**	**41.9%**
Cost of risk	-0.1	0.8	1.3	
Net operating income	**30.1**	**36.3**	**51.7**	**42.4%**
Gain on non-current assets	1.1	0.0	0.3	
PRE-TAX PROFIT ON ORDINARY ACTIVITIES	**31.2**	**36.3**	**52.0**	**43.3%**

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).

Pre-tax profit on ordinary activities generated by these activities increased by €15.7 million. Its main components were a dividend of €16.8 million on BPCE securities, capital gains realised on the securities portfolio of €12.3 million (including €10.7 million on Bercy), a contribution of €10 million from NJR and an exchange rate gain of €2.3 million made by BRD China.

NJR (wholly owned subsidiary)

INCOME STATEMENT: ACCOUNTING PRESENTATION, LOCAL GAAP

€ millions	2013	2014	**2015**	2015-2014
Net banking income	**13.1**	**12.5**	**13.0**	**4.0%**
Operating expenses	1.0	1.0	1.0	
Gross operating income	**12.1**	**11.5**	**12.0**	**4.3%**
Corporate income tax	-0.2	-0.3	-1.9	
NET PROFIT	**11.9**	**11.2**	**10.1**	**-9.8%**

In 2015 the ABS market continued to benefit from the ECB's buyback operations. Spreads on ABS eligible for the ECB by and large remained fairly stable while those related to ABS not eligible for the ECB widened slightly.

NJR continued to invest at a sustained rate in euro-denominated ABS eligible for the ECB to offset impairment of the portfolio (about €300 million, i.e. 38.9%).

NJR's portfolio average duration is 3.3 years, and investment decisions have enabled its average spread to rise slightly to 108 basis points.

The good orientation of indicators and the robustness of the securitised structures enabled NJR's portfolio to post good performance figures in terms of credit risk.

The 4.3% increase in NJR's gross operating income (€12 million), despite an unfavourable interest rate environment, shows the relevance of the strategy deployed.

NJR's net income came to €10.1 million, down 9.8% on 2014 on account of increased tax.

Return on equity of the business divisions

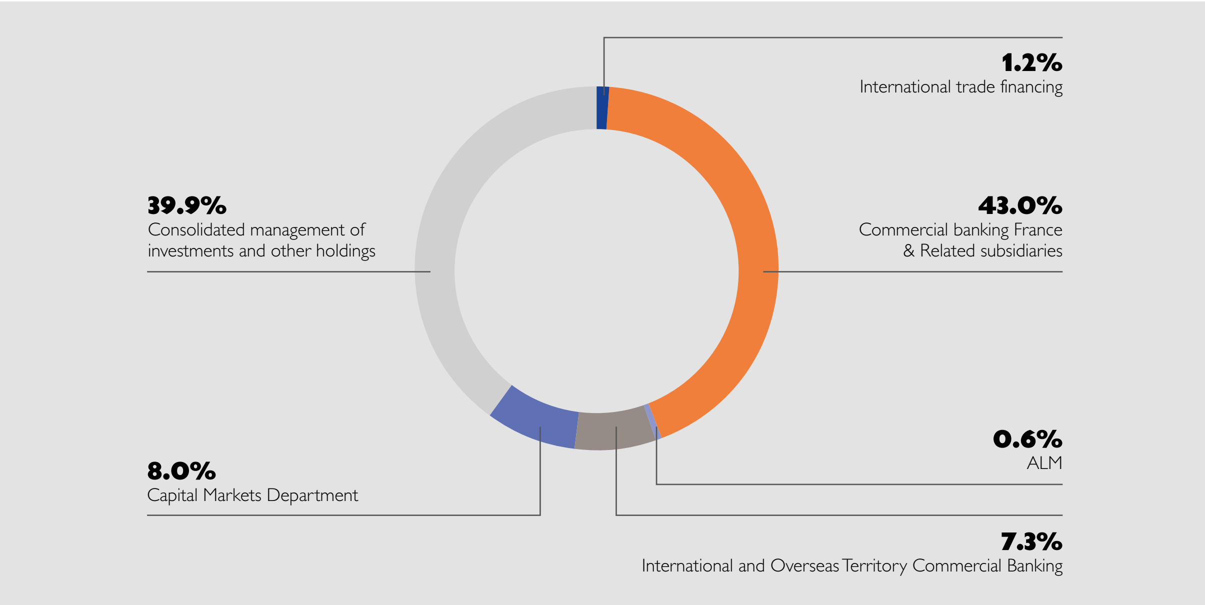
BRED Group's return on regulated equity came to 11.1%. As a proportion of equity as a whole, net income excluding non-recurring items realised by BRED Group generated a return of 7%. Excluding the consolidated management of investments division, which had a return of 5.7% on account of carrying BPCE securities, all the divisions posted returns in excess of 15%.

€ millions	**Net income (1) 2015**	Equity	Return on equity (2)
Commercial banking France & Subsidiaries	133.7	874.3	15.3%
ALM	2.6	11.6	22.0%
International and overseas territory commercial banking	25.9	149.0	17.3%
Capital Markets Department	29.4	163.0	18.1%
Consolidated management of investments and Other shareholdings	46.4	811.1	5.7%
International trade financing	-13.2	24.4	nm
Allocated equity	**224.8**	**2,033.4**	**11.1%**
Unused equity		1,172.4	
TOTAL BRED	**224.8**	**3,205.9**	**7.0%**

(1) Profit attribuate to the holders of the parent company.
(2) Return on equity at 31 December 2015.

Commercial banking France accounted for 43% of the consumption of equity.

RISK-WEIGHTED ASSETS BY BUSINESS DIVISION



Excluding the carrying of BPCE securities, the portions of commercial banking France and consolidated management of investments in the consumption of equity came to 57% and 20% respectively.

Consolidated balance sheet

Assets

€ billions	2013	2014	**2015**
Cash and amounts due from central banks	3.1	1.7	4.9
Financial assets at fair value through profit or loss	5.2	6.3	7.4
Hedging derivatives	0.1	0.3	0.2
Available-for-sale financial assets	13.9	15.7	13.8
Loans and receivables due from credit institutions	7.0	9.7	9.0
Loans and receivables due from customers	14.2	14.8	16.0
Held-to-maturity financial assets	1.0	0.9	0.9
Current and deferred tax assets	0.2	0.2	0.2
Accrual accounts and other assets	1.3	1.4	1.6
Investments in associates	0.2	0.3	0.3
Investment property	0.2	0.2	0.2
Tangible and intangible fixed assets	0.1	0.3	0.3
TOTAL ASSETS	**46.5**	**51.8**	**54.7**

Liabilities

€ billions	2013	2014	**2015**
Financial liabilities at fair value through profit or loss	2.1	3.4	3.1
Hedging derivatives	0.4	0.6	0.4
Amounts due to credit institutions	9.3	8.1	7.8
Amounts due to customers	21.9	25.7	28.0
Debt securities	2.4	2.9	3.6
Current and deferred tax liabilities	0.0	0.1	0.0
Accrued expenses and other liabilities	1.2	1.3	1.6
Technical reserves of insurance companies	5.9	6.4	6.5
Provisions	0.2	0.2	0.2
Subordinated debt	0.4	0.3	0.3
Equity	2.6	2.9	3.2
TOTAL LIABILITIES	**46.5**	**51.8**	**54.7**

BRED Group's consolidated assets totalled €54.7 billion at 31 December 2015, up €2.9 billion over 12 months.

Cash and amounts due from central banks saw an increase of €3.2 billion to stand at €4.9 billion at 31 December 2015 under the effect of strong customer deposits at the end of the period.

Financial assets at fair value through profit or loss saw an increase of €1.1 billion to reach €7.4 billion, due mainly to the French treasury bond (OAT) portfolio of the Capital Markets Department. Overall, financial liabilities at fair value through profit or loss were stable at €3.1 billion.

Available-for-sale financial assets were €13.8 billion, a decline of €1.9 billion following the maturing of a tranche of French treasury bonds (OAT) in July 2015. They are composed for €11.4 billion of bonds and other fixed-income securities and for €2.4 billion of shares and other variable-income securities.

Loans and receivables due from credit institutions stood at €9 billion, a reduction of €0.7 billion. The change in this item is due mainly to the reduction in securities received under reverse repurchase agreements. Amounts due to credit institutions stood at €7.8 billion, down €0.3 billion under the combined effect of an increase of €1.7 billion in term deposits and borrowings and a contraction of €2.1 billion in securities given through repurchase agreements.

Loans and receivables due from customers stood at €16 billion at 31 December 2015 compared with €14.8 billion at the end of the previous year, mainly reflecting the increase in outstanding home and equipment loans. Amounts due to customers, corresponding to customer deposits, saw an increase of €2.3 billion in 2015 to stand at €28 billion.

Debt securities, made up of certificates of deposit and negotiable medium-term notes issued by BRED to its customers, came to €3.6 billion, against €2.9 billion at the end of 2014. Technical reserves of insurance companies were stable at €6.5 billion.

Equity came to €3.2 billion, an increase of €321 million over the period resulting in particular from net income of €238 million, issuances of cooperative shares and incorporations of reserves of €57 million, an increase of €37 million in unrealised capital gains and other recyclable reserves, and distribution of interest on cooperative shares for 2014 for €11 million.

Given consolidated income for 2015 of €238 million and a balance sheet total of €54.7 million, the rate of return on assets came to 0.44%, up on the preceding period (0.39%).

Capital adequacy and liquidity

Equity and capital adequecy ratios

Consolidated equity and prudential capital

The Basel III regulations have been in force since 1 January 2014. Solvency ratios are thus presented in accordance with these regulations for 2015 and 2014.

Credit institutions subject to the CRD are thus required to continuously observe:
- the Common Equity Tier 1 ratio (CET1);
- the Tier 1 ratio, i.e. CET1 plus additional Tier 1 capital (AT1);
- the total capital adequacy ratio, i.e. Tier 1 plus Tier 2 capital;

To which are added, from 1 January 2016, capital buffers that could be mobilised to absorb losses in the event of tensions. These buffers include:
- a capital conservation buffer, comprised of Common Equity Tier 1, aimed at absorbing losses in times of serious economic stress,
- a countercyclical buffer, aimed at protecting the banking sector from periods of excess aggregate credit growth. This common equity surcharge is supposed to be adjusted over time in order to increase capital requirements during periods in which credit growth exceeds its normal trend and to relax them during slowdown phases,
- the different systemic risk buffers aimed at reducing the risk of failure of systemically important banks. These buffers are specific to each bank. Groupe BPCE is on the list of other systemically important institutions (O-SIIs) and global systemically important banks (G-SIBs). As these buffers are not cumulative, the highest buffer applies.

The ratios are equal in terms of the relationship between capital and the sum of:
- credit and dilution risk-weighted assets;
- capital requirements for the prudential supervision of market risks and operational risk, multiplied by 12.5.

These various levels of the solvency ratio show the ability of the bank to deal with the risks generated by its activities. The ratio relates the various levels of capital to a measurement of its risks.

OVERALL CAPITAL ADEQUACY RATIO: MINIMUM REGULATORY REQUIREMENTS

The table below shows the regulatory minima with buffers used for their maximum threshold.

	2015	2016	2017	2018	2019
CET1	4.50%	4.50%	4.50%	4.50%	4.50%
Capital conservation buffer	n/a	0.62%	1.25%	1.88%	2.50%
Maximum counter-cyclical buffer	n/a	0.62%	1.25%	1.88%	2.50%
Systemic risk buffer (BPCE Group)	n/a	1.00%	1.00%	1.00%	1.00%
TIER 1	1.50%	1.50%	1.50%	1.50%	1.50%
TIER 2	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL	**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.

€ millions	2014 Basel III phase-in	**2015 Basel III phase-in**
Capital	627.2	683.8
retained earnings	1,973.3	2,162.6
IAS/IFRS impact on retained earnings	84.1	121.4
Income for the period	200.4	238.1
Proposed distribution of dividends	-11.1	-7.4
Consolidated equity	**2,873.9**	**3,198.5**
Intangible fixed assets and other deductions	-34.6	-18.9
Equity instruments held in financial sector entities to be deducted from CET1	-490.0	-425.4
Difference between provisions and expected losses as per Basel III prudential calculations	-30.5	-58.4
Additional value adjustments in respect of prudent measurement of the trading portfolio's positions	-6.4	-6.8
Transitional CET1 adjustments on capital gains and losses on equity and debt instruments (1)	-69.6	-64.9
Transitional CET1 adjustments linked to minority interests (2)	29.8	23.3
Other transitional CET1 adjustments	188.6	105.4
Items deducted from Tier 2 exceeding Tier 2 capital	-3.7	-47.8
Deferred tax assets on temporary differences not covered by the allowance (3)	-22.3	-6.3
Other adjustments to deductions	-41.8	-30.6
Common Equity Tier 1 (CET1)	**2,393.4**	**2,668.0**
Additional Tier 1 (AT1) instruments	**0.0**	**0.0**
Tier 2 capital before deductions	**179.7**	**118.2**
Equity instruments held in financial sector entities to be deducted from Tier 2	-93.5	-97.6
Other transitional Tier 2 adjustments	-102.3	-72.0
Items deducted from Tier 2 exceeding Tier 2 capital	3.7	47.8
Other adjustments	12.5	3.6
Tier 2 capital	**0.0**	**0.0**
TOTAL REGULATORY CAPITAL	**2,393.4**	**2,668.0**

(1) The new regulations has eliminated the majority of the prudential filters and in particular those relating to capital gains and losses on equity instruments and available-for sale debt securities. From 2015, unrealised capital gains are gradually included in Common Equity Tier 1 each year in tranches of 20%. Capital losses have been included since 2014.

(2) The capped or excluded share of non-controlling interests has been gradually deducted from each capital tier in 20% increments every year since 2014.

(3) Deductions in respect of deferred tax assets depending on future taxable income related to temporary differences and financial investments greater than 10% are gradually deducted in 20% increments since 2014. In 2015, the remaining 60% is still accounted for in accordance with CRD III. Furthermore, items covered by the allowance are weighted at 250%.

a) As required by article L225-102(1) of the Commercial Code, you are advised that employees do not own any share issued by the bank and 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 article L225-100(7) of the Commercial Code.

BRED Group's consolidated equity under IFRS amounted to €3,198 million after appropriation of profit, compared with €2,874 million at the end of 2014. The increase results from:
- the transfer to reserves of €231 million of income for 2015 not distributed;
- €57 million of capital increase;
- a €37 million increase in unrealised capital gains and other recyclable reserves.

The regulations require a number of elements to be deducted from equity for the calculation of regulatory capital. These deductions amounted to €594 million net of allowances for CET1 and €122 million for Tier 2 capital.

Insurance investments are treated in accordance with the Danish compromise and are therefore no longer deducted from core capital but risk weighted at 370%.

The deduction of €594 million is attributable for around €400 million to BPCE securities.

Regulatory capital thus came to €2,668 million, an increase of €275 million over the period. Note that it is fully constituted as CET1 core capital.

Capital adequacy ratio

Capital requirements saw an increase of €92.2 million to €1,495.5 million. This increase is explained by the momentum of the lending business in 2015, which concentrated 80% of capital requirements.

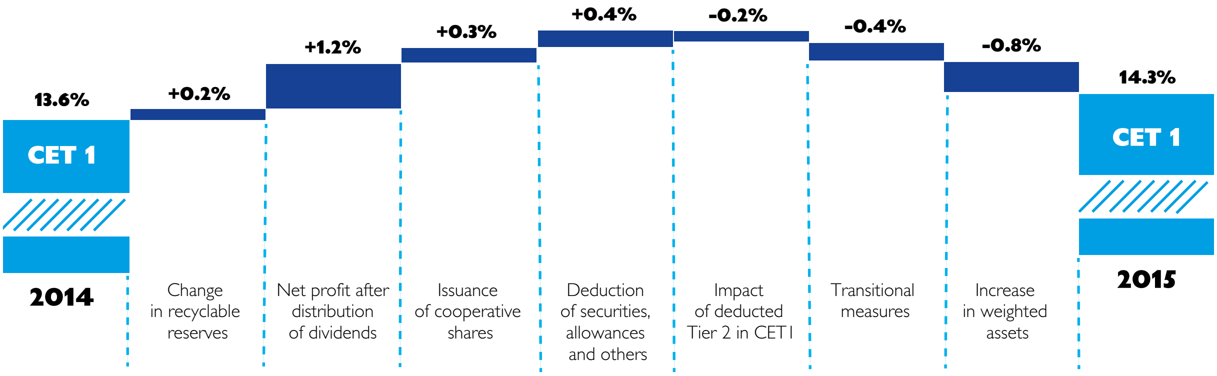
As BRED Group's prudential capital is composed solely of CET1 core capital, its overall capital adequacy ratio is strictly identical to its CET1 capital adequacy ratio. It highlights the very good level of 14.27% at the end of the period (greater than the regulatory minimum applicable in 2019), up 0.63 percentage points over one year, and is to be compared with the regulatory minimum in force of 8% on the overall ratio and of 4.5% on CET1.

Capital requirements were hit:
- for €9 million in respect of the credit value adjustment (CVA): the CVA is an accounting correction of the market value of derivatives to integrate the costs of counterparty risk that varies with the change in the counterparty's credit quality (change in spreads or ratings). Basel III regulations stipulate an additional capital requirement intended to cover the volatility risk of credit evaluation;
- for €80 million in respect of allowances related to deferred tax assets depending on future taxable income related to temporary differences and financial investments greater than 10%. As previously mentioned, items covered by the allowance are weighted at 250%.

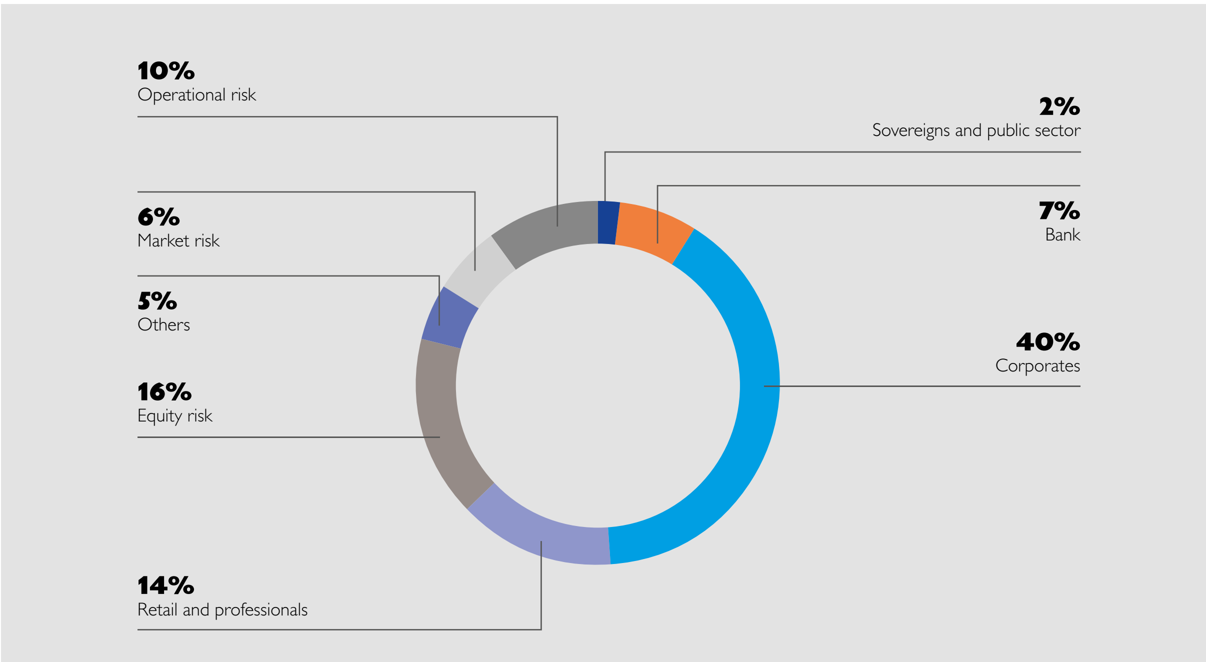
BRED's CET1 ratio positions it among the most strongly capitalised banks. Furthermore, the improvement in this ratio despite an increase in risk-weighted assets testifies to BRED's strong capacity to create capital through the allocation of profit to reserves and issuance of cooperative shares to its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

€ millions	2014 Basel III phase-in	**2015 Basel III phase-in**
Common Equity Tier 1 (CET 1) capital	2,393.4	2,668.0
Additional Tier 1 (AT1) instruments	0.0	0.0
Tier 2 capital after deductions	0.0	0.0
REGULATORY CAPITAL	**2,393.4**	**2,668.0**
Counterparty risk	1,197.4	1,281.0
Market risk	75.7	80.1
Operational risk	130.1	134.5
Total requirements	**1,403.3**	**1,495.5**
OVERALL RATIO	13.64%	**14.27%**
Of which, Common Equity Tier 1 ratio	13.64%	14.27%

CHANGES IN THE CAPITAL ADEQUACY RATIO BETWEEN 2014 AND 2015



RISK WEIGHTINGS EXCLUDING ALLOWANCES – BASEL III CAPITAL ADEQUACY RATIO



Leverage ratio

The main purpose of the leverage ratio is to serve as an additional risk measurement for determining regulatory capital requirements.

The leverage ratio is determined by dividing Tier I capital by exposures, which consist of assets and off-balance sheet items, after restatements of derivatives, financing transactions and items deducted from capital. The minimum leverage ratio requirement is currently set at 3%. The leverage ratio has been subject to mandatory publication since January 1, 2015 and will be incorporated in the Pillar I capital requirements as from January 1, 2018.

At the end of 2015 the BRED Group's leverage ratio, taking account of the phase-in measures, was 5.11% (2 percentage points greater than the minimum ratio to be observed) against 4.74% at 31 December 2014. The strong rise in the leverage ratio is explained mainly by the strengthening of core capital in 2015.

€ millions	2014 Basel III phase-in	**2015 Basel III phase-in**
Tier I core capital	2,393.4	**2,668.0**
Leverage exposures	50,546.9	**52,204.3**
LEVERAGE RATIO	4.74%	**5.11%**

Liquidity

2015 was marked by a sharp rise in customer loans (annual average outstandings up 10%). At the same time, and as with the entire banking sector, the level of prepayment of loans increased (up 47% on a December monthly average).

The loans/deposits ratio excluding financial customers benefited from the good performance of mobilisations of funds and stood at 79.5%, i.e. surplus funds of €4.4 billion. Including the deposits of financial customers, the loans/deposits ratio is 54.2%, i.e. surplus funds of €14.4 billion.

In a context of low interest rates, coverages have played their full role and show how appropriate the decisions taken are.

The liquidity coverage ratio (LCR) came into force in October 2015. BRED's LCR came to 115% at 31 December 2015 for a minimum regulatory requirement of 60%, raised to 70% with effect from 1 January 2016.

Regulatory developments

Directive 2014/59/EU of 15 May 2014 (BRRD) came into force on 1 January 2015.

This directive laid down a framework applicable in the 28 European Union countries for the resolution of banking crises, defining the necessary steps and powers to resolve European banks while preserving financial stability and minimizing taxpayer exposure to loss from solvency support.

The directive introduced a bail-in system to take effect from January 1, 2016 whereby taxpayers will not be the first to finance a bank's resolution. Instead, this role will fall to shareholders and then if necessary creditors, according to their predefined priority ranking, by transforming their debt into capital in order to rebuild the bank's capital resources. A minimum requirement for own funds and eligible liabilities (MREL) will be set by each resolution authority in conjunction with the supervisor and the European Banking Authority (EBA). The BRRD also calls for each Member State to set up a national resolution fund, equivalent to 1% of guaranteed deposits, over the next ten years as from January 1, 2015. At the international level, the Financial Stability Board (FSB) wants to require globally systemically important banks (G-SIBS) to have an additional buffer of eligible and convertible instruments that would supplement current capital requirements in building total loss absorbing capacity (TLAC). The objective of the TLAC would be similar to that of the MREL in that it aims to ensure that each G-SIB has the capacity to continue its essential operations for the economy even after a loss has eaten up all of its regulatory capital. In November 2015, the FSB published the final calibration of the TLAC: all TLAC-eligible instruments must be equivalent to at least 16% of RWA at January 1, 2019 and at least 6% of the denominator of the leverage ratio. As from January 1, 2022, the TLAC must be equivalent to 18% of RWA and 6.75% of the leverage ratio denominator. In the euro zone, these measures will be complemented by the regulation of July 15, 2014 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 reach an equivalent amount of 1% of the guaranteed deposits of all banks subject to the SRM, i.e. approximately €55 billion. This contribution already represents a major expense in 2015 for BRED.

The European directive on deposit guarantee schemes, overhauled in 2014, organizes the new rules for the implementation of deposit guarantees and the operation of the FGDR (Deposit Guarantee and Resolution Fund). In particular, the depositor repayment period will be reduced to seven days beginning on June 1, 2016, instead of 20 days as is currently the case. In November 2015 the European Commission published a proposal for a European deposit insurance scheme to be gradually implemented from 2017 to 2024.

This mechanism would represent the third and final pillar of the European Banking Union, after the creation of the single supervisor of the banking system and a European restructuring system in response to European bank defaults.

The European draft structural banking reform entered a new phase on June 19, 2015 with the compromise adopted by the Member States. This agreement, which still needs to be reviewed by the European Parliament, notably calls for the systematic segregation of proprietary trading in financial instruments and commodities, and would allow the supervisory authorities to require banks to separate their deposit activities from certain potentially risky trading activities. In terms of accounting standards, IFRS 9 "Financial Instruments," set to replace IAS 39 from January 1, 2018, amends and complements the provisions on the classification and measurement of financial instruments. It includes a new impairment model based on expected loss (the current model is based on provisions for incurred losses) and includes the new provisions on general hedge accounting published in 2013. This standard introduces an accounting model based on a short-term horizon, which is very different from the commercial banking model, and will lead to fundamental changes for banks that will particularly affect the impairment of financial assets. At the end of 2014, the Basel Committee published two consultative documents: one on an extensive draft revision of the standardized approach to credit risk measurement and the other on capital floors for banks using internal models. A second consultative document on the revision of the standard approach to credit risk was published at the end of 2015.

Finally, in November 2015, the ECB published a draft regulation stipulating the terms of application of the new banking rules at the national level (European directives for some currently being transposed), thus kicking off the harmonization of banking system regulations in the 19 countries of the euro zone. All of these new regulatory constraints, the resulting structural changes, and the more restrictive budget and fiscal policies will weigh heavily on profits generated by certain activities and may limit how well banks are able to finance the economy. In this context, on 30 September 2015 the Commission launched an action plan aimed at promoting the integration of the capital markets in the EU. The action plan is centered on the following four main principles: expanding the possibilities offered to investors, using capital to fund the real economy, promoting the establishment of a stronger, more resilient financial system (by broadening the range of financing sources and increasing long-term investments), and further encouraging financial integration and European competitiveness. On November 10, 2015, the European Council adopted the conclusions of the action plan proposed by the Commission.

Outlook

The French banking sector will see further changes in 2016 in an environment of historically low interest rates generating reduced returns. The effects of successive measures to strengthen regulation will be reflected in additional capital requirements and additional costs.

In this context, and emboldened by the great confidence of its cooperative shareholder customers shown by the success of its most recent capital increase, BRED will continue in 2016 to deploy its strategy aimed at offering its customers the best in online banking and branch banking. The balance between customer loans and deposits and the very comfortable level of its capital adequacy and liquidity ratios are sound bases on which BRED will build to continue its commercial expansion in 2016. The sustainable growth in its net banking income will also be based on a controlled and targeted investment policy.

The BRED Group will accelerate its international commercial expansion by rolling out mobile banking in its subsidiaries, enabling customers to access their accounts from any mobile phone at an attractive price. The opening of a commercial bank in Cambodia and the intensification of synergies between its subsidiaries will represent other factors in the BRED Group's international expansion.

Information on operations by country

Information related to operations by country pursuant to Order No 2014-158 of 20 February 2014 amending article L511-45 of the Monetary and Financial Code is presented in the BPCE Group's registration document.

Expenses not deductible for tax purposes

Disclosure of excessive expenditure

In accordance with the provisions of article 223 quarter and quinquies of the French General Tax Code, we inform you that the financial statements for the year under review do not include any non-deductible expenses of the kind specified in point 4 of Article 39 of said code.

Supplier payment terms

Suppliers are paid in a timely manner. As at 31 December 2015, the accounting department did not hold any invoices awaiting payment.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements for the year ended 31 December 2015 – IFRS

1.1 Consolidated balance sheet

Assets

in thousands of euros	*Notes*	**31/12/2015**	31/12/2014
Cash and amounts due from central banks	5.1	4,867,397	1,674,262
Financial assets at fair value through profit or loss	5.2.1	7,374,355	6,321,984
Hedging derivatives	5.3	247,794	311,113
Available for sale financial assets	5.4	13,751,032	15,737,505
Loans and receivables due from credit institutions	5.6.1	8,962,064	9,717,804
Loans and receivables due from customers	5.6.2	15,996,520	14,827,223
Re-measurement adjustments on interest-rate risk hedged portfolio		0	0
Held to maturity financial assets	5.7	880,925	897,840
Current tax assets		13,195	8,174
Deferred tax assets	5.9	147,888	199,516
Accrual accounts and other assets	5.10	1,646,741	1,379,801
Non-current assets held for sale	5.11	0	0
Deferred profit-sharing	5.12	0	0
Investments in associates	8.1.1	306,241	281,329
Investment property	5.13	218,990	168,467
Property, plant and equipment	5.14	261,858	262,417
Intangible assets	5.14	13,906	25,289
Goodwill	5.15	0	4,576
TOTAL ASSETS		**54,688,906**	**51,817,300**

Liabilities

in thousands of euros	Notes	**31/12/2015**	31/12/2014
Due to central banks		0	1,437
Financial liabilities at fair value through profit or loss	5.2.2	3,089,330	3,352,023
Hedging derivatives	5.3	351,672	584,066
Amounts due to credit institutions	5.16.1	7,770,105	8,056,896
Amounts due to customers	5.16.2	28,009,340	25,699,411
Debt securities	5.17	3,596,879	2,937,180
Re-measurement adjustments on interest-rate risk hedged portfolio		0	0
Current tax liabilities		1,355	2,513
Deferred tax liabilities	5.9	15,378	64,560
Accrued expenses and other liabilities	5.18	1,562,504	1,304,763
Liabilities directly linked to non-current assets held for sale		0	0
Technical reserves of insurance companies	5.19	6,540,342	6,356,589
Provisions	5.20	200,263	201,610
Subordinated debt	5.21	306,775	332,343
Shareholders' equity		**3,244,963**	**2,923,909**
Equity attributable to equity holders of the parent company		**3,205,866**	**2,884,953**
Capital and share premium account		691,290	631,785
Consolidated reserves		2,155,134	1,968,678
Gains and losses posted directly in other comprehensive income		121,376	84,125
Profit for the year		238,066	200,365
Non-controlling interests		39,097	38,956
TOTAL LIABILITIES AND NET EQUITY		**54,688,906**	**51,817,300**

1.2 Consolidated income statement

in thousands of euros	*Notes*	**31/12/2015**	31/12/2014
Interest and similar income	6.1	918,428	788,131
Interest and similar expense	6.1	-307,305	-354,321
Fee and commission income	6.2	410,101	396,022
Fee and commission expense	6.2	-120,326	-110,625
Net gains or losses on financial instruments at fair value through profit or loss	6.3	177,243	173,896
Net gains or losses on available for sale financial assets	6.4	76,894	34,204
Income from other activities	6.5	637,852	834,860
Expenses on other activities	6.5	-735,655	-789,903
Net banking income		**1,057,232**	**972,264**
Operating expenses	6.6	-598,774	-580,451
Depreciation, amortisation and impairment for property, plant and equipment and intangible assets		-39,151	-34,131
Gross operating profit		**419,307**	**357,682**
Cost of risk	6.7	-83,672	-85,974
Operating profit		**335,635**	**271,708**
Share of profits of associates	8.2	26,768	22,714
Net gains or losses on other assets	6.8	331	13
Net profit of activities discontinued or being sold		0	0
Change in value of goodwill	6.9	-11,034	0
Profit before tax		**351,700**	**294,435**
Total income tax expense	6.10	-114,380	-92,638
Net profit for the year		**237,320**	**201,797**
Non-controlling interests		746	-1,432
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**238,066**	**200,365**

1.3 Comprehensive income

in thousands of euros	**FY 2015**	FY 2014
Net profit for the year	**237,320**	**201,797**
Revaluation differences on defined-benefit pension schemes	18,116	-22,873
Tax impact of revaluation differences on defined-benefit pension schemes	-6,237	7,875
Share of gains or losses recognised directly in other comprehensive income of associates that cannot be reclassified in income	10	-57
Items that cannot be reclassified in income	**11,889**	**-15,055**
Translation differences	2,173	9,897
Change in the value of available for sale financial assets	53,056	82,556
Change in the value of hedging derivatives	-21,557	6,867
Income tax	-2,017	-32,062
Share of gains or losses recognised directly in other comprehensive income of associates that can be reclassified in income	-4,211	1,189
Items that can be reclassified in income	**27,444**	**68,447**
Gains and losses posted directly in other comprehensive income (net of taxes)	**39,333**	**53,392**
COMPREHENSIVE INCOME	**276,653**	**255,189**
Attributable to equity holders of the parent company	275,317	250,150
Non-controlling interests	1,336	5,039

1.4 Statement of changes in members' equity

in thousands of euros	Capital and share premium account: Capital	Capital and share premium account: Premiums	Reserves recognised	Translation reserves
EQUITY AT 1 JANUARY 2014	**573,260**	**4,604**	**1,976,116**	**709**
Changes in capital linked to relations with members				
Capital increase	53,921		-6,149	
Reclassification				
Change of accounting method				
Impact of acquisitions and disposals on minority interests			-1,287	
Reduction of capital				
Sub-total	*53,921*	*0*	*-7,436*	*0*
Gains or losses recognised directly in equity				
Change in gains or losses recognised directly in equity, taken to income				
Other changes				5,750
Sub-total	*0*	*0*	*0*	*5,750*
Other changes				
Profit for the year				
Other changes				
Sub-total	*0*	*0*	*0*	*0*
EQUITY AT 31 DECEMBER 2014	**627,181**	**4,604**	**1,968,681**	**6,459**
Appropriation of 2014 profit			**189,297**	
EQUITY AT 1 JANUARY 2015	**627,181**	**4,604**	**2,157,978**	**6,459**
Changes in capital linked to relations with members				
Capital increase	54,355		-3,999	
Reclassification				
Change of accounting method			2,220	
Impacts of business combinations	2,272	2,878	-1,115	
Impact of acquisitions and disposals on minority interests			49	
Reduction of capital				
Sub-total	*56,627*	*2,878*	*-2,845*	*0*
Gains or losses recognised directly in equity				
Change in gains or losses recognised directly in equity, taken to income				
Other changes				-1,419
Sub-total	*0*	*0*	*0*	*-1,419*
Other changes				
Profit for the year				
Other changes				
Sub-total	*0*	*0*	*0*	*0*
EQUITY AT 31 DECEMBER 2015	**683,808**	**7,482**	**2,155,133**	**5,040**

Comments:

2014: BRED completed a capital increase

2015: BRED completed a capital increase, which is described in the "Significant events" section (see note 1)

The item "Capital increase from business combinations" is due to the merger of Crédit Maritime, see Note 1

The change in method relates to the application of IFRIC 21 (see note 2.2)

Gains or losses recognised directly in equity: Re-measurement adjustments on social liabilities	Gains or losses recognised directly in equity – Change in the fair value of instruments: Financial assets available for sale	Gains or losses recognised directly in equity – Change in the fair value of instruments: Hedging derivatives	Net profit for the year attributable to equity holders of the parent company	Total equity attributable to equity holders of the parent company	Equity attributable to non-controlling interests	Total consolidated capital
-2,614	**12,020**	**24,225**	**0**	**2,588,320**	**32,635**	**2,620,955**
				47,772	31	47,803
				0		0
				0		0
				-1,287		-1,287
0	*0*	*0*	*0*	*46,485*	*31*	*46,516*
-15,055	56,921	2,167		44,033	575	44,608
				5,750	3,033	8,783
-15,055	*56,921*	*2,167*	*0*	*49,783*	*3,608*	*53,391*
			200,365	200,365	1,432	201,797
				0	1,249	1,249
0	*0*	*0*	*200,365*	*200,365*	*2,681*	*203,046*
-17,669	**68,941**	**26,392**	**200,365**	**2,884,953**	**38,956**	**2,923,909**
			-200,365	**-11,067**	**-190**	**-11,257**
-17,669	**68,941**	**26,392**	**0**	**2,873,886**	**38,766**	**2,912,652**
				50,356	4,054	54,410
				0		0
				2,220		2,220
				4,035	-4,035	0
				49	-7	42
				0		0
0	*0*	*0*	*0*	*56,660*	*12*	*56,672*
11,889	39,802	-13,019		38,672	-583	38,089
				-1,419	2,665	1,246
11,889	*39,802*	*-13,019*	*0*	*37,254*	*2,082*	*39,336*
			238,066	238,066	-746	237,320
				0	-1,018	-1,018
0	*0*	*0*	*238,066*	*238,066*	*-1,763*	*236,303*
-5,779	**108,742**	**13,373**	**238,066**	**3,205,866**	**39,097**	**3,244,963**

1.5 Statement of cash flows

in thousands of euros	**FY 2015**	FY 2014
Profit before tax	**351,700**	294,435
Depreciation and amortisation of property, plant, equipment and intangible assets	38,882	33,723
Goodwill impairment	11,034	0
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	245,127	336,327
Share of net profit (loss) of associates	-17,766	-14,422
Net loss (gain) on investing activities	-58,202	-21,661
Net loss (gain) on financing activities	0	0
Other movements	231,503	-144,685
Total non-cash items included in profit before tax	**450,578**	189,282
Cash flows arising from transactions with credit institutions	336,361	-4,061,672
Cash flows arising from transactions with customers	1,083,418	3,120,289
Cash flows arising from other transactions involving financial assets or financial liabilities	1,042,319	-475,709
Cash flows arising from other transactions involving non-financial assets or non-financial liabilities	-105,413	-498,306
Tax paid	-127,635	-114,173
Net increase/(decrease) in operating assets and liabilities	**2,229,050**	-2,029,571
Net cash from (used in) operating activities (A)	**3,031,329**	-1,545,854
Cash flows related to financial assets and equity interests	76,842	73,446
Cash flows related to investment property	-46,508	4,700
Cash flows related to property, plant, equipment and intangible assets	-24,503	-141,041
Net cash from (used in) investing activities (B)	**5,831**	-62,895
Cash flows from (to) the equity holders	43,153	36,801
Cash flows from financing activities	-25,654	-53,579
Net cash from (used in) financing activities (C)	**17,499**	-16,778
Effect of changes in foreign exchange rates (D)	**11,453**	16,802
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**3,066,111**	**-1,608,725**
Cash in hand and at 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
Overdrafts on current accounts (1)	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 1 January	**1,856,959**	3,465,687
Cash in hand and at central banks	**4,867,397**	1,672,825
Cash and net balance of accounts with central banks (assets)	4,867,397	1,674,262
Due to central banks (liabilities)	0	-1,437
Net balance of demand transactions with credit institutions	**55,673**	184,133
Overdrafts on current accounts (1)	647,877	666,541
Demand accounts and loans	1,973	1,203
Demand accounts in credit	-594,177	-483,611
Demand repurchase agreements		
Cash and cash equivalents at year-end	**4,923,070**	1,856,959
CHANGE IN NET CASH AND CASH EQUIVALENTS	**3,066,111**	**-1,608,728**

(1) The overdrafts on current accounts do not include the funds in the A, Sustainable Development (LDD) and People's Saving (LEP) passbook deposits, centralised within the Caisse des Dépôts et Consignations.

NOTE 1
General Background

1.1 Significant events

Merger with Crédit Maritime Mutuel d'Outre-Mer

The EGM of BRED held on 27 May 2015, and the EGM of the Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer on 21 May 2015 approved the merger by incorporation of Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer into BRED, with retroactive effect from 1 January 2015.

The EGM of BRED on 27 May 2015 decided to increase the share capital of BRED Banque Populaire by €2,272,356 by issuing 222,780 new shares each with a nominal value of €10.20, fully paid up, allocated to the members of Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer other than BRED Banque Populaire at the ratio of 3 shares in BRED Banque Populaire to 2 shares in Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer, with the rights to the new shares taking effect from 1 January 2015.

The balance sheet total of Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer on 31 December 2014 amounted to €76.5 million, with the net income for the year 2014 at €25,000.

Conversion of BIC BRED Genève to a subsidiary

As a result of a request from FINMA (the Swiss financial market's supervisory authority), the conversion into a subsidiary of the BIC BRED branch in Switzerland was finalised as of 1 March 2015.

Increase in the capital of BRED Banque Populaire

In December 2015, BRED Banque Populaire raised its share capital to €683,808,254 through a cash capital increase and the capitalisation of reserves.

The cash subscriptions took the form of the issue at par value of 4,936,887 shares of €10.20 each for a total amount of €50,356,274.

The capitalisation of reserves amounted to €3,998,878.68 through the increase from €10.20 to €10.26 of the par value of the shares.

1.2 Guarantee mechanism

As provided for in Article L.512-107-6 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 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 of €450 million 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 of €450 million 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 amount of deposit by the network was €181.3 million on 31 December 2015, and 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 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.

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 (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.

The liquidity and capital adequacy of the local savings companies are guaranteed in respect of each savings company by the Caisse d'Épargne of which the savings company in question is the shareholder.

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
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 2015 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 2015 have been supplemented by the standards, amendments and interpretations mandatorily applicable for financial years beginning on or after 1 January 2015, in particular:

Change of accounting method with regard to 1st application of IFRIC 21 "Taxes"

Since 1 January 2015 BRED Group has applied IFRIC 21, "Taxes". 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. If the obligation to pay is triggered by reaching a certain threshold, the liability is only recognised when that threshold is reached. Lastly, if the obligation to pay the tax arises on 1 January, it must be recognised with effect from the same date.

The impact (deemed not material) on equity of the retrospective application of this standard as from 1 January 2014 was €2.2 million net of deferred tax. This corresponded mainly to the adjustment to the Social Security and Solidarity Contribution (C3S) recognised as an expense in 2013 but due in 2014.

Only the opening balance sheet at 1 January 2015 has been restated: this balance sheet was restated in the amount of €2.2 million to reflect the implementation of this new standard.

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

New accounting standard IFRS 9

In July 2014, the IASB published the full, definitive version of IFRS 9 "Financial instruments" which will mandatorily replace IAS 39 from 1 January 2018. The new standard introduces:

- for financial assets, a new classification model based on the type of instrument (debt instrument or equity instrument);
- for debt instruments, the standard has revised the separation between amortised cost and fair value, basing itself on the model of asset management and the type of contractual

(1) This standard is available on the European Commission's website at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

cash flows. Therefore only instruments classified as plain vanilla or standard will be eligible for the amortised cost category (if they are managed in a funding model) or fair value against other components of comprehensive income (if they are managed in a funding and sale model);
- for financial liabilities at fair value through profit or loss, the obligation to register changes in fair value relating to own credit risk in the other components of comprehensive income (except where such recognition would create or widen an accounting discrepancy with regard to net income);
- a single, prospective impairment model based on the expected losses calculated on all the portfolios recognised at amortised cost or at fair value against the other comprehensive income items (recyclable);
- a modified hedge accounting model that is more in line with the risk management activities.

Although the EU has not yet adopted IFRS 9, in the first half of 2015 BRED Group, taking into account the importance of the changes that the new standard will introduce, undertook an analysis of the regulations and the operational manifestations as part of a project involving all the business lines and support functions concerned. This work will continue in 2016 and will involve the launch of the IT upgrades needed for the correct implementation of the standard.

2.3 Use of estimates

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

These estimates are based on the judgement of the 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 2015, 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 3.3.3).

2.4 Presentation of the consolidated financial statements and balance sheet date

As no specific format is required under IFRS, the presentation 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 drawn up with reference to the accounts for the year ending 31 December 2015. The consolidated financial statements of the Group for the year ending 31 December 2015 were authorised by the Board of Directors' meeting on 29 March 2016. They will be submitted for the approval of the General Assembly on 26 May 2016.

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 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 BRED group is provided in note 18 – Scope of consolidation.

3.2.1 Entities controlled by the Group

The subsidiaries controlled by 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:

(a) well-defined activities;
(b) 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;
(c) insufficient equity for the structured entity to finance its activities without subordinated financial support;
(d) financing through the issue, to investors, of multiple instruments interrelated by contract and which create concentrations of credit risk or other risks ("tranches").

The Group therefore considers collective investment vehicles to be, among others, those defined in the French Monetary and Financial Code and equivalent foreign-law bodies.

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 the 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

The minor controlled entities are excluded from the scope of consolidation, in accordance with the principle described in note 18.5.

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.

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 or joint 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. At the time of acquisition of an associate or joint venture company, the difference between the cost of the investment and the Group share in the net fair value of the entity's recognisable assets and liabilities is recognised as goodwill. If the net fair value of the recognisable assets and liabilities of the entity is higher than the investment cost, the difference will be recognised as profit or loss.

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 comprehensive income.

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 members under "Non-controlling interests".

3.3.2 Elimination of intragroup transactions

The impact of intragroup transactions on the consolidated balance sheet and consolidated income statement has been eliminated. Dividends and capital gains and losses on intragroup asset disposals have also been eliminated. Where appropriate, capital losses on asset disposals reflecting effective impairment 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. The 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 involve 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. This estimate is based on the available market information, taking into account any specific situations. 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.

3.3.4 Year-end date for the consolidated entities

The entities within the scope of consolidation have a financial year ending on 31 December.

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 (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 according to IAS 39, 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 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.

The external costs essentially consist of commission paid to third parties in connection with the setting up of the loan. These costs essentially consist of commission 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.

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 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 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:
- 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. Conversely, the hedges of currency risks or of the inflation component of certain held to maturity financial assets are permitted.

Financial assets held to maturity are recognised initially at fair value plus the costs directly attributable to their acquisition. 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 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.

The available for sale financial assets are initially recognised at fair value plus the 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, except in specific cases.

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 item 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 that category voluntarily at the time of initial recognition, in application of the 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 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 fair value minus 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 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.

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 other comprehensive income". 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 PORTFOLIO HEDGING (MACROHEDGES)

Documentation of cash flow hedges

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 that are highly probable transactions (forecasts): in the event of a constant rate, the entity bears a risk of fluctuation of future cash flows on a future fixed-rate loan inasmuch as the rate at which the future loan will be granted is not known; likewise the entity may consider that it has a risk of fluctuation of future cash flows on any refinancing it carries out on the market.

IAS 39 does not allow the designation of a net position by maturity band.The hedged item is thus considered equivalent to a share in one or more portfolios of variable-rate instruments (portion of variable-rate funds amount); 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, the changes in the fair value of hedging instruments 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

BRED Group documents the interest rate risk 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.

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:

- a base test: 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;
- a quantitative test: 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).

The Group adapted the measurement criteria for CVA and DVA during 2014. From now on the assessment of these valuation adjustments will be based on market parameters. This change had no material impact on the Group's accounts for the year ending 31 December 2014.

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 differenceøs 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. These instruments are frequently valued on the basis of contributor prices (for example structurers).

Transfers between fair value levels

Information on transfers between fair value levels is given in note 5.5.3. The amounts given in this note are calculated on the last valuation day prior to the change of level.

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 interbank 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 1 fair value.

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

4.1.7 Impairment of financial assets

Impairment of securities

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 other comprehensive income" 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 and Caisses d'Épargne 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 other comprehensive income at the reclassification date is immediately written back to profit or loss.

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 a case, all the rights and obligations that may be created or retained at the time of the transfer are recognised separately under financial assets and liabilities.

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 the Group has neither transferred nor retained almost all the risks and benefits, but has retained control of the asset, the asset will be recognised on the balance sheet to the extent that the Group continues to be involved with the asset.

If the Group has neither transferred nor retained almost all the risks and benefits, but has not retained control of the asset, the asset will be derecognised and all the rights and obligations created or retained at the time of the transfer will be recognised separately in financial assets and liabilities.

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. 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. In order to judge the material nature of the change, IAS 39 has set a threshold of 10% based on the discounted cash flows, incorporating any charges and fees: if the difference is 10% or more, all the costs and expenses incurred will be recognised as a profit or loss when the debt is paid off.

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.

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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 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 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 obtain 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.

The Group has chosen the following option with regard to the recognition of negative interest:

- when the remuneration of a financial asset debt instrument is negative, it is recognised on the income statement as a reduction in interest income;
- when the remuneration of a financial asset debt instrument is positive, it is recognised on the income statement as a reduction in interest cost.

4.7 Fees and commission on services

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 exchange gains or losses resulting from that conversion are recognised as profit or loss. However, there are two exceptions to this rule:

- 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 surplus being recognised "Gains and losses recognised directly in other comprehensive income";
- 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 "Gains and losses recognised directly in other comprehensive income".

The non-monetary items recognised at historic cost are valued at the exchange rate on the day of the transaction. Non-monetary items recognised at fair value are converted using the exchange rate on the day on which their 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 in "Gains and losses recognised directly in other comprehensive income" if the gain or loss on the non-monetary item is recorded under that heading.

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. They include length of 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 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 lump-sum retirement indemnities, pensions and other post-employment benefits.

These benefits can be classified in 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 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 IAS 19R.

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 is offset at the level of each fiscal entity. The fiscal entity corresponds either to the entity itself or to the tax consolidation group, if applicable. 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 other comprehensive income.

Deferred tax assets and liabilities are not discounted to their present value.

4.13 Insurance activities

The financial assets and financial liabilities of insurance companies follow the provisions of IAS 39.They are categorised as defined by the above standard, and follow its rules on measurement and accounting.

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 carry an insurance risk as defined in IFRS 4: this category includes policies for pension and retirement, damage to property, and unit-linked savings policies with floor 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 floor 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.

4.14 Contributions to banking resolution schemes:

On 31 December 2015, the procedure for financing the deposits and resolution fund was amended by an order of 27 October 2015. The total contributions paid to the fund by way of the bonds, guarantees and securities schemes amounted to €18.8 million.The non-refundable contributions not eligible for reimbursement in the case of voluntary withdrawal of approval amounted to €2.5 million. The contributions paid in the form of certificates of association and certificates of cash guarantee entered under assets on the balance sheet amounted to €16.3 million.

Directive 2014/59/EU, known as the BRRD (Bank Recovery and Resolution Directive), which establishes a framework for banking and investment firm resolution, and Regulation (EIU) 806/2014 (SRM Regulation) provided that a resolution fund would be set up in 2015. In 2016, this fund would become a Single Resolution Fund (SRF) for the Member States who are party to the Single Supervision Mechanism (SSM). The SRF is a resolution provision available to the resolution authority. The resolution authority may call on the fund in connection with the implementation of resolution procedures.

In 2015, in accordance with Delegated Regulation 2015/63 supplementing the BRRD Directive with regard to ex ante contributions to resolution financing arrangements and Decision No 2015-CR-01 of the Prudential Supervisory Authority (ACPR) of 24 November 2015, the total contributions paid to the fund amount to €6.7 million, of which €4.7 million is recognised as an expense and €2.0 million in the form of cash guarantee deposits entered under balance sheet assets.

NOTE 5
Notes to the statement of financial position

5.1 Cash and amounts due from central banks

in thousands of euros	31/12/2015	31/12/2014
Cash	200,196	184,103
Amounts due from central banks	4,667,201	1,490,159
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	4,867,397	1,674,262

5.2 Financial assets and liabilities at fair value through profit or loss

These assets and liabilities 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.

Financial assets in the trading book mainly include fixed-income securities and derivatives.

Financial liabilities in the trading book comprise liabilities related to securities sold short and derivatives.

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.

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in thousands of euros	31/12/2015			31/12/2014		
	Trading	Fair value option	Total	Trading	Fair value option	Total
Treasury bills and similar securities	1,401,479	0	1,401,479	845,292	0	845,292
Bonds and other fixed-income securities	1,196,743	39,162	1,235,905	1,237,833	33,281	1,271,114
Fixed-income securities	2,598,222	39,162	2,637,384	2,083,125	33,281	2,116,406
Shares and other variable-income securities	938,991	1,259,970	2,198,961	413,935	1,119,485	1,533,420
Loans to credit institutions	0	0	0	0	0	0
Loans to customers	0	0	0	0	0	0
Loans	0	0	0	0	0	0
Repurchase agreements	0	0	0	0	0	0
Trading derivatives	2,538,010		2,538,010	2,672,158		2,672,158
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,075,223	1,299,132	7,374,355	5,169,218	1,152,766	6,321,984

Trading derivatives include derivatives whose fair value is positive that are:
- either held for trading;
- or economic hedging derivatives that do not meet the restrictive hedging criteria required by standard IAS 39.

This item's amount is also reduced by the CVA (Credit Value Adjustments) for the entire (trading and hedging) derivative portfolio.

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

in thousands of euros	Accounting mismatch	Fair value measurement	Embedded derivatives	**Financial assets at fair value by option**
Fixed-income securities		39,162		39,162
Shares and other variable-income securities		1,259,970		1,259,970
Loans and repurchase agreements		0		0
TOTAL		**1,299,132**		**1,299,132**

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

	31/12/2015		31/12/2014	
in thousands of euros	**Credit risk exposure**	**Changes in fair value attributable to credit risk**	Credit risk exposure	Changes in fair value attributable to credit risk
Loans to credit institutions	0	0	0	0
Loans to customers	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

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.

in thousands of euros	**31/12/2015**	31/12/2014
Securities sold short	179,055	636,725
Other financial liabilities	0	0
Financial liabilities held for trading	**179,055**	**636,725**
Trading derivatives	**2,910,275**	**2,715,298**
Interbank term accounts and loans	0	0
Customer term accounts and loans	0	0
Debt securities	0	0
Subordinated debt	0	0
Repurchase agreements	0	0
Other financial liabilities	0	0
Financial liabilities at fair value by option	**0**	**0**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**3,089,330**	**3,352,023**

Trading derivatives include derivatives whose fair value is negative that are:
- either held for trading;
- or economic hedging derivatives that do not meet the restrictive hedging criteria required by standard IAS 39.

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

in thousands of euros	Accounting mismatch	Fair value measurement	Embedded derivatives	**Financial liabilities at fair value by option**
Interbank term accounts and loans	0	0	0	0
Customer term accounts and loans	0	0	0	0
Debt securities	0	0	0	0
Subordinated debt	0	0	0	0
Repurchase agreements and other financial liabilities	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

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

in thousands of euros	**31/12/2015**			31/12/2014		
	Fair value	**Contractual amount due at maturity**	**Difference**	Fair value	Contractual amount due at maturity	Difference
Interbank term accounts and loans	0	0	0	0	0	0
Customer term accounts and loans	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0
Repurchase agreements	0	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**

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 or negative fair values represent the replacement value of these instruments. These values may fluctuate considerably as market variables change.

in thousands of euros	**31/12/2015**			31/12/2014		
	Notional amount	**Positive fair value**	**Negative fair value**	Notional amount	Positive fair value	Negative fair value
Interest rate instruments	124,966,242	2,090,572	2,312,324	225,728,492	2,373,878	2,603,206
Equity instruments	766,113	19,015	14,641	718,120	2,850	2,964
Currency instruments	25,241,891	373,972	537,635	14,819,201	254,824	68,190
Other instruments	3,664	5,019	4,991	6,116	0	0
Firm transactions	**150,977,910**	**2,488,578**	**2,869,591**	**241,271,929**	**2,631,552**	**2,674,360**
Interest rate instruments	4,312,208	37,352	22,124	3,129,945	26,388	25,067
Equity instruments	76,002	7,829	11,071	109,311	10,352	11,091
Currency instruments	576,093	2,620	6,040	332,009	1,294	3,254
Other instruments	0	0	0	0	0	0
Options	**4,964,303**	**47,801**	**39,235**	**3,571,265**	**38,034**	**39,412**
Credit derivatives	**225,039**	**1,631**	**1,449**	**251,942**	**2,572**	**1,526**
TOTAL TRADING DERIVATIVES	**156,167,252**	**2,538,010**	**2,910,275**	**245,095,136**	**2,672,158**	**2,715,298**

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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 relationships between the derivatives and the hedged items are 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. These hedges transform fixed-rate assets or liabilities into variable-rate items. Fair value hedges mainly consist of hedges of fixed-rate loans, securities, deposits and subordinated debt.

Fair value hedging is also used to manage overall interest rate risk.

Cash flow hedges are used to fix or control the variability of cash flows from variable-rate instruments. Cash flow hedges are also used to manage overall interest rate risk.

	31/12/2015			31/12/2014		
in thousands of euros	**Notional amount**	**Positive fair value**	**Negative fair value**	Notional amount	Positive fair value	Negative fair value
Interest rate instruments	17,043,886	194,115	330,490	20,504,839	234,242	555,363
Equity instruments	0	0	0	0	0	0
Currency instruments	0	0	0	32,857	0	0
Other instruments	0	0	0	0	0	0
Firm transactions	**17,043,886**	**194,115**	**330,490**	**20,537,696**	**234,242**	**555,363**
Interest rate instruments	1,664	0	0	2,000	0	0
Equity instruments	0	0	0	0	0	0
Currency instruments	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0
Options	**1,664**	**0**	**0**	**2,000**	**0**	**0**
Fair value hedges	**17,045,550**	**194,115**	**330,490**	**20,539,696**	**234,242**	**555,363**
Interest rate instruments	521,000	53,679	21,182	717,130	76,871	28,703
Equity instruments	0	0	0	0	0	0
Currency instruments	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0
Firm transactions	**521,000**	**53,679**	**21,182**	**717,130**	**76,871**	**28,703**
Interest rate instruments	0	0	0	0	0	0
Equity instruments	0	0	0	0	0	0
Currency instruments	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0
Options	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow hedges	**521,000**	**53,679**	**21,182**	**717,130**	**76,871**	**28,703**
Credit derivatives	**46,473**	**0**	**0**	**68,647**	**0**	**0**
TOTAL HEDGING DERIVATIVES	**17,613,023**	**247,794**	**351,672**	**21,325,473**	**311,113**	**584,066**

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").

in thousands of euros	**31/12/2015**	31/12/2014
Treasury bills and similar securities	5,914,185	7,888,090
Bonds and other fixed-income securities	5,450,127	5,677,085
Impaired securities	11,208	13,005
Fixed-income securities	**11,375,520**	**13,578,180**
Shares and other variable-income securities	**2,458,921**	**2,260,728**
Loans to credit institutions	0	0
Loans to customers	0	0
Loans	**0**	**0**
Available for sale financial assets, gross	**13,834,441**	**15,838,908**
Impairment of fixed-income securities and loans	(2,442)	(2,559)
Permanent impairment of equities and other variable-income securities	(80,967)	(98,844)
AVAILABLE FOR SALE FINANCIAL ASSETS, NET	**13,751,032**	**15,737,505**
Gains or losses recognised directly in equity on available for sale financial assets (before tax)	**577,421**	**587,593**

Available for sale financial assets are impaired if there are indicators of a loss of value and the Group believes that it might not recover its investment. For listed variable-income securities, a fall of more than 50% compared with the historical cost, or for more than 36 months, are indicators of a loss of value.

At 31 December 2015, the gains and losses recognised directly in other items of comprehensive income more specifically included fixed-income securities.

Fixed-income securities include the related receivables.

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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:

in thousands of euros	**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			
Securities	3,015,121	521,725	367
Fixed-income securities	*2,076,250*	*521,605*	*367*
Variable-income securities	*938,871*	*120*	*0*
Derivatives	11,477	2,440,908	85,625
Interest rate derivatives	*11,477*	*2,031,003*	*85,444*
Equity derivatives	*0*	*26,663*	*181*
Currency derivatives	*0*	*376,592*	*0*
Credit derivatives	*0*	*1,631*	*0*
Other derivatives	*0*	*5,019*	*0*
Other financial assets	0	0	0
Financial assets held for trading	**3,026,598**	**2,962,633**	**85,992**
Securities	1,296,594	2,538	0
Fixed-income securities	*39,162*	*0*	*0*
Variable-income securities	*1,257,432*	*2,538*	*0*
Other financial assets	0	0	0
Financial assets designated at fair value through profit or loss by option	**1,296,594**	**2,538**	**0**
Interest rate derivatives	0	247,794	0
Equity derivatives	0	0	0
Currency derivatives	0	0	0
Credit derivatives	0	0	0
Other derivatives	0	0	0
Hedging derivatives	**0**	**247,794**	**0**
Equity interests	0	874	776,999
Other securities	11,094,961	1,369,754	508,444
Fixed-income securities	*10,243,364*	*873,267*	*256,447*
Variable-income securities	*851,597*	*496,487*	*251,997*
Other financial assets	0	0	0
Available for sale financial assets	**11,094,961**	**1,370,628**	**1,285,443**

31/12/2015				31/12/2014
Total	Price quoted in an active market (level 1)	Measurement techniques using observable data (level 2)	Measurement techniques using non-observable data (level 3)	**Total**
3,537,213	1,709,057	785,744	2,259	2,497,060
2,598,222	*1,295,238*	*785,628*	*2,259*	*2,083,125*
938,991	*413,819*	*116*	*0*	*413,935*
2,538,010	0	2,562,851	109,307	2,672,158
2,127,924		*2,292,382*	*107,884*	*2,400,266*
26,844	*0*	*11,779*	*1,423*	*13,202*
376,592	*0*	*256,118*	*0*	*256,118*
1,631	*0*	*2,572*	*0*	*2,572*
5,019	*0*	*0*	*0*	*0*
0	0	0	0	0
6,075,223	**1,709,057**	**3,348,595**	**111,566**	**5,169,218**
1,299,132	1,106,361	1,142	45,263	1,152,766
39,162	*33,281*		*0*	*33,281*
1,259,970	*1,073,080*	*1,142*	*45,263*	*1,119,485*
0	0	0	0	0
1,299,132	**1,106,361**	**1,142**	**45,263**	**1,152,766**
247,794	0	311,113	0	311,113
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
247,794	**0**	**311,113**	**0**	**311,113**
777,873	2,392	2,234	771,617	776,243
12,973,159	13,019,797	1,460,405	481,060	14,961,262
11,373,078	*12,226,876*	*1,070,284*	*278,461*	*13,575,621*
1,600,081	*792,921*	*390,121*	*202,599*	*1,385,641*
0	0	0	0	0
13,751,032	**13,022,189**	**1,462,639**	**1,252,677**	**15,737,505**

3

in thousands of euros	**Price quoted in an active market (level 1)**	**Measurement techniques using observable data (level 2)**	**Measurement techniques using non-observable data (level 3)**
FINANCIAL LIABILITIES			
Securities	179,055	0	0
Derivatives	0	2,827,108	83,167
Interest rate derivatives	*0*	*2,251,405*	*83,043*
Equity derivatives	*0*	*25,588*	*124*
Currency derivatives	*0*	*543,675*	*0*
Credit derivatives	*0*	*1,449*	*0*
Other derivatives	*0*	*4,991*	*0*
Other financial liabilities	0	0	0
Financial liabilities held for trading	**179,055**	**2,827,108**	**83,167**
Securities	0	0	0
Other financial liabilities	0	0	0
Financial liabilities designated at fair value through profit or loss by option	**0**	**0**	**0**
Interest rate derivatives	0	351,672	0
Equity derivatives	0	0	0
Currency derivatives	0	0	0
Credit derivatives	0	0	0
Other derivatives	0	0	0
Hedging derivatives	**0**	**351,672**	**0**

31/12/2015				31/12/2014
Total	Price quoted in an active market (level 1)	Measurement techniques using observable data (level 2)	Measurement techniques using non-observable data (level 3)	**Total**
0				**0**
179,055	636,725		0	636,725
2,910,275	4,206	2,605,174	105,918	2,715,298
2,334,448	*4,206*	*2,521,615*	*102,452*	*2,628,273*
25,712	*0*	*10,589*	*3,466*	*14,055*
543,675	*0*	*71,444*	*0*	*71,444*
1,449	*0*	*1,526*	*0*	*1,526*
4,991	*0*	*0*	*0*	*0*
0	0	0	0	0
3,089,330	**640,931**	**2,605,174**	**105,918**	**3,352,023**
0	0	0	0	0
0	0	0	0	0
0	**0**	**0**	**0**	**0**
351,672	0	584,066	0	584,066
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
351,672	**0**	**584,066**	**0**	**584,066**

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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		
in thousands of euros	01/01/15	Reclassifications	On transactions in progress at the balance sheet date	On transactions that matured or were redeemed at the balance sheet date	In equity
FINANCIAL ASSETS					
Securities	2,259	0	1	-102	0
Fixed-income securities	*2,259*	*0*	*1*	*-102*	*0*
Variable-income securities	*0*	*0*	*0*	*0*	*0*
Derivatives	109,307	0	-18,640	-5,042	0
Interest rate derivatives	*107,884*	*0*	*-18,342*	*-4,098*	*0*
Equity derivatives	*1,423*	*0*	*-298*	*-944*	*0*
Currency derivatives		*0*	*0*	*0*	*0*
Credit derivatives		*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*	*0*
Other financial assets	0	0	0	0	0
Financial assets held for trading	**111,566**	**0**	**-18,639**	**-5,144**	**0**
Securities	45,263	0	0	0	0
Fixed-income securities		*0*	*0*	*0*	*0*
Variable-income securities	*45,263*	*0*	*0*	*0*	*0*
Other financial assets	0	0	0	0	0
Financial assets designated at fair value through profit or loss by option	**45,263**	**0**	**0**	**0**	**0**
Interest rate derivatives		0	0	0	0
Equity derivatives	0	0	0	0	0
Currency derivatives	0	0	0	0	0
Credit derivatives	0	0	0	0	0
Other derivatives	0	0	0	0	0
Hedging derivatives	**0**	**0**	**0**	**0**	**0**
Equity interests	771,617	0	-51	0	0
Other securities	481,060	0	34	-1,890	26,392
Fixed-income securities	*278,461*	*0*	*34*	*-2,411*	*885*
Variable-income securities	*202,599*	*0*	*0*	*521*	*25,507*
Other financial assets	0	0	0	0	0
Available for sale financial assets	**1,252,677**	**0**	**-17**	**-1,890**	**26,392**

Management events during the period		Transactions during the period			
Purchases/Issues	Sales/ Redemptions	To another reporting category	From and to another level	Other changes	**31/12/2015**
0	-1,791	0	0	0	367
0	*-1,791*	*0*	*0*		*367*
0	*0*	*0*	*0*	*0*	*0*
0	0	0	0	0	85,625
0	*0*	*0*	*0*		*85,444*
0	*0*	*0*	*0*		*181*
0	*0*	*0*	*0*		*0*
0	*0*	*0*	*0*		*0*
0	*0*	*0*	*0*	*0*	*0*
0	0	0	0	0	0
0	**-1,791**	**0**	**0**	**0**	**85,992**
0	0	0	0	-45,263	0
0	*0*	*0*	*0*		*0*
0	*0*	*0*	*0*	*-45,263*	*0*
0	0	0	0	0	0
0	**0**	**0**	**0**	**-45,263**	**0**
0	0	0	0		0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**
8,195	-2,805	0	0	43	776,999
544,836	-566,053	0	0	24,065	508,444
379,710	*-400,232*	*0*	*0*		*256,447*
165,126	*-165,821*	*0*	*0*	*24,065*	*251,997*
0	0	0	0	0	0
553,031	**-568,858**	**0**	**0**	**24,108**	**1,285,443**

			Gains and losses recognised during the period		
			In the income statement		
in thousands of euros	01/01/15	Reclassifications	On transactions in progress at the balance sheet date	On transactions that matured or were redeemed at the balance sheet date	In equity
FINANCIAL LIABILITIES					
Securities		0	0	0	0
Derivatives	105,918	0	16,045	-38,796	0
Interest rate derivatives	*102,452*	*0*	*16,189*	*-35,598*	*0*
Equity derivatives	*3,466*	*0*	*-144*	*-3,198*	*0*
Currency derivatives		*0*	*0*	*0*	*0*
Credit derivatives		*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*	*0*
Other financial liabilities	0	0	0	0	0
Financial liabilities held for trading	**105,918**	**0**	**16,045**	**-38,796**	**0**
Securities	0	0	0	0	0
Other financial liabilities	0	0	0	0	0
Financial liabilities designated at fair value through profit or loss by option	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives		0	0	0	0
Equity derivatives	0	0	0	0	0
Currency derivatives	0	0	0	0	0
Credit derivatives	0	0		0	0
Other derivatives	0	0		0	0
Hedging derivatives	**0**	**0**		**0**	**0**

	Management events during the period		Transactions during the period			
	Purchases/Issues	Sales/ Redemptions	To another reporting category	From and to another level	Other changes	**31/12/2015**
					0	**0**
	0	0	0	0		0
	0	0	0	0	0	83,167
	0	*0*	*0*	*0*		*83,043*
	0	*0*	*0*	*0*		*124*
	0	*0*	*0*	*0*		*0*
	0	*0*	*0*	*0*		*0*
	0	*0*	*0*	*0*	*0*	*0*
	0	0	0	0	0	0
	0	0	0	0	0	**83,167**
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	**0**
	0	0	0	0		0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	**0**

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At 31 December 2015, 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 2015.

5.5.4 Sensitivity of level 3 fair values to changes in the main assumptions

BRED 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 €1.554 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 €759,000 in the event of a 100 basis point rise in the underlying factors and an increase of €795,000 in the event of a 100 basis point drop in said factors.

5.6 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Most of the loans granted by the Group are classified in this category. Information about credit risk is provided in note 7.1.

5.6.1 Loans and receivables due from credit institutions

in thousands of euros	**31/12/2015**	31/12/2014
Loans and receivables due from credit institutions	8,962,246	9,725,464
Individual impairment	-182	-7,660
Impairment on a portfolio basis	0	0
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**8,962,064**	**9,717,804**

The fair value of loans and receivables due from credit institutions is presented in note 15.

BREAKDOWN OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

in thousands of euros	**31/12/2015**	31/12/2014
Current accounts with overdrafts	649,125	666,948
Repurchase agreements	6,817,474	7,461,806
Loans and advances (1)	1,495,465	1,584,708
Other loans and receivables due from customers	0	0
Other loans and receivables due from credit institutions	0	0
Impaired loans and receivables	0	4,342
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**8,962,064**	**9,717,804**

(1) At 31 December 2015, the Livret A, LDD and LEP account balances centralised with the Caisse des Dépôts et Consignations and reported in the "Loans and advances" line amounted to €670.0 million versus €672.7 million at 31 December 2014.

5.6.2 Loans and receivables due from customers

in thousands of euros	**31/12/2015**	31/12/2014
Loans and receivables due from customers	16,673,720	15,510,387
Individual impairment	-578,121	-587,363
Impairment on a portfolio basis	-99,079	-95,801
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**15,996,520**	**14,827,223**

The fair value of loans and receivables due from customers is presented in note 15.

To harmonise their presentation within the BPCE Group, receivables arising from insurance and reinsurance transactions previously reported in the "Loans and receivables due from customers" line are now reported under "Accrued income and other assets". If this presentation had been applied to the information at 31 December 2014, it would have led to the reclassification of €6.8 million of "Loans and receivables due from customers" as "Accrued income and other assets".

BREAKDOWN OF LOANS AND RECEIVABLES DUE FROM CUSTOMERS

in thousands of euros	**31/12/2015**	31/12/2014
Current accounts with overdrafts	**1,158,999**	**1,288,523**
Loans to financial sector customers	22,774	6,886
Short-term credit facilities	1,547,151	1,283,986
Equipment loans	5,181,092	4,639,964
Home loans	6,963,367	6,253,309
Export credits	94,587	128,167
Repurchase agreements	30,847	0
Finance leases	147,228	127,179
Subordinated loans	0	0
Other credits	498,363	726,558
Other facilities to customers	**14,485,409**	**13,166,049**
Securities classified as loans and receivables	**56,508**	**117,447**
Other loans and receivables due from customers	**0**	**6,836**
Impaired loans and receivables	**972,804**	**931,532**
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**16,673,720**	**15,510,387**

DETAILED PRESENTATION OF FINANCE LEASES

in thousands of euros	**31/12/2015**			31/12/2014		
	Immovable property	**Movable property**	**Total**	Immovable property	Movable property	Total
Performing loans	0	147,228	147,228	0	127,179	127,179
Net impaired loans	0	985	985	0	410	410
– Loans before impairments	0	4,616	4,616	0	5,007	5,007
– Impairments	0	-3,631	-3,631	0	-4,597	-4,597
TOTAL FINANCE LEASES	**0**	**148,213**	**148,213**	**0**	**127,589**	**127,589**

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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.

in thousands of euros	**31/12/2015**	31/12/2014
Treasury bills and similar securities	0	0
Bonds and other fixed-income securities	880,925	897,840
Gross amount of held to maturity financial assets	**880,925**	**897,840**
Impairment	0	0
TOTAL HELD TO MATURITY FINANCIAL ASSETS	**880,925**	**897,840**

The fair value of held to maturity financial assets is presented in note 15.

5.8 Reclassification of 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.

in thousands of euros	Carrying amount at reclassification date	**Carrying amount at 31 December 2015**	Carrying amount at 31 December 2014	**Fair value at 31 December 2015**	Fair value at 31 December 2014
Reclassified assets at 31 December 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	521,227	**56,547**	113,593	**57,032**	114,193
Total securities reclassified at 31 December 2014	**521,227**	**56,547**	**113,593**	**57,032**	**114,193**
Assets reclassified in 2015					
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 2015	**0**	**0**	**0**	**0**	**0**
TOTAL SECURITIES RECLASSIFIED	**521,227**	**56,547**	**113,593**	**57,032**	**114,193**

PROFIT OR LOSS ARISING FROM RECLASSIFIED FINANCIAL ASSETS IN 2015

in thousands of euros	Produit net bancaire	Coût du risque	**Total (avant impôts)**
Trading financial assets reclassified as available for sale financial assets			0
Trading financial assets reclassified as loans and receivables			0
Available for sale financial assets reclassified as loans and receivables	33		33
TOTAL	**33**	**0**	**33**

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

in thousands of euros	**31/12/2015**	31/12/2014
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	485	600
TOTAL	**485**	**600**

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):

in thousands of euros	**31/12/2015**	31/12/2014
Unrealised capital gains on UCITS	21,439	21,963
Tax EIGs		
Provisions for employee-related liabilities	27,440	26,951
Provisions for regulated home savings products	9,046	7,678
Non-deductible customer-related provisions	12,836	11,134
Provisions for employee profit-sharing	9,272	7,921
Provisions for business goodwill and leasing rights	13,081	12,925
Provisions for sector risk	31,192	32,788
Other non-deductible provisions	12,452	17,216
Other sources of timing differences	-799	-968
Deferred tax resulting from timing differences	**135,959**	**137,608**
Deferred tax resulting from the capitalisation of tax losses carried forward	0	0
Fair value of financial instruments	-34,871	-34,630
Provisions on a portfolio basis		
Insurance provisions	13,753	13,768
IAS 19 – Post-employment benefits	1,638	7,875
Other balance sheet valuation adjustments	3,245	-609
Deferred tax resulting from application of IFRS valuation methods	**-16,235**	**-13,596**
Deferred tax on interest-free loans	**12,786**	**10,944**
NET DEFERRED TAX	**132,510**	**134,956**
Recognised		
AS ASSETS ON THE BALANCE SHEET	147,888	199,516
As liabilities on the balance sheet	-15,378	-64,560

5.10 Accrued income and other assets

in thousands of euros	**31/12/2015**	31/12/2014
Collection accounts	80,889	86,255
Prepaid expenses	32,282	34,198
Accrued income	21,468	24,310
Other accruals	37,250	23,749
Accrual accounts – assets	**171,889**	**168,512**
Guarantee deposits paid	1,880	993,570
Securities settlement accounts – debit balances	0	0
Reinsurers' share of technical reserves	10,419	10,791
Other debtors	1,462,553	206,928
Other assets	**1,474,852**	**1,211,289**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**1,646,741**	**1,379,801**

To harmonise their presentation within the BPCE Group, receivables arising from insurance and reinsurance transactions previously reported in the "Loans and receivables due from customers" line are now reported under "Accrued income and other assets". If this presentation had been applied to the information at 31 December 2014, it would have led to the reclassification of €6.8 million of "Loans and receivables due from customers" as "Accrued income and other assets".

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

None.

5.12 Deferred profit-sharing

in thousands of euros	**31/12/2015**	31/12/2014
Deferred profit-sharing – assets		
Deferred profit-sharing – liabilities	391,457	440,842
DEFERRED PROFIT-SHARING (1)	**391,457**	**440,842**
of which deferred profit-sharing recognised in equity on full consolidation		

(1) In accordance with convention, deferred profit-sharing assets are shown as negative numbers.

5.13 Investment property

in thousands of euros	**31/12/2015**			31/12/2014		
	Gross amount	**Accumulated amortisation, depreciation and impairment**	**Carrying amount**	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Investment property measured at fair value	215,606		215,606	165,330		165,330
Investment property measured at historical cost	6,302	-2,918	3,384	6,734	-3,597	3,137
TOTAL INVESTMENT PROPERTY	**221,908**	**-2,918**	**218,990**	**172,064**	**-3,597**	**168,467**

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5.14 Property, plant and equipment and intangible assets

	31/12/2015			31/12/2014		
in thousands of euros	**Gross amount**	**Accumulated amortisation, depreciation and impairment**	**Carrying amount**	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Property, plant and equipment						
- Land and buildings	256,579	-98,650	157,929	275,925	-91,956	183,969
- Movable property made available under finance leases	0	0	0	0	0	0
- Equipment, furniture and other property, plant and equipment	266,045	-162,116	103,929	273,602	-195,154	78,448
TOTAL PROPERTY, PLANT AND EQUIPMENT	**522,624**	**-260,766**	**261,858**	**549,527**	**-287,110**	**262,417**
Intangible assets			**0**			**0**
- Leasehold rights	28,154	-27,043	1,111	28,099	-26,589	1,510
- Software	47,000	-40,781	6,219	55,787	-45,165	10,622
- Other intangible assets	27,762	-21,186	6,576	34,457	-21,300	13,157
TOTAL INTANGIBLE ASSETS	**102,916**	**-89,010**	**13,906**	**118,343**	**-93,054**	**25,289**

5.15 Goodwill

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

in thousands of euros	**31/12/2015**	31/12/2014
Opening net value	**4,576**	**4,576**
Acquisitions	0	0
Disposals	0	0
Impairment	-11,034	0
Reclassifications	0	0
Translation differences	0	0
Other changes	6,458	0
CLOSING NET VALUE	**0**	**4,576**

	Valeur nette	
in thousands of euros	**31/12/2015**	31/12/2014
Others	0	4,576
TOTAL GOODWILL	**0**	**4,576**

Impairment tests

In accordance with the regulations, all of the goodwill has been tested for impairment, through an assessment of the value in use of the cash-generating units (CGUs) to which it is attached.

5.16 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".

5.16.1 Amounts due to credit institutions

in thousands of euros	**31/12/2015**	31/12/2014
Demand deposits	616,249	511,714
Repurchase agreements	0	0
Related liabilities	4	3
Amounts due to credit institutions – repayable on demand	**616,253**	**511,717**
Term loans and deposits	3,678,403	1,980,162
Repurchase agreements	3,461,470	5,553,544
Related liabilities	13,979	11,473
Amounts due to credit institutions – repayable at agreed maturity dates	**7,153,852**	**7,545,179**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**7,770,105**	**8,056,896**

The fair value of amounts due to credit institutions is presented in note 15.

Amounts owed in respect of transactions with the network came to €907.0 million at 31 December 2015 versus €914.6 million at 31 December 2014.

5.16.2 Amounts due to customers

in thousands of euros	**31/12/2015**	31/12/2014
Credit balances on ordinary accounts	**11,787,991**	**10,934,146**
"Livret A" regulated savings accounts	988,685	980,836
Regulated home savings plans (PEL) and regulated home savings accounts (CEL)	1,697,623	1,539,576
Other regulated savings accounts	2,171,051	2,061,646
Related liabilities	0	0
Regulated savings accounts	**4,857,359**	**4,582,058**
Demand deposits and loans	6,720,993	7,198,590
Term deposits and loans	3,519,445	1,633,449
Related liabilities	39,229	40,654
Other customer accounts	**10,279,667**	**8,872,693**
Demand	992,506	22,630
Term	91,734	1,274,190
Related liabilities	83	108
Repurchase agreements	**1,084,323**	**1,296,928**
Other amounts due to customers	**0**	**13,586**
TOTAL AMOUNTS DUE TO CUSTOMERS	**28,009,340**	**25,699,411**

The fair value of amounts due to customers is presented in note 15.

To harmonise their presentation within the BPCE Group, debts arising from insurance and reinsurance transactions previously reported in the "Other amounts due to customers" line are now reported under "Accrued expenses and other liabilities". If this presentation had been applied to the information at 31 December 2014, it would have led to the reclassification of €13.6 million of "Amounts due to customers" as "Accrued expenses and other liabilities".

5.17 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".

in thousands of euros	**31/12/2015**	31/12/2014
Bonds	196,400	196,400
Interbank instruments and negotiable debt securities	3,398,037	2,738,551
Other debt securities	0	0
Total	**3,594,437**	**2,934,951**
Related liabilities	2,442	2,229
TOTAL DEBT SECURITIES	**3,596,879**	**2,937,180**

The fair value of debt securities is presented in note 15.

5.18 Accrued expenses and other liabilities

in thousands of euros	**31/12/2015**	31/12/2014
Collection accounts	327,732	280,135
Prepaid income	148,296	114,303
Accounts payable	82,282	77,871
Other accruals	43,415	29,793
Accrual accounts – liabilities	**601,725**	**502,102**
Securities settlement accounts – credit balances	6,094	5,914
Guarantee deposits received	398	541,787
Sundry creditors	940,757	254,960
Other insurance-related liabilities	13,530	0
Other liabilities	**960,779**	**802,661**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**1,562,504**	**1,304,763**

To harmonise their presentation within the BPCE Group, debts arising from insurance and reinsurance transactions previously reported in the "Other amounts due to customers" line are now reported under "Accrued expenses and other liabilities". If this presentation had been applied to the information at 31 December 2014, it would have led to the reclassification of €13.6 million of "Amounts due to customers" as "Accrued expenses and other liabilities".

5.19 Technical reserves of insurance contracts

in thousands of euros	**31/12/2015**	31/12/2014
Non-life insurance technical reserves	**5,490**	**5,138**
Technical reserves of life insurance contracts in euro	5,236,964	5,025,871
Technical reserves of life insurance contracts in unit-linked accounts	906,431	884,738
Life insurance technical reserves	**6,143,395**	**5,910,609**
Technical reserves of financial contracts	**0**	**0**
Deferred profit-sharing	**391,457**	**440,842**
TOTAL INSURANCE TECHNICAL RESERVES	**6,540,342**	**6,356,589**

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.

5.20 Provisions

in thousands of euros	01/01/2015	Increase	Provisions used	Reversals of provisions not used	Other movements	**31/12/2015**
Provisions for employee benefit obligations	106,941	4,009	0	-3,609	-18,255	89,086
Provisions for restructuring	0	0	0	0	0	0
Legal and tax risks	20,793	5,179	0	-5,425	-120	20,427
Loan and guarantee commitments	32,707	19,378	-3,504	-567	195	48,209
Provisions for home savings products	22,300	3,975	0	0	0	26,275
Other operating provisions	18,869	626	-4,000	-165	936	16,266
TOTAL PROVISIONS	**201,610**	**33,167**	**-7,504**	**-9,766**	**-17,244**	**200,263**

5.20.1 Deposits held in regulated home savings products

in thousands of euros	**31/12/2015**	31/12/2014
Deposits held in regulated home savings plans (PEL)		
less than 4 years	696,414	369,165
more than 4 years and less than 10 years	371,746	516,141
more than 10 years	425,799	454,788
Deposits held in PEL regulated home savings plans	**1,493,959**	**1,340,094**
Deposits held in CEL regulated home savings accounts	146,753	146,383
TOTAL DEPOSITS HELD IN REGULATED HOME SAVINGS PRODUCTS	**1,640,712**	**1,486,477**

5.20.2 Loans granted in connection with regulated home savings products

in thousands of euros	**31/12/2015**	31/12/2014
Loans granted under PEL regulated home savings plans	3,123	4,429
Loans granted under CEL regulated home savings accounts	4,985	7,300
TOTAL LOANS GRANTED IN CONNECTION WITH REGULATED HOME SAVINGS PRODUCTS	**8,108**	**11,729**

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5.20.3 Provisions for regulated home savings products

in thousands of euros	31/12/14	Charges/ Reversals	Other	**31/12/15**
Provisions for regulated home savings plans				
less than 4 years	3,214	4,124		7,338
more than 4 years and less than 10 years	3,523	(1,432)		2,091
more than 10 years	7,217	(929)		6,288
Provisions for regulated home savings plans	**13,954**	**1,763**		**15,717**
Provisions for regulated home savings accounts	**8,346**	**2,212**	**0**	**10,558**
Provisions for PEL regulated home savings loans				
Provisions for CEL regulated home savings loans				
Provisions for regulated home savings loans				
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**22,300**	**3,975**	**0**	**26,275**

5.21 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.

in thousands of euros	**31/12/2015**	31/12/2014
Term subordinated debt	292,663	317,445
Undated subordinated debt	0	0
Undated deeply subordinated debt	0	0
Preferred shares	0	0
Mutual guarantee deposits	4,869	5,271
Subordinated and similar debt	**297,532**	**322,716**
Related liabilities	9,243	9,627
Revaluation of the hedged component	0	0
TOTAL SUBORDINATED DEBT	**306,775**	**332,343**

The fair value of subordinated debt is presented in note 15.

CHANGES IN SUBORDINATED AND SIMILAR DEBT DURING THE YEAR

in thousands of euros	01/01/15	Issued	Repaid	Other movements	**31/12/15**
Term subordinated debt	317,445	0	-24,782	0	292,663
Undated subordinated debt	0	0	0	0	0
Undated deeply subordinated debt	0	0	0	0	0
Preferred shares	0	0	0	0	0
Mutual guarantee deposits	5,271	0	-402	0	4,869
SUBORDINATED AND SIMILAR DEBT	**322,716**	**0**	**-25,184**	**0**	**297,532**

5.22 Ordinary shares and other equity instruments issued

5.22.1 Cooperative shares

in thousands of euros	31/12/2015			31/12/2014		
	Number	**Par value**	**Capital**	Number	Par value	Capital
Cooperative shares						
At 1 January	61,488,311	10,20	627,181	56,758,441	10,10	573,260
Capital increase	4,936,887	10,20	50,356	4,729,870	10,10	47,772
Capital decrease						
Other changes	222,780	0,26	6,271		0,10	6,149
AT 31 DECEMBER	**66,647,978**	**10,26**	**683,808**	**61,488,311**	**10,20**	**627,181**

5.22.2 Undated deeply subordinated notes classified as equity

None.

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5.23 Non-controlling interests

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

Data at 31-12-2015				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 members' equity)	Net profit for the year	Comprehensive income
BRED Vanuatu	Vanuatu	15.00%	15.00%	-592	2,700	190	196 778	177 278	3,950	7 334
BCI Mer Rouge	Djibouti	49.00%	49.00%	1 900	13 982		316 837	305 691	-3 879	-2 161
Banque Franco Lao	Laos	46.00%	46.00%	-172	13,489		125 193	108 404	373	3 202
Other entities				-391	4 422					
TOTAL				**746**	**34 593**	**190**	**638 808**	**591 373**	**444**	**8 375**

Data at 31-12-2014					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 members' equity)	Net profit for the year	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**

5.24 Change in gains and losses recognised directly in other items of comprehensive income

5.24.1 Change in gains and losses recognised directly in other items of comprehensive income

	Exercice 2015	Exercice 2014
Revaluation differences on defined-benefit pension schemes	18,116	*-22,873*
Tax effect of revaluation differences on defined-benefit pension schemes	*-6,237*	7,875
Share of gains or losses recognised in other items of the comprehensive income of associates that cannot be reclassified in income	10	*-57*
Items that cannot be reclassified in income	**11,889**	**-15,055**
Translation differences	**2,173**	**9,897**
Change in the value of available for sale financial assets	**53,056**	**82,556**
Change in the value of the period affecting equity	41,833	82,556
Change in the value of the period recognised in profit or loss	11,223	0
Change in the value of hedging derivatives	**-21,557**	**6,867**
Change in the value of the period affecting equity	-27,187	6,867
Change in the value of the period recognised in profit or loss	5,630	0
Taxes	**-2,017**	**-32,062**
Share of gains or losses recognised directly in other items of the comprehensive income of associates that can be reclassified in income	**-4,211**	**1,189**
Items that can be recycled in income	**27,444**	**68,447**
GAINS AND LOSSES RECOGNISED DIRECTLY IN OTHER ITEMS OF COMPREHENSIVE INCOME (NET OF INCOME TAX)	**39,333**	**53,392**

5.24.2 Total gains and losses recognised directly in equity

in thousands of euros	**2015**			2014		
	Gross	**Income tax**	**Net**	Gross	Income tax	Net
Revaluation differences on defined-benefit pension schemes	18,116	-6,237	11,879	*-22,873,*	*7,875*	*-14,998*
Share of gains or losses recognised directly in other items of the comprehensive income of associates that cannot be reclassified in income			10			-57
Items that cannot be reclassified in income			**11,889**			**-15,055**
Translation differences			2,173			*9,897*
Change in the value of available for sale financial assets	53,056	-9,438	43,618	*82,556*	*-29,697*	*52,859*
Change in the value of hedging derivatives	-21,557	7,421	-14,136	*6,867*	*-2,365*	*4,502*
Share of gains or losses recognised directly in other items of the comprehensive income of associates that can be reclassified in income			-4,211			*1,189*
Items that can be reclassified in income			**27,444**			**68,447**
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN OTHER ITEMS OF COMPREHENSIVE INCOME (NET OF INCOME TAX)			**39,333**			**53,392**
Attributable to equity holders of the parent company			37,251			49,785
Non-controlling interests			2,082			3,607

NOTE 6
Notes to the income statement

6.1 Interest and similar income and expenses

This heading comprises the interest income and expenses, calculated using the effective interest method, from 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.

in thousands of euros			**2015**			2014
	Income	**Expenses**	**Net**	Income	Expenses	Net
Loans and receivables – customers	541,207	-93,683	447,524	532,298	-110,134	422,164
Loans and receivables – credit institutions	52,585	-41,064	11,521	55,408	-36,908	18,500
Finance leases	14,094		14,094	15,137		15,137
Debt securities and subordinated debt		-34,584	-34,584		-38,161	-38,161
Hedging derivatives	134,341	-148,041	-13,700	155,348	-161,528	-6,180
Available for sale financial assets	145,414		145,414	29,940		29,940
Held to maturity financial assets	30,787		30,787	0		0
Impaired financial assets	0		0	0		0
Other interest income and expenses	0	10,067	10,067	0	-7,590	-7,590
TOTAL INTEREST INCOME AND EXPENSES	**918,428**	**-307,305**	**611,123**	**788,131**	**-354,321**	**433,810**

The interest income from loans and receivables with credit institutions totals €8.273 billion (€9.085 billion in 2014) consisting of the interest paid on the Livret A, LDD and LEP account balances centralised with the *Caisse des Dépôts et Consignations*.

The interest expenses or income from regulated savings accounts amounts to a charge/expense of €3.975 billion consisting of the net charge to the provision for regulated home savings products (reversal/income of €9.7 million in 2014).

At BPCE's request, in order to align the treatment of insurance companies within the Group, the income generated by PREPAR-VIE's financial assets has been classified in the corresponding categories as from 2015, i.e. interest income from available for sale financial assets; interest income from assets held to maturity; and net gains or losses on financial instruments at fair value through profit or loss. In 2014, it was classified as income from other activities in the amount of €169 million.

6.2 Fee and commission income and expenses

Fees and commissions are recorded based on the type of service rendered and on the method of accounting for the financial instrument to which the service relates.

This 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.

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in thousands of euros			**2015**			2014
	Income	**Expenses**	**Net**	Income	Expenses	Net
Interbank and cash transactions	2,580	-580	2,000	4,939	-882	4,057
Transactions with customers	149,931	-688	149,243	139,624	0	139,624
Financial services	30,906	-7,389	23,517	26,960	-6,314	20,646
Sales of life insurance products	1,651		1,651	2,184		2,184
Payment services	176,415	-101,763	74,652	166,715	-95,104	71,611
Securities transactions	13,459	0	13,459	22,869	0	22,869
Fiduciary services	1,645	0	1,645	1,778	0	1,778
Financial instrument and off-balance sheet transactions	25,975	-3,762	22,213	25,435	-3,797	21,638
Other	7,539	-6,144	1,395	5,518	-4,528	990
TOTAL FEES AND COMMISSIONS	**410,101**	**-120,326**	**289,775**	**396,022**	**-110,625**	**285,397**

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.

in thousands of euros	**Exercice 2015**	Exercice 2014
Gains or losses on financial instruments at fair value through profit or loss (excluding hedging derivatives)	**131,554**	**149,303**
Gains or losses on financial instruments held for trading	110,210	108,854
Gains or losses on financial instruments designated at fair value through profit or loss by option	21,344	40,449
Gains or losses on hedging transactions	**4,496**	**-3,094**
- Ineffective portion of fair value hedges	-1,134	-3,113
* Changes in the fair value of the hedging instrument	-46,740	-19,051
* Changes in fair value of the hedged items attributable to the risks hedged	45,606	15,938
- Ineffective portion of cash flow hedges	5,630	19
- Ineffective portion of hedges of net investments in foreign operations	0	0
Gains or losses on foreign exchange transactions	**41,193**	**27,687**
TOTAL GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**177,243**	**173,896**

At BPCE's request, in order to align the treatment of insurance companies within the Group, the income generated by PREPAR-VIE's financial assets has been classified in the corresponding categories as from 2015, i.e. interest income from available for sale financial assets; interest income from assets held to maturity; and net gains or losses on financial instruments at fair value through profit or loss. In 2014, it was classified as income from other activities in the amount of €169 million.

DAY ONE PROFIT

in thousands of euros	**2015**	2014
Balance at start of period	0	0
Deferred profit or loss on new transactions	0	0
Recognised in profit or loss during the year	0	0
Other changes	0	0
BALANCE AT END OF PERIOD	**0**	**0**

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.

in thousands of euros	**2015**	2014
Gains or losses on disposals	57,115	18,731
Dividends received	20,754	18,132
Impairment in value of variable-income securities	-975	-2,659
TOTAL NET GAINS OR LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS	**76,894**	**34,204**

6.5 Income and expenses from other activities

This heading includes in particular:

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

in thousands of euros	2015			2014		
	Income	**Expenses**	**Net**	Income	Expenses	Net
Earned premiums	599,129	0	599,129	621,136	0	621,136
Paid benefits and claims	0	-484,343	-484,343	0	-443,479	-443,479
Change in provisions for profit-sharing	0	-58,930	-58,930	0	-132,209	-132,209
Change in other provisions	0	-182,941	-182,941	0	-189,046	-189,046
Other technical income and expenses	11,432	-363	11,069	9,243	-398	8,845
Income and expenses from insurance activities	**610,561**	**-726,577**	**-116,016**	**630,379**	**-765,132**	**-134,753**
Revenue	0		0	0		0
Purchases consumed		0	0		0	0
Income and expenses from real estate activities	**0**	**0**	**0**	**0**	**0**	**0**
Gains on disposals	0		0	0		0
Asset impairment charges and reversals	0	0	0	0	0	0
Other income and expenses	0	0	0	0	0	0
Income and expenses from leasing transactions	**0**	**0**	**0**	**0**	**0**	**0**
Gains or losses on the disposal of investment property	-1		-1	3,496		3,496
Investment property depreciation and impairment loss charges and reversals	4,265	-249	4,016	0	-238	-238
Income and expenses from investment property	2,127	-613	1,514	2,554	-770	1,784
Income and expenses from investment property	**6,391**	**-862**	**5,529**	**6,050**	**-1,008**	**5,042**
Share of joint ventures	2,765	0	2,765	2,617	-13	2,604
Transfers of expenses and income	1,357	-56	1,301	1,322	-21	1,301
Other operating income and expenses	16,778	-8,148	8,630	186,251	-19,244	167,007
Charges to and reversals from provisions booked to other operating income and expenses	0	-12	-12	8,241	-4,485	3,756
Other operating banking income and expenses	**20,900**	**-8,216**	**12,684**	**198,431**	**-23,763**	**174,668**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**637,852**	**-735,655**	**-97,803**	**834,860**	**-789,903**	**44,957**

At BPCE's request, in order to align the treatment of insurance companies within the Group, the income generated by PREPAR-VIE's financial assets has been classified in the corresponding categories as from 2015, i.e. interest income from available for sale financial assets; interest income from assets held to maturity; and net gains or losses on financial instruments at fair value through profit or loss. In 2014, it was classified as income from other activities in the amount of €169 million.

INCOME AND EXPENSES 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 BRED Group's financial statements in accordance with the presentation applicable to banks.

in thousands of euros	Banking presentation 2015				Insurance presentation 2015	Insurance presentation 2014
	Net banking income	Operating expenses	Gross operating profit	Other items		
Earned premiums	618,887	0	618,887	0	618,887	639,077
Revenue or income from other activities	0	0	0	0	0	0
Other operating income	0	0	0	0	0	0
Net financial income (loss) before finance costs	212,857	-2,509	210,348	0	210,348	223,722
TOTAL INCOME FROM ORDINARY ACTIVITIES	**831,744**	**-2,509**	**829,235**	**0**	**829,235**	**862,799**
Claims and benefits expenses	-506,194	-1,852	-508,046	0	-508,046	-461,791
Expenses from other activities	-233,930	0	-233,930	0	-233,930	-321,245
Net income and expenses from outward reinsurance	-3,621	0	-3,621	0	-3,621	-325
Policy acquisition costs	-17,840	-4,204	-22,044	0	-22,044	-21,311
Administrative expenses	-22,031	-3,149	-25,180	0	-25,180	-21,390
Other recurring operating income and expenses	225	-5,584	-5,359	0	-5,359	-3,631
TOTAL OTHER OPERATING INCOME AND EXPENSES	**-783,391**	**-14,789**	**-798,180**	**0**	**-798,180**	**-829,693**
OPERATING PROFIT (LOSS)	**48,353**	**-17,298**	**31,055**	**0**	**31,055**	**33,106**

Income and expenses recognised in respect of insurance contracts are reported under "Income from other activities" and "Expenses from 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.

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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.

in thousands of euros	**2015**	2014
Personnel costs	**-371,635**	-358,630
Taxes and duties	-33,682	-29,777
External services and other operating expenses	-193,457	-192,044
Other administrative expenses	**-227,139**	-221,821
TOTAL OPERATING EXPENSES	**-598,774**	**-580,451**

The breakdown of personnel costs is provided in note 9.1.

6.7 Cost of risk

This item records net impairment charges for credit risks, regardless of whether the impairment is calculated on an individual 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

in thousands of euros	**2015**	2014
Net charges to provisions and provisions for impairment	-77,462	-85,036
Recoveries of bad debts written off	1,614	4,168
Irrecoverable loans not covered by provisions for impairment	-7,824	-5,106
TOTAL COST OF RISK	**-83,672**	**-85,974**

COST OF RISK FOR THE PERIOD BY TYPE OF ASSET

in thousands of euros	**2015**	2014
Interbank transactions	-827	-70
Transactions with customers	-82,375	-85,973
Other financial assets	-470	69
TOTAL COST OF RISK	**-83,672**	**-85,974**

6.8 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.

in thousands of euros	**2015**	2014
Gains or losses on the disposal of property, plant and equipment and intangible assets used in operations	331	13
Gains or losses on the disposal of consolidated investments	0	0
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**331**	**13**

6.9 Change in the value of goodwill

in thousands of euros	**2015**	2014
Impairment	-11,034	
TOTAL CHANGE IN THE VALUE OF GOODWILL	**-11,034**	**0**

6.10 Income tax expense

in thousands of euros	**2015**	2014
Current tax	-121,362	-96,352
Deferred tax	6,982	3,714
TOTAL INCOME TAX EXPENSE	**-114,380**	**-92,638**

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

	2015		2014	
	in thousands of euros	**Tax rate**	*in thousands of euros*	Tax rate
Net profit attributable to equity holders of the parent company	238,066		200,365	
Change in value of goodwill	11,034		0	
Non-controlling interests	-746		1,432	
Share of net profit or loss of associates	-26,768		-22,714	
Income tax	114,380		92,638	
PROFIT BEFORE TAX AND CHANGES IN VALUE OF GOODWILL (A)	**335,966**		**271,721**	
Standard income tax rate in France (B)		34.43%		38.00%
Theoretical tax expense (income) at the tax rate in force in France (AxB)	-115,673		-103,254	
Impact of permanent differences and other taxes [(1)]	1,293		10,616	
Income tax expense (credit)	-114,380		-92,638	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**34.05%**		**34.09%**

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.

in thousands of euros	**Net outstandings at 31/12/2015**	Net outstandings at 31/12/2014
Financial assets at fair value through profit or loss (excluding variable-income securities)	5,135,292	4,754,363
Hedging derivatives	247,794	311,113
Available for sale financial assets (excluding variable-income securities)	8,149,960	10,246,579
Interbank transactions	8,974,620	9,729,226
Transactions with customers	16,307,661	15,106,308
Held to maturity financial assets		
Other insurance activity-related assets		
Balance sheet exposures	**38,815,327**	**40,147,589**
Financial guarantees given	1,875,415	1,892,019
Off-balance sheet commitments	3,473,247	3,057,151
Off-balance sheet exposures	**5,348,662**	**4,949,169**
Overall credit risk exposure	**44,163,988**	**45,096,758**

7.1.3 Impairment and provisions for credit risk

in thousands of euros	01/01/15	Provisions made	Provisions written back	Other changes	31/12/15
Available for sale financial assets	3,859	0	-1,300	-117	2,442
Interbank transactions	7,660			-7,478	182
Transactions with customers	683,514	124,077	-136,792	8,171	678,970
Held to maturity financial assets	0				0
Other financial assets		101	-305	6,444	6,240
Impairment losses deducted from assets	**695,032**	**124,178**	**-138,397**	**7,020**	**687,833**
Provisions for off-balance sheet commitments	**31,967**	**19,427**	**-4,071**	**936**	**48,259**
TOTAL IMPAIRMENT AND PROVISIONS FOR CREDIT RISK	**726,999**	**143,605**	**-142,468**	**7,956**	**736,092**

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.

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:

in thousands of euros	Non-impaired loans and receivables with past due payments				Impaired loans and receivables (net value)	Total loans and receivables
	< or = 90 days	> 90 days and <=180 days	> 180 days and <=1 year	> 1 year		
Debt instruments	0	0	0	0	8,776	8,766
Loans and advances	301,250	1,401	0	0	399,474	702,126
Other financial assets	0	0	0	0		0
TOTAL AT 31/12/2015	**301,250**	**1,401**	**0**	**0**	**408,240**	**710,892**

in thousands of euros	Non-impaired loans and receivables with past due payments				Impaired loans and receivables (net value)	Total loans and receivables
	< or = 90 days	> 90 days and <=180 days	> 180 days and <=1 year	> 1 year		
Debt instruments	0	0	0	0	10,446	10,446
Loans and advances	347,656	4,162	0	0	350,744	702,562
Other financial assets	0	0	0	0		0
TOTAL AT 31/12/2014	**347,656**	**4,162**	**0**	**0**	**361,190**	**713,008**

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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).

in thousands of euros	31/12/15			31/12/14		
	Restructuring	**Impairment and provisions**	**Guarantees received**	Restructuring	Impairment and provisions	Guarantees received
Balance sheet	215,506	-14,984	82,238	179,572	-29,040	67,108
Off-balance sheet	24,491	0	7,582	12,145	0	163
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**

7.1.6 Credit risk mitigation mechanisms: assets acquired by taking possession of collateral

The following table shows the carrying amount by type of asset (securities, property, etc.) acquired during the period by taking collateral or using other forms of credit enhancement.

in thousands of euros	**2015**	2014
Non-current assets held for sale	0	0
Property, plant and equipment	0	0
Investment property	0	0
Equity and debt instruments	0	0
Other	0	0
TOTAL ASSETS ACQUIRED BY TAKING POSSESSION OF COLLATERAL	**0**	**0**

7.2 Market risk

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.

in thousands of euros	**31/12/15**	31/12/14
Market risk in respect of interest rate positions under the standard approach	54,253	45,853
Market risk in respect of equity positions under the standard approach	5,114	13,381
Market risk in respect of foreign exchange positions under the standard approach	20,684	16,468
Market risk in respect of commodity positions under the standard approach	6	44
TOTAL MARKET RISKS	**80,057**	**75,746**

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.

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in thousands of euros	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 at 31/12/2015**
Cash and amounts due from central banks	4,867,397						4,867,397
Financial assets at fair value through profit or loss – trading book						6,075,223	6,075,223
Financial assets at fair value through profit or loss – fair value option				6,771	30,002	1,262,359	1,299,132
Hedging derivatives						247,794	247,794
Available for sale financial assets	37,771	59,456	3,643,209	3,982,610	3,502,677	2,525,310	13,751,033
Loans and receivables due from credit institutions	5,072,560	2,257,836	1,040,911	526,321	60,191	4,244	8,962,063
Loans and receivables due from customers	2,267,443	675,386	1,426,995	4,715,105	5,442,491	1,469,100	15,996,520
Re-measurement adjustments on interest-rate risk hedged portfolio							
Held to maturity financial assets	21,388	34,251	509	230,637	594,140		880,925
FINANCIAL ASSETS BY MATURITY	12,266,559	3,026,929	6,111,624	9,461,444	9,629,501	11,584,030	**52,080,087**
Amounts due from central banks							
Financial liabilities at fair value through profit or loss – trading book						3,089,330	3,089,330
Financial liabilities at fair value through profit or loss – fair value option							
Hedging derivatives						351,672	351,672
Amounts due to credit institutions	3,638,679	1,944,550	533,887	570,474	77,539	1,004,976	7,770,105
Amounts due to customers	25,801,130	432,827	603,763	1,079,129	92,491		28,009,340
Subordinated debt	17,389		25,805	262,973	608		306,775
Debt securities	708,095	1,958,872	655,561	265,551	8,800		3,596,879
Re-measurement adjustments on interest-rate risk hedged portfolio							
FINANCIAL LIABILITIES BY MATURITY	30,165,293	4,336,249	1,819,016	2,178,127	179,438	4,445,978	**43,124,101**
Financing commitments given to credit institutions	496,659	24	435,154	458,435			1,390,272
Financing commitments given to customers	4,381	14,323	23,344	2,033,762		40,602	2,116,412
TOTAL FINANCING COMMITMENTS GIVEN	501,040	14,347	458,498	2,492,197		40,602	**3,506,684**
Guarantee commitments given to credit institutions				1,300		152,513	153,813
Guarantee commitments given to customers	1,629,535	11,601	22,279	16,540	738	39,703	1,720,396
TOTAL GUARANTEE COMMITMENTS GIVEN	1,629,535	11,601	22,279	17,840	738	192,216	**1,874,209**

NOTE 8

Partnerships and associated companies

8.1 Investments in companies accounted for under the equity method

8.1.1 Partnerships and other associates

The Group's main holdings accounted for under the equity method concern the following joint ventures and associates:

in thousands of euros	**31/12/15**	31/12/14
Acléda	79,788	62,472
BCEL	17,496	17,721
BCI NC	126,233	120,300
SBE	22,623	21,676
Socrédo	41,466	40,525
Other		
Financial companies	**287,606**	**262,694**
Aurora	18,635	18,635
Other		
Non-financial companies	**18,635**	**18,635**
TOTAL HOLDINGS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**306,241**	**281,329**

8.1.2 Financial data for the main partnerships and associates

Summarised financial data for joint ventures and/or companies under significant influence are as follows:

This information is drawn up on the basis of the latest data available published by the entities concerned.

Material companies	Associates					
in thousands of euros	Banque Calédonienne d'Investissement (BCI)	Banque Calédonienne d'Investissement (BCI)	ACLEDA	ACLEDA	Socrédo	Socrédo
	31/12/15	31/12/14	**31/12/15**	31/12/14	**31/12/15**	31/12/14
Valuation method	Equity method	Equity method	Equity method	Equity method	Equity method	Equity method
DIVIDENDS RECEIVED	**2,829**	3,551	**4,437**	3,676	**610**	0
MAIN AGGREGATES (A)						
Total assets	*2,430,466*	*2,187,931*	*3,495,970*	*2,476,970*	*2,220,854*	*2,109,551*
Total debt	*2,177,495*	*1,946,850*	*2,990,156*	*2,112,512*	*1,944,412*	*1,839,386*
Income statement						
GNP	86,682	81,516	240,074	156,525	76,819	76,578
Operating profit	43,255	40,944	119,723	72,017	18,533	16,191
Income tax	-18,052	-17,593	-21,965	-13,329	-7,067	-6,621
Net profit	24,945	23,685	97,757	58,688	11,059	9,569
RECONCILIATION WITH THE VALUE IN THE BALANCE SHEET OF THE COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD						
Equity of companies accounted for under the equity method	252,971	241,081	505,814	364,458	276,442	270,165
Percentage of ownership	49.90%	49.90%	12.25%	12.25%	15.00%	15.00%
Group share in the equity of the companies accounted for under the equity method	126,233	120,300	61,962	44,646	41,466	40,525
Goodwill	0	0	17,826	17,826	0	0
VALUE OF THE HOLDINGS ACCOUNTED FOR UNDER THE EQUITY METHOD	**126,233**	120,300	**79,788**	62,472	**41,466**	40,525

a) lines of aggregates from the balance sheet and income statement of the entities concerned (joint ventures and associates)

Summarised financial data for non-material joint ventures and companies under significant influence at 31/12/2015 are as follows:

non-material companies		
in thousands of euros	Joint ventures	Associates
Carrying amount of holdings accounted for under the equity method		58,754
Total amount of shares in		
net profit (a)		*1,102*
o/w discontinued activities		
Gains and losses recognised directly in equity (b)		-864
Comprehensive income (a) + (b)		238

In 2014 SBE appeared as joint ventures; from 2015 onwards it has been classified as an associate.

Summarised financial data for non-material joint ventures and companies under significant influence at 31/12/2014 are as follows:

non-material companies

in thousands of euros	Joint ventures	Associates
Carrying amount of holdings accounted for under the equity method	21,676	36,356
Total amount of shares 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

8.1.3 Nature and scope of major restrictions

The Group has not been faced with any major restrictions.

8.2 Share of net profit of companies accounted for under the equity method

in thousands of euros	**FY 2015**	FY 2014
Acleda	11,975	7,189
BCEL	-32	1,677
BCI	12,140	11,484
SBE	1,134	929
Socredo	1,551	1,435
Other		
Financial companies	**26,768**	**22,714**
Aurora		
Other		
Non-financial companies	**0**	**0**
SHARE OF NET PROFIT OF COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**26,768**	**22,714**

NOTE 9
Employee benefits

9.1 Personnel costs

in thousands of euros	**FY 2015**	FY 2014
Wages and salaries	-201,642	-196,694
Costs of defined-benefit and defined-contribution plans	-40,827	-42,041
Other social security costs and taxes	-85,766	-81,800
Profit-sharing and incentive plans	-43,400	-38,095
TOTAL PERSONNEL COSTS	**-371,635**	**-358,630**

The CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi) is deducted from payroll costs. It amounted to € 4.330 million in FY 2015. The use of this tax is presented in section 6, "Corporate social and environmental responsibility", of the annual report.

9.2 Employee benefit regulations

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.

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 95% made up of government bonds), but with significant exposure to equities (40%, of which 20% in the eurozone). 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 assets/liabilities are carried forward every year and presented to the CARBP Technical, Financial and Risk Commission and for information to the BPCE Group Social Employee Monitoring Committee. 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.

9.2.1 Analysis of employee benefit assets and liabilities recorded on the balance sheet

	Post-employment benefits related to defined contribution plans					Other long-term benefits			
in thousands of euros	CAR pension comple-ments	CGP pension comple-ments	Pension comple-ments and other schemes OTHER	Pension comple-ments and other schemes	End-of-career awards	Long-service awards	Other benefit	**FY 2015**	FY 2014
Actuarial liabilities	106,139	0	10,224	116,363	35,172	4,866	0	156,401	167,250
Fair value of scheme assets	-55,003	0	-6,752	-61,755	-7,206	0	0	-68,961	-61,642
Fair value of reimbursement rights	0	0	0	0	0	0	0	0	0
Effect of ceiling on plan assets	0	0	0	0	0			0	0
Net amount reported on the balance sheet	**51,136**	**0**	**3,472**	**54,608**	**27,966**	**4,866**	**0**	**87,440**	**105,608**
Employee benefit commitments	51,136	0	3,472	54,608	28,321	4,866	507	88,302	105,737
Employee benefit assets		0	0	0	0	0	0	0	209

9.2.2 Change in amounts recognised on the balance sheet

CHANGE IN ACTUARIAL LIABILITIES

	Post-employment benefits related to defined contribution plans					Other long-term benefits			
in thousands of euros	CAR pension comple-ments	CGP pension comple-ments	Pension comple-ments and other schemes OTHER	Pension comple-ments and other schemes	End-of-career awards	Long-service awards	Other benefit	**FY 2015**	FY 2014
Actuarial liabilities at the start of the period	**117,788**	**0**	**4,034**	**121,822**	**40,088**	**5,101**	**0**	**167,011**	**142,693**
Cost of services rendered	0	0	0	0	2,339	353	0	2,692	2,013
Past service cost	0	0	0	0	0	0	0	0	0
Financial cost	1,817	0	18	1,835	611	65	0	2,511	4,134
Services rendered	-4,045	0	-562	-4,607	-2,159	-160	0	-6,926	-7,790
Other	0	0	0	0	283	-493	0	-210	807
Variations booked as profit/loss	**-2,228**	**0**	**-544**	**-2,772**	**1,074**	**-235**	**0**	**-1,933**	**-836**
Reevaluation discrepancies – Demographic hypotheses	-690	0	0	-690	-794			-1,484	578
Reevaluation discrepancies – Financial hypotheses	-7,761	0	3	-7,758	-4,326			-12,084	26,240
Reevaluation discrepancies – Experience effects	-970	0	6,731	5,761	-611			5,150	-1,183
Variations accounted for directly as non-recyclable equity	**-9,421**	**0**	**6,734**	**-2,687**	**-5,731**			**-8,418**	**25,635**
Translation differences	0	0	0	0	8	0	0	8	24
Variations in scope	0	0	0	0	0	0	0	0	-260
Other	0	0	0	0	-267	0	0	-267	-6
Actuarial liabilities calculated at the end of the period	**106,139**	**0**	**10,224**	**116,363**	**35,172**	**4,866**	**0**	**156,401**	**167,250**

DIFFERENCE IN PLAN ASSETS

in thousands of euros	Post-employment benefits related to defined contribution plans					Other long-term benefits		**FY 2015**	FY 2014
	CAR pension comple-ments	CGP pension comple-ments	Pension comple-ments and other schemes OTHER	Pension comple-ments and other schemes	End-of-career awards	Long-service awards	Other benefit		
Fair value of assets at start of period	**51,208**	**0**	**1,404**	**52,612**	**9,030**	**0**	**0**	**61,642**	**43,550**
Interest received	804	0	34	838	122	0	0	960	1,340
In-payments received	0	0	0	0	0	0	0	0	17,683
Payments made	-716	0	-562	-1,278	-2,060	0	0	-3,338	-3,640
Other	0	0	0	0	0	0	0	0	-53
Variations booked as profit/loss	**88**	**0**	**-528**	**-440**	**-1,938**	**0**	**0**	**-2,378**	**15,330**
Reevaluation discrepancies – Return on scheme's assets	3,707	0	5,876	9,583	114			9,697	2,762
Variations accounted for directly as non-recyclable equity	**3,707**	**0**	**5,876**	**9,583**	**114**			**9,697**	**2,762**
Translation differences	0	0	0	0	0	0	0	0	0
Variations in scope	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Fair value of assets at end of period	**55,003**	**0**	**6,752**	**61,755**	**7,206**	**0**	**0**	**68,961**	**61,642**

REEVALUATION DISCREPANCIES ON POST-EMPLOYMENT BENEFITS

in thousands of euros	Pension comple-ments and other schemes – CAR-BP	Pension comple-ments and other schemes – CGPCE	Pension comple-ments and other schemes OTHER	Pension comple-ments and other schemes	End-of-career awards	**FY 2015**	FY 2014
Reevaluation discrepancies totalled at start of period	**27,997**	**0**	**623**	**28,620**	**-1,735**	**26,885**	**4,005**
Reevaluation discrepancies generated over the financial year	-13,128	0	858	-12,270	-5,845	-18,115	22,880
Ceiling adjustments on assets	0	0	0	0	0	0	
Total reevaluation discrepancies at end of period	**14,869**	**0**	**1,481**	**16,350**	**-7,580**	**8,770**	**26,885**

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 reevaluation difference recorded for post-employment benefits in equity.

9.2.3 Actuarial expense under defined-benefit schemes

The various components of the expense under defined-benefit schemes are booked under "Personnel costs".

	Post-employment schemes related to defined contribution plans					Other long-term benefits			
in thousands of euros	CAR pension comple-ments	CGP pension comple-ments	Pension comple-ments and other schemes OTHER	Pension comple-ments and other schemes	End-of-career awards	Long-service awards	Other benefits	**FY 2015**	FY 2014
Current-year service cost	0	0	0	0	-2,339	-353	0	-2,692	-2,013
Past service cost	0	0	0	0	0	0	0	0	0
Financial cost	-1,817	0	-18	-1,835	-611	-65	0	-2,511	-4,134
Interest received	804	0	34	838	122	0	0	960	1,340
Payments made	3,329	0	0	3,329	99	160	0	3,588	4,150
In-payments received	0	0	0	0	0	0	0	0	17,683
Others including ceiling on assets	0	0	0	0	-283	493	0	210	-860
Total costs for the year	**2,316**	**0**	**16**	**2,332**	**-3,012**	**235**	**0**	**-445**	**16,166**

9.2.4 Other information

MAIN ACTUARIAL ASSUMPTIONS

	31/12/15 CAR-BP	31/12/14 CAR-BP
Discount rate	1.83%	1.57%
Inflation rate	1.70%	1.80%
Mortality table used	TGH05-TGF05	TGH05-TGF05
Duration	14.6	15.5

SENSITIVITY OF THE ACTUARIAL LIABILITIES TO THE VARIATIONS IN THE PRINCIPAL HYPOTHESES

At 31 December 2015, a drop of 1% in the discount rate and the inflation rate would have the following impact on the actuarial liabilities:

In % and € millions	**CARBP**	
	%	montant
1% increase in the discount rate	-12.84%	-13,628
1% decrease in the discount rate	+16.19%	17,179
1% increase in the inflation rate	+15.24%	16,180
1% decrease in the inflation rate	-9.70%	-10,296

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

in € millions	CAR-BP
Y+1 to Y+5	23,474
Y+6 to Y+10	23,395
Y+11 to Y+15	22,335
Y+16 to Y+20	20,233
>Y+20	51,785

BREAKDOWN OF FAIR VALUE OF SCHEME ASSETS

	CAR-BP		CGP		Other pension complements		End-of-career awards	
	Weight by category *(as a %)*	Fair value of assets *(€ millions)*	*Weight by category (as a %)*	Fair value of assets *(€ millions)*	Weight by category *(as a %)*	Fair value of assets *(€ millions)*	Weight by category *(as a %)*	Fair value of assets *(€ millions)*
Equities	39.38%	21,659		0	0.00%	0	9.01%	649
Debt instruments	50.21%	27,616		0	0.00%	0	84.10%	6,060
real estate	0.00%	0		0	0.00%	0	3.50%	252
other assets	10.41%	5,728		0	100.00%	6,752	3.40%	245
TOTAL	**100.00%**	**55,003**	**0,00%**	**0**	**100.0%**	**6,752**	**100.00%**	**7,206**

9.3 Share-based payments

None.

NOTE 10
Segment reporting

10.1 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.

in € millions	Commercial Banking France 2014	Commercial Banking France 2015	Commercial Banking France Change 2015/2014	International and Overseas Commercial Banking 2014	International and Overseas Commercial Banking 2015	International and Overseas Commercial Banking Change 2015/2014	International Trade Financing 2014	International Trade Financing 2015	International Trade Financing Change 2015/2014
Interest margin	430.4	435.1	1.1%	38.0	41.3	8.7%	2.2	2.7	27.0%
Fee income	371.6	384.8	3.6%	8.3	10.4	25.2%	2.0	2.3	11.3%
Net banking income	**802.0**	**819.9**	**2.2%**	**46.3**	**51.7**	**11.7%**	**4.2**	**5.0**	**19.4%**
Charges	-532.9	-542.0	1.7%	-39.0	-38.8	-0.5%	-4.5	-8.9	98.3%
Gross operating profit	**269.1**	**277.9**	**3.3%**	**7.3**	**12.9**	76.8%	-0.3	**-3.9**	**ns**
Provisions	-86.4	-58.3	-32.5%	-3.3	-15.5	ns		-11.1	ns
Net operating profit	**182.7**	**219.6**	**20.2%**	**4.0**	**-2.6**	**ns**	**-0.3**	**-15.1**	**ns**
Change in value of goodwill			ns			ns			ns
Gain or loss on non-current assets			ns			ns			ns
Share of profit (loss) of companies accounted for under the equity method	0.9	1.1	22.1%	21.8	25.6	17.7%			ns
PROFIT ON ORDINARY ACTIVITIES	**183.7**	**220.7**	**20.2%**	**25.8**	**23.0**	**-10.7%**	**-0.3**	**-15.1**	**ns**

in € millions	ALM 2014	ALM 2015	ALM Change 2015/2014	Capital Markets Department 2014	Capital Markets Department 2015	Capital Markets Department Change 2015/2014	Consolidated Management of Investments 2014	Consolidated Management of Investments 2015	Consolidated Management of Investments Change 2015/2014
Interest margin	5.8	11.0	89.9%	76.0	83.8	10.2%	40.0	84.8	111.8%
Fee income			ns	0.9	1.3	38.6%			ns
Net banking income	**5.8**	**11.0**	**89.9%**	**76.9**	**85.0**	**10.5%**	**40.0**	**84.8**	**111.8%**
Operating expenses	-1.7	-1.5	-16.0%	-34.9	-37.7	8.1%	-4.6	-9.3	103.3%
Gross operating profit	**4.0**	**9.5**	**135.4%**	**42.0**	**47.3**	12.6%	35.5	**75.6**	**112.9%**
Provisions			ns	2.9		-100.0%	0.8	1.3	66.7%
Net operating profit	**4.0**	**9.5**	**135.4%**	**45.0**	**47.3**	**5.2%**	**36.3**	**76.9**	**111.9%**
Change in value of goodwill			ns			ns		-11.0	ns
Gain or loss on non-current assets			ns			ns		0.3	ns
Share of profit (loss) of companies accounted for under the equity method			ns			ns			ns
PROFIT ON ORDINARY ACTIVITIES	**4.0**	**9.5**	**135.4%**	**45.0**	**47.3**	**5.2%**	**36.3**	**66.2**	**82.4%**

The breakdown was refined in 2015 and the 2014 data has been adjusted accordingly for the purpose of comparison.

10.2. Segment analysis of consolidated balance sheet by geographic region

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

JOBS

	2014			**2015**					
in € millions	France	French over-seas	Interna-tional	**France**	**French overseas**	**Interna-tional**	o/w European countries	o/w North America	o/w rest of world
Financial assets	22,444	27	798	21,422	3	830	819		11
Loans and advances to credit institutions	10,436	704	252	12,745	752	332	75		257
Loans and receivables due from customers	11,357	2,820	650	11,985	3,259	752	200		552
Accrual accounts and other assets	2,295	-139	-569	2,608	-125	-675	-461		-214
Non-current assets	88	503	151	-100	749	152	21		131
TOTAL ASSETS	**46,620**	**3,915**	**1,282**	**48,660**	**4,638**	**1,391**	**654**		**737**

RESSOURCES

	2014			**2015**					
in € millions	France	French over-seas	Interna-tional	**France**	**French overseas**	**Interna-tional**	o/w European countries	o/w North America	o/w rest of world
Financial liabilities	3,936			3,441					
Amounts due to credit institutions	7,000	635	423	6,799	661	310	529		-219
Amounts due to customers	22,273	2,830	596	24,113	3,096	800	51		749
Debt securities	2,820		117	3,480		117			117
Securities transactions and other liabilities	7,540	220	-31	7,859	253	8	-14		21
Provisions, equity and similar	2,956	328	174	3,229	368	155	88		68
TOTAL LIABILITIES	**46,525**	**4,013**	**1,279**	**48,921**	**4,378**	**1,390**	**654**		**736**

10.3. 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.

in € millions	**FY 2014**	FY 2015
France	709	739
French overseas	202	250
Other European countries	18	15
North America		
Rest of world	43	53
TOTAL	**972**	**1057**

NOTE 11
Commitments

11.1 Financing and guarantee commitments

The amount shown represents the nominal value of the commitment given.

FINANCING COMMITMENTS

in thousands of euros	**31/12/15**	31/12/14
Financing commitments given:		
credit institutions	1,390,272	1,061,697
customers	2,116,412	2,014,406
– Confirmed credit facilities	2,062,395	1,991,949
– Other commitments	54,017	22,457
TOTAL FINANCING COMMITMENTS GIVEN	**3,506,684**	**3,076,103**
Financing commitments received:		
credit institutions	4,826,888	6,688,087
customers	1,543,296	69,118
TOTAL FINANCING COMMITMENTS RECEIVED	**6,370,184**	**6,757,205**

GUARANTEE COMMITMENTS

in thousands of euros	**31/12/15**	31/12/14
Guarantee commitments given:		
credit institutions	153,813	123,394
customers	1,720,396	1,765,882
other commitments given	0	0
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,874,209**	**1,889,276**
Guarantee commitments received:		
credit institutions	3,779,064	3,972,169
customers	7,843,123	393,302
other commitments received	0	0
TOTAL GUARENTEE COMMITMENTS RECEIVED	**11,622,187**	**4,365,471**

Guarantee commitments are off-balance sheet commitments.

The "securities assigned as guarantees" figure in note 13 "Transferred, not fully derecognised financial assets and other assets given as guarantees".

The "securities received as guarantees" figure in note 13 "Financial assets received as a guarantee and of which the entity may dispose".

NOTE 12
Related party transactions

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

12.1 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 Group consolidation (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 and are accounted for under the equity method (associates)

in thousands of euros	**31/12/15**			31/12/14		
	Entities exercising joint control or significant influence	**Joint ventures**	**Associates**	Entities exercising joint control or significant influence	Joint ventures	Associates
Loans and advances	529,700		263,014	534,190		197,735
Other financial assets	693,425		212,977	693,425	18,000	183,084
Other assets	24,087		37,993	9,826		45,001
Total assets with related parties	**1,247,212**	**0**	**513,984**	**1,237,441**	**18,000**	**425,820**
Debt	902,550		214,504	903,066	23,924	56,911
Other financial liabilities	109,798			135,165		
Other liabilities						
Total liabilities towards related parties	**1,012,348**	**0**	**214,504**	**1,038,231**	**23,924**	**56,911**
Interest and similar income and expense	-17,782		7,738	-18,713		8,088
Fees and commissions	57		-587	194	-130	
Net gain or loss on financial transactions	16,808		9,004	15,608	512	8,196
Net income from other activities						
Total net banking income with related parties	**-917**	**0**	**16,155**	**-2,911**	**382**	**16,284**
Commitments given	435,153		84,271	450,000		84,510
Commitments received						
Commitments in respect of forward financial instruments			242,156		65,000	234,519
Total commitments involving related parties	**435,153**	**0**	**326,427**	**450,000**	**65,000**	**319,029**

In 2014 the SBE appeared in the joint ventures; it was classed as an associate from 2015 onwards.

The list of subsidiaries consolidated by total integration is communicated in note 18 – Scope of consolidation.

NOTE 13

Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that can be sold or re-pledged

13.1 Transferred financial assets not wholly derecognised and other financial assets pledged as collateral

in thousands of euros	Pure securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitisa-tions	**31/12/15**
	NAV	NAV	NAV	NAV	**NAV**
Financial assets pledged as collateral					
Financial liabilities held for trading	0	221,307	961,986	0	1,183,293
Financial assets designated at fair value through profit or loss by option	0	0	0	0	0
Hedging derivatives	0	0	0	0	0
Available for sale financial assets	0	3,128,257	3,226,925	0	6,355,182
Loans and receivables	0	992,611	1,161,593	0	2,154,204
Assets held to maturity	0	0	0	0	0
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**0**	**4,342,175**	**5,350,504**	**0**	**9,692,679**
of which transferred financial assets not wholly derecognised	0	4,342,175	5,350,504	0	9,692,679

The liabilities arising from financial assets not wholly derecognised in the context of repurchase agreements amounts to €4,328,000.

13.1.1. Comments on transferred financial assets

Repurchase agreements and securities lending

BRED 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

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 as collateral involves the legal transfer of contractual rights and thus the "transfer of assets" in the meaning of the amendment to IFRS 7. The Group nonetheless remains exposed to virtually all the risks and benefits, which translates into the receivables being maintained in the balance sheet.

Securitisations consolidated with external investors

Les titrisations consolidées avec investisseurs externes Securitisations consolidated with external investors constitute a transfer of assets in the meaning of the amendment to IFRS 7.

The Group has an indirect contractual obligation to issue the external investors with the cash flow of assets transferred to the securitisation fund (although these assets figure in the Group's balance sheet via the consolidation of the fund).

For the consolidated securitisation operations, for transparency:
- the share of receivables transferred due to the external investors is considered as being pledged as collateral to third parties;
- the share of receivables transferred due to shares and bonds subscribed to by the Group, and eliminated in consolidation, is not considered as being pledged as collateral unless these securities have been contributed to the cash pool of the BPCE Group or used in the framework of a refinancing mechanism.

13.1.2. Comments on financial assets pledged as collateral but not transferred

Financial assets provided as collateral but not transferred are generally given as collateral in the form of a pledge. The main mechanism concerns securities pledged as collateral for European Central Bank (ECB) refinancing operations.

Moreover, in compliance with the French legal framework, the intrinsic guarantees associated with the securitised bond issues are not accounted for as pledged collateral.

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

	Reusable financial instruments		
in thousands of euros	Fair value of reusable financial instruments not reused	Fair value of reused financial instruments	Total reusable financial instruments
Fixed-income securities	3,963,307	360,202	4,323,509
Variable-income securities	2,833,925	36,099	2,870,024
Loans and advances	0	0	0
Other	0	0	0
TOTAL FINANCIAL ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR RE-PLEDGED	**6,797,232**	**396,301**	**7,193,533**

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

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

None.

NOTE 14
Netting financial assets and liabilities

The financial assets and liabilities "subject to netting agreements not netted in the balance sheet" correspond to the exposure from transactions under netting master a greements or the like but which do not satisfy the restrictive netting criteria of the standard IAS 32. 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.

For these instruments, the columns "Associated financial assets and financial instruments pledged as collateral" and "Associated financial liabilities and financial instruments pledged as collateral" comprise, inter alia:

- for repurchase agreements:

– the loans or lending resulting from reverse repurchase agreements with the same counterparty and securities received or pledged as collateral (for the fair value of the said securities);

– margin calls in the form of securities (for the fair value of the said securities);

- for derivatives operations, fair values in the reverse direction with the same counterparty, and margin calls in the form of securities.

The margin calls received or paid into cash figure in the "Margin calls received (cash collateral)" and "Margin calls paid (cash collateral)" columns.

3

14.1 Financial assets

FINANCIAL ASSETS UNDER NETTING AGREEMENTS NOT OFFSET IN THE BALANCE SHEET

	31/12/15				31/12/14			
en millions d'euros	**Net amount of financial assets recog-nised in the balance sheet**	**Related financial liabilities and financial instru-ments received as collateral**	**Margin calls received *(cash collateral)***	**Net exposure**	Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instru-ments received as collateral	Margin calls received *(cash collateral)*	Net exposure
Derivatives	2,785	2,220	264	301	2,804	2,260	302	243
Repurchase agreements	5,539	5,530	0	8	6,140	6,112	2	25
Other assets								
TOTAL	**8,324**	**7,750**	**264**	**310**	**8,944**	**8,372**	**304**	**268**

The figures as at 31 December 2014 have been revised on the basis of the 2015 pro forma.

14.2 Financial liabilities

FINANCIAL LIABILITIES UNDER NETTING AGREEMENTS NOT OFFSET IN THE BALANCE SHEET

en millions d'euros	**31/12/15** Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received *(cash collateral)*	Net exposure	**31/12/14** Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received *(cash collateral)*	Net exposure
Derivatives	3,137	2,220	853	64	3,207	2,260	792	155
Repurchase agreements	3,225	3,215		10	6,107	6,080	0	26
Other liabilities								
TOTAL	**6,361**	**5,435**	**853**	**74**	**9,314**	**8,340**	**792**	**181**

The figures as at 31 December 2014 have been revised on the basis of the 2015 pro forma.

NOTE 15
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.

in thousands of euros	31/12/15				31/12/14			
	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 on 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	8,915,647		8,164,977	750,670	9,713,814		8,974,036	739,778
Loans and receivables due from customers	17,060,417	0	3,545,572	13,514,845	16,249,679		3,332,627	12,917,052
Financial assets held to maturity	1,060,758	1,060,758	0	0	1,109,042	1,109,042		
FINANCIAL LIABILITIES AT AMORTISED COST								
Amounts due to credit institutions	7,804,762	0	7,804,762	0	8,120,817		8,120,817	
Amounts due to customers	28,006,970	0	23,064,576	4,942,394	25,699,528		21,109,355	4,590,173
Debt securities	3,660,303	0	3,598,438	61,865	2,940,146		2,940,146	
Subordinated debt	342,888	0	342,405	483	430,690		430,690	

NOTE 16
Conditions for drawing up comparative data

Not applicable in 2015.

NOTE 17
Interests in non-consolidated structured entities

17.1 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 BRED Group.

An interest in an entity corresponds to any type of contractual or non-contractual relationship that exposes BRED 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 17.2, 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 is in relations may be grouped into four families: 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)

17.2 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.

in thousands of euros	Securitisation	Asset management	Structured financing	Other activities	Total at 31/12/2015
Financial assets at fair value through profit or loss	0	702,072	26,289	0	**728,361**
Trading derivatives	0	0	26,289	0	26,289
Trading financial instruments (excluding derivatives)	0	702,072	0	0	702,072
Financial instruments designated at fair value through profit or loss by option	0	0	0	0	0
Available for sale financial assets	0	443,679	21,730	27,074	**492,483**
Loans and receivables	0	8,487	322,244	0	**330,731**
Held to maturity financial assets	0	0	0	0	**0**
Other assets	0	0	0	0	**0**
TOTAL ASSETS	**0**	**1,154,238**	**370,263**	**27,074**	**1,551,575**
Financial liabilities at fair value through profit or loss	0	8,903	0	0	**8,903**
Provisions	0	0	0	0	**0**
TOTAL LIABILITIES	**0**	**8,903**	**0**	**0**	**8,903**
Financing commitments given	0	149,450	96,846	0	**246,296**
Guarantee commitments given	0	36,819	25,568	0	**62,387**
Guarantees received	0	0	0	0	**0**
Notional amount of derivatives	0	0	0	0	**0**
MAXIMUM LOSS EXPOSURE	**0**	**1,340,507**	**492,677**	**27,074**	**1,860,258**
SIZE OF STRUCTURED ENTITY	**0**	**40,524,014**	**541,953**	**855,165**	**41,921,132**

in thousands of euros	Securitisation	Asset management	Structured financing	Other activities	Total at 31/12/2014
Financial assets at fair value through profit or loss	0	653,691	30,330	0	**684,021**
Trading derivatives	0	631	30,330	0	30,961
Trading financial instruments (excluding derivatives)	0	653,060	0	0	653,060
Financial instruments designated at fair value through profit or loss by option	0	0	0	0	0
Available for sale financial assets	75,291	368,478	21,715	28,484	**493,968**
Loans and receivables	0	17,240	145,280	0	**162,520**
Held to maturity financial assets	0	0	0	0	**0**
Other assets	27	0	0	0	**27**
TOTAL ASSETS	**75,318**	**1,039,409**	**197,325**	**28,484**	**1,340,536**
Financial liabilities at fair value through profit or loss	0	21,177	0	0	**21,177**
Provisions	0	0	0	0	**0**
TOTAL LIABILITIES	**0**	**21,177**	**0**	**0**	**21,177**
Financing commitments given	0	0	734	0	**734**
Guarantee commitments given	0	81,571	0	0	**81,571**
Guarantees received	0	0	0	0	**0**
Notional amount of derivatives	0	0	0	0	**0**
MAXIMUM LOSS EXPOSURE	**0**	**81,571**	**734**	**0**	**82,305**
SIZE OF STRUCTURED ENTITY	**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 balance sheet total.

At 31 December 2015, BRED also had investments in securitisation vehicles outside Groupe BPCE in the form of debt securities, for a total amount of €959 million.

During the period 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.

17.3 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.

BRED Group is not the sponsor of any structured entities.

NOTE 18
Consolidation scope

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.

For each of the entities within the scope the percentage of control and interest is indicated. The percentage of interest expresses the share of the capital held by the Group, directly and indirectly in the companies within the scope. The percentage of interest enables the Group's share to be determined in the net assets of the company held.

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

- In 2015, the consolidation scope included 38 companies, including 32 fully or proportionally consolidated companies and 6 consolidated using the equity method.
- Changes in the consolidation scope since 1 January 2015:
  - exit of Crédit Maritime Outre-Mer by absorption, of Bercy Gestion Finance and Bercy Patrimoine,
  - entry of BIC-BRED Suisse.

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	Nationality (F: French) (NF: non-French)	Voting interest (%)	Ownership interest (%)
CONSOLIDATED UNDER THE FULL METHOD			
Parent company			
BRED Banque Populaire – 18, quai de la Rapée – 75012 Paris	F		
Financial undertakings – Credit institutions			
Banque Franco Lao – 23 Singha Road – 159 Nongbone – Vientiane – LAO	E	54.00	54.00
BCI Mer Rouge – place Lagarde – Djibouti	E	51.00	51.00
BIC BRED – 18, quai de la Rapée – 75012 Paris	F	99.99	99.99
BIC BRED Suisse – Place de Longemalle 1, 1204 Geneva – Switzerland	E	100.00	99.99
BRED Bank Fidji ltd – 96, Thomson Street – Suva – Fiji Islands	E	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 – République du Vanuatu	E	85.00	85.00
EPBF – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	100.00	100.00
Socama BRED – 18, quai de la Rapée – 75012 Paris	F	100.00	6.85
Socama Normandie – 8, bld Salvador Allende – 27000 Evreux	F	100.00	6.97
Sofiag – 12 bd du général de Gaulle – 97242 Fort-de-France	F	100.00	100.00
Sofider – 3 rue Labourdonnais – 97400 Saint-Denis de La Réunion	F	100.00	100.00
Financial institutions other than credit institutions			
Cofibred – 18 quai de la Rapée – 75012 Paris	F	100.00	100.00
NJR Invest –181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	100.00	100.00
NJR Finance BV – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	100.00	100.00
Promepar Gestion – 18, quai de la Rapée – 75012 Paris	F	100.00	99.99
Other financial undertakings			
Brd China Ltd – 78 Yang He Yi Cun, Jiangbei Dt, Chongquing China	E	100.00	100.00
BRED IT – Thai Wah Tower – Sathorn District – Bangkok – Thailand	E	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 Republic	E	100.00	100.00
IRR Invest – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	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	99.60	99.60
SPIG – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00
Vialink – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00
Non-financial companies – Insurance			
PREPAR IARD – Tour Franklin – 101 quartier Boïeldieu – 92040 La Défense	F	99.99	99.99
PREPAR-VIE – Tour Franklin – 101 quartier Boïeldieu – 92040 La Défense	F	99.91	99.91
CONSOLIDATED UNDER THE EQUITY METHOD			
Credit institutions			
ACLEDA 61 Preah Monivong Blvd – Kahn Daun Penh – Cambodia	E	12.25	12.25
BCEL – 1, Pangkam street – Bang Xiengnheun, Vientiane, Laos	E	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
Other non-financial companies			
Aurora – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E		100.00

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 in 2014:

FCC Amaren II was dissolved on 26 April 2015.

in thousands of euros	**31/12/15**	31/12/14
Gross amount of securitised receivables	0	90,986
Discount on securitised receivables	0	-9,225
Cash	0	-6,629
TOTAL ASSETS	**0**	**75,131**
Amaren II bonds in investment securities	0	75,131
Impact on equity: write-down neutralisation	0	9,225

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 19

Statutory Auditors' fees

					TOTAL
montants in thousands of euros		2015		2014	Var (%)
	Amount	%	Amount	%	
Audit					
Statutory audit, review of individual and consolidated financial statements	**945**	**76.0**	**985**	**78.9**	**-4.1**
- Issuer	*460*		*456*		
- Fully integrated subsidiaries	*485*		*529*		
Other audit procedures and services directly related to the statutory audit assignment	**298**	**24.0**	**263**	**21.1**	**13.4**
- Issuer	*112*		*193*		
- Fully integrated subsidiaries	*186*		*70*		
SUB-TOTAL	**1,243**	**100.0**	**1,247**	**100.0**	**-0.4**
Services provided by the network to the fully integrated subsidiaries					
Legal, tax, employment-related					
Other					
SUB-TOTAL					
TOTAL	**1,243**	**100.0**	**1,247**	**100.0**	**-0.4**

KPMG					PWC				
2015		2014		Var (%)	**2015**		2014		Var (%)
Amount	**%**	Amount	%		**Amount**	**%**	Amount	%	
459	**65.4**	**500**	**80.0**	**-8.2**	**486**	**89.8**	**484**	**77.9**	**0.2**
230		*210*			*230*		*246*		
229		*290*		*21.1*	*256*		*238*		*7.2*
243	**34.6**	**125**	**20.0**	**94.2**	**55**	**10.2**	**137**	**22.1**	**-60**
57		*55*			*55*		*137*		
186		*70*							
702	**100.0**	**625**	**100.0**	**12.3**	**541**	**100.0**	**622**	**100.0**	**-13.1**
702	**100.0**	**625**	**100.0**	**12.3**	**541**	**100.0**	**622**	**100.0**	**-13.1**

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Statutory Auditors' report on the consolidated financial statements

Period ended 31 December 2015

To the cooperative members

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 related to the period ended 31 December 2015, 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 your 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 qualifying our opinion, we draw your attention to note 2.2 "Accounting standards", which sets out the effects of the initial application of IFRIC 21 "Levies".

II. Basis for our opinion

In accordance with the requirements of article L823-9 of the Commercial Code related 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, 5.6 and 7.1 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, 5.4 and 6.4 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 measurement of the most important lines and the estimates that, where applicable, resulted in impairment provisions being recognised.

Measurement 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 measurement. 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 measurement 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 9.2 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 5.20 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, 3 May 2016

THE STATUTORY AUDITORS

KPMG Audit	PricewaterhouseCoopers Audit
A division of KPMG SA	
Marie-Christine Jolys	**Anik Chaumartin**
Partner	*Partner*
	Nicolas Montillot
	Partner

COMPANY FINANCIAL STATEMENTS

Balance sheet and off-balance sheet items

Assets

in thousands of euros	*Notes*	**31/12/2015**	31/12/2014
Cash and balances with central banks		**4,739,748**	**1,599,155**
Treasury bills and similar securities	3.3	**7,611,036**	**9,227,544**
Amounts due from credit institutions	3.1	**9,546,421**	**10,231,174**
Amounts due from customers	3.2	**12,903,041**	**11,079,421**
Bonds and other fixed-income securities	3.3	**4,986,776**	**5,789,881**
Shares and other variable-income securities	3.3	**1,198,360**	**658,451**
Equity interests and other long-term investments	3.4	**751,662**	**749,138**
Investments in affiliates	3.4	**985,540**	**986,233**
Finance and operating leases	3.5	**0**	**0**
Intangible assets	3.6	**3,776**	**5,888**
Property, plant and equipment	3.6	**228,218**	**227,511**
Other assets	3.8	**1,415,337**	**1,176,236**
Accruals and deferred income	3.9	**1,255,589**	**899,829**
TOTAL ASSETS		**45,625,504**	**42,630,461**

OFF-BALANCE SHEET ITEMS

in thousands of euros	*Notes*	**31/12/2015**	31/12/2014
Commitments given			
Financing commitments	4.1	3,510,739	3,107,048
Guarantee commitments	4.1	1,795,153	1,943,649
Commitments in respect of securities		209,355	1,023,832

Liabilities

in thousands of euros	*Notes*	**31/12/2015**	31/12/2014
Due to central banks		**0**	**0**
Amounts due to credit institutions	3.1	**8,180,756**	**8,286,211**
Transactions with customers	3.2	**27,277,673**	**25,112,178**
Debt securities	3.7	**3,795,193**	**3,236,451**
Other liabilities	3.8	**1,549,093**	**1,983,644**
Accruals and deferred income	3.9	**1,998,274**	**1,392,065**
Provisions	3.10	**242,546**	**232,304**
Subordinated debt	3.11	**302,726**	**327,627**
Fund for general banking risks (FGBR)	3.12	**158,908**	**148,243**
CAPITAL AND RESERVES (EXCLUDING FGBR)	3.13	**2,120,335**	**1,911,738**
Share capital		683,808	627,181
Share premium account		7,482	4,604
Reserves		1,130,209	1,009,580
Revaluation reserve		0	0
Regulated provisions and investment subsidies		17,280	24,677
Retained earnings		110,000	106,360
Net profit for the year		171,556	139,336
TOTAL LIABILITIES		**45,625,504**	**42,630,461**

OFF-BALANCE SHEET ITEMS

in thousands of euros	*Notes*	**31/12/2015**	31/12/2014
Commitments received			
Financing commitments	4.1	4,827,092	6,688,087
Guarantee commitments	4.1	2,769,244	2,047,074
Commitments in respect of securities		293,531	658,206

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Income statement

in thousands of euros	*Notes*	**Exercice 2015**	Exercice 2014
Interest and similar income	5.1	657,265	703,598
Interest and similar expense	5.1	-320,238	-363,738
Income from finance leases and operating leases	5.2	0	0
Expense on finance leases and operating leases	5.2	0	0
Income from variable-income securities	5.3	19,848	17,226
Fee and commission income	5.4	401,138	390,041
Fee and commission expense	5.4	-96,407	-88,566
Gains or losses on trading securities	5.5	148,189	131,228
Gains or losses on available for sale securities and similar	5.6	34,631	17,988
Other operating banking income	5.7	21,776	13,697
Other operating banking expense	5.7	-1,092	-1,882
Net banking income		**865,110**	**819,591**
Operating expenses	5.8	-515,924	-504,132
Depreciation, amortisation and impairment of non-current assets		-30,136	-26,547
Gross operating profit		**319,050**	**288,912**
Cost of risk	5.9	-59,431	-81,206
Operating profit		**259,620**	**207,706**
Gains or losses on non-current assets	5.10	2,447	-95
Pre-tax profit on ordinary activities		**262,066**	**207,611**
Non-recurring items	5.11	0	0
Income tax	5.12	-90,511	-68,275
Net transfer to/from the fund for general banking risks and regulated provisions		1	0
NET PROFIT FOR THE YEAR		**171,556**	**139,336**

NOTE 1
General Background

1.1 Significant events

Merger with Crédit Maritime Mutuel d'Outre-Mer

The BRED Extraordinary General Meeting of 27 May 2015 and the Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer Extraordinary General Meeting of 21 May 2015 approved the acquisition by merger of Crédit Maritime Mutuel d'Outre-Mer by BRED, with retroactive effect to 1 January 2015.

The BRED Extraordinary General Meeting of 27 May 2015 decided to increase BRED Banque Populaire's share capital by an amount of €2,272,356, through the issue of 222,780 new shares of a par value of €10.20, fully paid up. Three BRED Banque Populaire shares were issued to the cooperative members of Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer, excluding BRED Banque Populaire, in exchange for two Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer shares, with rights on these new shares accruing from 1 January 2015.

Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer's consolidated assets totalled €76.5 million at 31 December 2014 and its net profit for 2014 was €25,000.

Increase in the capital of BRED Banque Populaire

In December 2015 BRED Banque Populaire raised its share capital to €683 808 254 through a cash capital increase and the capitalisation of reserves.

The cash capital increase took the form of the issue at par value of 4,936,887 shares of €10.20 each for a total amount of €50,356,247.40.

The capitalisation of reserves amounted to €3,998,878 through the increase from €10.20 to €10.26 of the par value of the shares.

1.2 Groupe BPCE guarantee mechanism

Groupe BPCE, of which BRED Banque Populaire is part, 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 members own the two retail banking networks, comprising the 18 Banque Populaire banks and the 17 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 members.

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 members. 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.

BPCE's main subsidiaries are arranged into three major divisions:
- Natixis, a listed entity 71.25% of whose share capital is owned jointly, consisting of the Wholesaling Banking, Investment Solutions and Specialised Financial Services business lines;
- Commercial banking and Insurance (comprising Crédit Foncier, Banque Palatine and BPCE International);
- subsidiaries and equity interests.

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 L512-107 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 €450 million 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 €450 million 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 network deposits totalled €181.3 million at 31 December 2015 and 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 R515-1 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

Companies are not obliged to adopt the interpretation of IFRIC 21 "Levies" in their consolidated financial statements in accordance with French generally accepted accounting principles, but in this specific case BRED Banque Populaire has elected to align the French generally accepted accounting principles with IFRS as the French accounting rules on liabilities are based on an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

According to the interpretation of IFRIC 21, an entity must recognise a debt arising from public authority taxes and levies 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. When the obligation to pay this tax arises on 1 January, it must be recognised from that date.

The main taxes concerned by this change in method are the systemic banking tax (TSB), the contribution for ACPR checking fees and the land tax.

In the interests of simplicity and in view of the small amounts involved, it was decided to also apply this change to the C3S by assimilating it with a change to the application rules in the individual accounts without retroactive effect. The 2014 fee to be paid is therefore settled in 2015 as income and not retained earnings. The 2015 fee will subsequently be recognised for the same amount, and will not be spread out over time (no resulting impact of C3S over the financial year).

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 2015 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

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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. 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-à-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. Forecast cash flows are determined by categories of loans and receivables on the basis of loss experience and/or expert appraisal, and are then placed over time on the basis of repayment schedules by reference to collection experience.

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 of mutual funds and investment funds, market value corresponds to the 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 mandatorily 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:

a) under exceptional market circumstances necessitating a change of strategy; and
b) 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:
a) under exceptional market circumstances necessitating a change of strategy; and
b) 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 ANC Regulation No. 2014-03.

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	N/A
Non-destructible facades	N/A
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 L311-1 of the French Monetary and Financial Code and related transactions as defined in Article L311-2 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 L311-1 of the French Monetary and Financial Code and related transactions as defined in Article L311-2 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.

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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 over-hedged 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.

The Group has chosen the following option for negative interest:

- when interest on an asset is negative it is recorded in the net interest income as a deduction from income;
- when interest on an asset is positive it is recorded in the net interest income as a deduction to expense;

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.

Expenses not deductible for tax purposes

DISCLOSURE OF EXCESSIVE EXPENDITURE

In accordance with the provisions of Article 223 quarter and quinquies of the French General Tax Code, we inform you that the financial statements for the year under review do not include any non-deductible expenses of the kind specified in point 4 of Article 39 of said code.

2.3.14 Contributions to the banking resolution mechanisms

On 31 December 2015 the deposit and resolution guarantee fund contribution methods were amended by an Order of 27 October 2015. The cumulative amount of the contributions paid into the fund via the deposits, guarantees and securities mechanism was €17.8 million. Non-reimbursable contributions in the event of voluntary licence withdrawal amounted to €2.3 million. Contributions paid in the form of associate or association certificates and cash guarantee deposits recorded on the assets side of the balance sheet stood at €15.5 million.

The Bank Recovery and Resolution Directive (BRRD) 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and Regulation (EU) No 806/2014 (the SRM Regulation) have instigated the implementation of a resolution guarantee fund from 2015. In 2016 this fund will become a Single Resolution Fund (SRF) between Member States participating in the Single Supervisory Mechanism (SSM). The SRF is a resolution funding instrument, which the resolution authority may employ during the implementation of resolution procedures.

In 2015, pursuant to Delegated Regulation (EU) 2015/63 supplementing the BRRD Directive with regard to exante contributions to resolution financing arrangements and ACPR resolution college Decision No 2015-CR-01 of 24 November 2015, the amount of contributions paid available in the fund was €6.6 million, of which €4.6 million was recognised as an expense and €2.0 million took the form of cash guarantee deposits recorded on the assets side of the balance sheet.

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

in thousands of euros	**31/12/2015**	31/12/2014
Receivable on demand	**498,349**	**554,455**
Current accounts	*496,375*	*553,252*
Overnight loans and advances	*1,973*	*1,203*
Securities purchased under overnight repurchase agreements	*0*	*0*
Non-allocated items	**1,012**	**1,524**
Receivable at term	**9,033,082**	**9,658,829**
Term loans and advances	*2,207,990*	*2,180,028*
Subordinated loans and participating loans	*20,000*	*20,000*
Securities purchased under term repurchase agreements	*6,805,091*	*7,458,801*
Accrued interest	**13,979**	**16,366**
Non-performing loans and receivables	**1**	**0**
o/w irrecoverable non-performing loans	*1*	*0*
Impairment of interbank loans and receivables	**-1**	**0**
o/w impairment of irrecoverable non-performing loans	*-1*	*0*
TOTAL	**9,546,421**	**10,231,174**

Receivables arising from transactions with the network amounted to €401.4 million in demand loans and advances and €517.5 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 €670.0 million at 31 December 2015.

No amounts were due from credit institutions eligible for refinancing by the central bank of the country or countries in which the institution operates or the European Central Bank system at 31 December 2015.

LIABILITIES

in thousands of euros	**31/12/2015**	31/12/2014
Payable on demand	**831,329**	**569,343**
Credit balances on ordinary accounts	*683,704*	*530,952*
Overnight loans and advances	*147,625*	*38,391*
Securities sold under overnight repurchase agreements	*0*	*0*
Other amounts due	**22,072**	**28,055**
Payable at term	**7,313,041**	**7,676,617**
Term deposits and loans	*3,851,572*	*2,123,074*
Securities sold under term repurchase agreements	*3,461,470*	*5,553,543*
Related liabilities	**14,313**	**12,196**
TOTAL	**8,180,756**	**8,286,211**

Liabilities arising from transactions with the network amounted to €17.6 million in demand loans and advances and €889.3 million in term loans and advances.

3.2 Customer transactions

3.2.1 Customer transactions

Loans and advances to customers

ASSETS

in thousands of euros	**31/12/2015**	31/12/2014
Customer accounts in debit	**1,065,463**	**1,183,309**
Commercial receivables	**143,985**	**214,436**
Other loans to customers	**11,225,155**	**9,250,673**
Repurchase agreements	*2,764*	*2,575*
Cash facilities and consumer credit	*1,626,164*	*1,090,172*
Equipment loans	*4,653,515*	*4,040,531*
Home loans	*4,393,105*	*3,112,500*
Other facilities to customers	*8,175*	*468,046*
Securities purchased under repurchase agreements	*471,431*	*466,850*
Subordinated loans	*70,000*	*70,000*
Other		
Accrued interest	**223,719**	**219,905**
Non-performing loans and receivables	**581,261**	**554,883**
Impairment of loans and advances to customers	**-336,542**	**-343,785**
TOTAL	**12,903,041**	**11,079,421**

Amounts due from customers eligible for refinancing by the French Central Bank or the European Central Bank system totalled €3,712,379,000.

Amounts due to customers

LIABILITIES

in thousands of euros	**31/12/2015**	31/12/2014
Regulated savings accounts	**4,833,671**	**4,537,712**
Livret A	*988,685*	*975,525*
PEL / CEL	*1,697,623*	*1,534,556*
Other regulated savings accounts	*2,147,362*	*2,027,631*
Other customer accounts and loans [(1)]	**22,334,346**	**20,482,653**
Guarantee deposits	**42,216**	**24,210**
Other amounts due	**28,920**	**28,234**
Related liabilities	**38,520**	**39,369**
TOTAL	**27,277,673**	**25,112,178**

(1) Breakdown of customer accounts and loans.

in thousands of euros	**31/12/2015**			31/12/2014		
	Demand	**Term**	**Total**	Demand	Term	Total
Credit balances on ordinary accounts	**11,297,062**	**0**	**11,297,062**	**10,576,630**	**0**	**10,576,630**
Loans from financial customers	**6,640,330**	**649,467**	**7,289,797**	**7,140,273**	**383,328**	**7,523,601**
Securities sold under repurchase agreements	**992,505**	**91,734**	**1,084,240**	**22,630**	**1,274,190**	**1,296,820**
Other customer accounts and loans	**0**	**2,663,248**	**2,663,248**	**0**	**1,085,602**	**1,085,602**
TOTAL	**18,929,897**	**3,404,449**	**22,334,346**	**17,739,533**	**2,743,120**	**20,482,653**

3.2.2 Analysis of loans and advances by economic agent

in thousands of euros	Performing loans	Non-performing loans and receivables		o/w irrecoverable non-performing loans	
		Gross	Individual impairment	Gross	Individual impairment
Non-financial companies	6,316,951	398,836	-253,054	290,218	-194,085
Self-employed professionals	660,231	47,173	-20,823	28,922	-16,802
Retail	4,717,759	123,722	-53,376	76,434	-47,378
Private sector administrations	84,135	10,858	-8,311	3,341	-3,313
Social security and public administrations	19,021	-1	0	0	0
Other	388,795	673	-978	0	0
TOTAL AT 31 DECEMBER 2015	**12,186,891**	**581,261**	**-336,542**	**398,915**	**-261,577**
Total at 31 December 2014	**10,401,473**	**554,883**	**-343,785**	**390,997**	**-274,617**

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

3.3.1 Securities portfolio

in thousands of euros	31/12/2015					31/12/2014				
	Trading	**Available for sale securities**	**Held to maturity securities**	**Portfolio securities**	**Total**	Trading	Available for sale securities	Held to maturity securities	Portfolio securities	Total
Treasury bills and similar securities	**1,871,483**	**4,978,098**	**761,454**		**7,611,036**	**1,428,949**	**6,639,543**	**1,159,052**		**9,227,544**
Gross amount		4,973,528	752,034		5,725,561		6,615,753	1,145,055		7,760,807
Accrued interest		8,562	9,420		17,982		23,790	13,997		37,787
Impairment		-3,992			-3,992					0
Bonds and other fixed-income securities	**1,196,744**	**3,733,486**	**56,547**		**4,986,776**	**1,237,833**	**4,438,455**	**113,593**		**5,789,881**
Gross amount		3,724,534	56,481		3,781,015		4,431,269	113,479		4,544,748
Accrued interest		11,906	66		11,972		13,577	114		13,691
Impairment		-2,955	0		-2,955		-6,391	0		-6,391
Shares and other variable-income securities	**938,992**	**259,368**		**0**	**1,198,360**	**413,935**	**244,516**		**0**	**658,451**
Gross amount		267,039		0	267,039		251,774		0	251,774
Accrued interest					0					0
Impairment		-7,671		0	-7,671		-7,258		0	-7,258
TOTAL	**4,007,218**	**8,970,952**	**818,001**	**0**	**13,796,172**	**3,080,717**	**11,322,514**	**1,272,644**	**0**	**15,675,876**

Treasury bills and similar securities included no receivables representing lent securities at 31/12/2015.
The market value of held to maturity securities was €977.4 million.
Unrealised capital gains and losses on portfolio securities were €300.6 million and €16.6 million respectively.

GREEK SOVEREIGN DEBT SECURITIES

None.

ITALIAN, PORTUGUESE, SPANISH AND IRISH SOVEREIGN DEBT SECURITIES

Available for sale portfolio: none.

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

in thousands of euros	31/12/2015				31/12/2014			
	Trading	**Available for sale securities**	**Held to maturity securities**	**Total**	Trading	Available for sale securities	Held to maturity securities	Total
Listed securities	**2,056,175**	**6,071,588**	**752,034**	**8,879,796**	**1,758,835**	**10,749,556**	**1,272,531**	**13,780,922**
Unlisted securities	**542,047**	**2,619,528**	**56,481**	**3,218,056**	**324,290**	**297,466**	**0**	**621,756**
Securities loaned	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Securities borrowed	**470,005**	**0**	**0**	**470,005**	**583,657**	**0**	**0**	**583,657**
Non-performing loans and receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Accrued interest	**0**	**20,468**	**9,487**	**29,955**	**0**	**37,367**	**114**	**37,481**
TOTAL	**3,068,227**	**8,711,584**	**818,001**	**12,597,812**	**2,666,782**	**11,084,389**	**1,272,645**	**15,023,816**
o/w subordinated notes	**76**	**35,027**	**0**	**35,103**	**984**	**35,466**	**0**	**36,450**

Unrealised capital losses giving rise to an impairment provision on the disposal of available for sale securities amounted to €6.9 million at 31 December 2015 compared with €6.4 million at 31 December 2014. Unrealised capital gains on available for sale securities amounted to €23.6 million at 31 December 2015 compared with €19.1 million at 31 December 2014.

Unrealised capital gains on held to maturity securities amounted to €159.5 million at 31 December 2015. At 31 December 2014, unrealised capital gains on held to maturity securities amounted to €155.3 million.

Unrealised capital losses on held to maturity securities amounted to €0.15 million at 31 December 2015 compared with €3.4 million at 31 December 2014. Moreover, both at 31 December 2015 and at 31 December 2014, held to maturity securities suffered no impairment in respect of counterparty risk.

At 31 December 2015, bonds and other fixed-income securities issued by public bodies amounted to €366.5 million compared with €658.6 million at 31 December 2014.

SHARES AND OTHER VARIABLE-INCOME SECURITIES (NET AMOUNTS)

in thousands of euros	**31/12/2015**				31/12/2014			
	Trading	**Available for sale securities**	**Portfolio securities**	**Total**	Trading	Available for sale securities	Portfolio securities	Total
Listed securities	**938,871**	**108,871**		**1,047,742**	**413,009**	**8,110**		**421,119**
Unlisted securities	**120**	**150,497**		**150,617**	**927**	**236,405**		**237,332**
Accrued interest				**0**				**0**
TOTAL	**938,992**	**259,368**	**0**	**1,198,360**	**413,935**	**244,516**	**0**	**658,451**

At 31 December 2014, shares and other variable-income securities included €243.7 million of UCITS compared with €219.9 million at 31 December 2014.

In the case of available for sale securities, unrealised capital losses giving rise to an impairment provision amounted to €7.7 million at 31 December 2015 compared with €7.6 million at 31 December 2014.

Unrealised capital gains on available for sale securities amounted to €117.5 million at 31 December 2015 compared with €112.0 million at 31 December 2014.

In the case of portfolio securities, unrealised capital losses amounted to €7.7 million at 31 December 2015 compared with €7.3 million at 31 December 2014 and the unrealised capital gains amounted to €117.5 million at 31 December 2015 compared with €112.0 million at 31 December 2014.

3.3.2 Changes in held to maturity securities

in thousands of euros	31/12/2014	Purchased	Disposals	Redeemed	Converted	Discount or premium	Trans-ferred	Other changes	**31/12/2015**
Treasury bills	1,145,055			-382,264		-10,757			752,034
Bonds and other fixed-income securities	113,479			-68,994				11,996	56,481
TOTAL	**1,258,534**	**0**	**0**	**-451,258**	**0**	**-10,757**	**0**	**11,996**	**808,514**

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

3.3.3 Asset reclassifications

1. Reclassification due to illiquid markets (CRC No. 2008-17 replaced by ANC Regulation No. 2014-07)

Pursuant to the above Regulation relating to transfers of securities from the "Trading" and "Available for sale" categories, BRED Banque Populaire made the following reclassifications:

in thousands of euros	Amount reclassified at the date of reclassification			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
	Previous years	Securities matured at 31/12/2015	**31/12/2015**			
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	-803,793	755,584		-26,684	46,961

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.

Original portfolio	New portfolio	Amount transferred during the year	
		as at 31/12/2015	as at 31/12/2014
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

in thousands of euros	01/01/2015	Increase	Decrease	Converted	Other changes	**31/12/2015**
Gross amount	**1,737,810**	**2,501**	**-3,007**	**0**	**0**	**1,737,304**
Equity interests and other long-term investments	*752,270*	*2,501*	*-3,007*			*751,764*
Investments in affiliates	*985,540*					*985,540*
Impairment	**-2,354**	**-51**	**2,304**	**0**	**0**	**-102**
Equity interests and other long-term investments	*-2,354*	*-51*	*2,304*			*-102*
Investments in affiliates	*0*					*0*
NET LONG-TERM INVESTMENTS	**1,735,456**	**2,450**	**-703**	**0**	**0**	**1,737,202**

4

Shares in non-trading real estate companies recorded under long-term investments amounted to €9.0 million at 31 December 2015, unchanged relative to 31 December 2014.

Other long-term investments include in particular the deposit guarantee fund association certificates (€3.8 million) and the deposit and resolution guarantee fund associate certificates (€2.2 million).

3.4.2 Table of subsidiaries and equity interests

Subsidiaries and equity interests	Capital	Shareholders' equity other than share capital and including the fund for general banking risks, if applicable (excluding net profit for the year)	% 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
in thousands of euros				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										
SCI LE LYS ROUGE	656,015	464,088	100,00	985,540	985,540			13,135	4,809	
SAS Mone	9,022	-922	99,93	9,015	9,015			641	173	
BPCE	9,595	-706	95,00	9,114	9,114			443	-144	
BP Développement	155,742	13,302,395	4,80	693,425	693,425		0	-12,110	2,491,137	16,808
BP Développement	460,481	172,993	4,32	27,074	27,074			57,621	32,451	742
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)				0	0					0
Foreign subsidiaries (all)				0	0					0
Association certificates				6,082	6,082					0
Equity interests in French companies				6,463	6,361					41
Equity interests in foreign companies				590	590					23
o/w equity interests in listed companies				105	105					23

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)
ALCYONE 2014	1200, avenue du docteur Maurice Donat – 06250 – Mougins	Non-trading real estate company (SCI)

3.4.4 Related-party transactions

in thousands of euros	**Credit institutions**	**Other companies**	**31/12/15**	31/12/2014
Receivables	**1,237,813**	**3,025,776**	**4,263,589**	**4,706,187**
o/w subordinated	20,000	70,000	90,000	72,000
Debt	**790,841**	**1,052,796**	**1,843,637**	**1,700,465**
o/w subordinated				
Commitments given	**144,467**	**115**	**144,582**	**322,494**
Financing commitments	95,000	-	95,000	168,000
Guarantee commitments	49,467	115	49,582	154,494
Other commitments given				

3.5 Finance and operating leases

Not applicable.

3.6 Intangible assets and property, plant and equipment

3.6.1 Intangible assets

in thousands of euros	01/01/15	Increase	Decrease	Other movements	**31/12/2015**
Gross amount	**71,730**	**4,367**	**-15,712**	**3**	**60,388**
Lease rights and business assets	39,050	55			39,105
Software	31,895	3,735	-14,927	3	20,706
Other	785	577	-785		577
Depreciation and impairment	**-65,842**	**-5,697**	**14,927**	**0**	**-56,612**
Lease rights and business assets	-37,541	-454			-37,995
Software	-28,301	-5,243	14,927		-18,617
Other					
NET CARRYING AMOUNT	**5,888**	**-1,330**	**-785**	**3**	**3,776**

3.6.2 Property, plant and equipment

in thousands of euros	01/01/2015	Increase	Decrease	Other movements	**31/12/2015**
Gross amount	**475,316**	**149,090**	**-180,135**	**1,778**	**446,049**
Operating property, plant and equipment	***469,354***	***148,592***	***-179,354***	***1,771***	***440,363***
Land	27,046	40,378		15	67,439
Buildings	102,798	62,000	-63	1,078	165,813
Shares in non-trading real estate companies					
Other	339,510	46,214	-179,291	678	207,111
Property, plant and equipment not used in operations	***5,962***	***498***	***-781***	***7***	***5,686***
Depreciation and impairment	**-247,805**	**-24,798**	**56,215**	**-1,443**	**-217,831**
Operating property, plant and equipment	***-244,811***	***-24,552***	***55,434***	***-1,441***	***-215,370***
Land					
Buildings	-79,239	-6,224	17	-832	-86,279
Shares in non-trading real estate companies					
Other	-165,572	-18,328	55,417	-609	-129,092
Property, plant and equipment not used in operations	***-2,994***	***-246***	***781***	***-2***	***-2,460***
NET CARRYING AMOUNT	**227,511**	**124,292**	**-123,920**	**335**	**228,218**

3.7 Debt securities

in thousands of euros	**31/12/2015**	31/12/2014
Short-term notes and savings certificates	850	700
Interbank market instruments and negotiable debt securities	3,593,602	3,035,174
Bonds	196,400	196,400
Other debt securities	0	0
Related liabilities	4,341	4,177
TOTAL	**3,795,193**	**3,236,451**

3.8 Other assets and liabilities

in thousands of euros	**31/12/2015**		31/12/2014	
	Assets	**Liabilities**	Assets	Liabilities
Securities settlement accounts	0	29	0	2
Premiums on options purchased and sold	20,261	8,470	22,000	10,269
Debts in respect of securities borrowed and other securities transactions	0	649,347	0	1,220,707
Tax and social security receivables and debts	44,679	111,145	35,366	109,322
Guarantee deposits received and paid	0	965	0	147
Sundry debtors and sundry creditors	1,350,397	779,137	1,118,870	643,197
TOTAL	**1,415,337**	**1,549,093**	**1,176,236**	**1,983,644**

3.9 Accruals and deferred income

in thousands of euros	**31/12/2015**		31/12/2014	
	Assets	**Liabilities**	Assets	Liabilities
Foreign exchange commitments	474,754	638,011	261,134	74,514
Deferred gains and losses on hedging forward financial instruments	82,218	239,543	103,230	270,543
Prepaid expenses and deferred income	38,451	251,879	39,131	381,084
Accrued income and accrued expenses	553,300	521,413	400,505	384,542
Items in process of collection	79,886	313,478	84,977	266,344
Other	26,979	33,951	10,852	15,038
TOTAL	**1,255,589**	**1,998,274**	**899,829**	**1,392,065**

3.10 Provisions

3.10.1 Statement of changes in provisions

in thousands of euros	01/01/2015	Provisions made	Utilised	Provisions written back	**31/12/2015**
Provisions for counterparty risks	**124,972**	**20,308**	**-11,876**	**0**	**133,405**
Provisions for employee benefit obligations(1)	**81,961**	**3,043**	**-2,137**	**0**	**82,867**
Provisions for home saving plans (PEL) and home savings accounts (CEL)	**22,300**	**3,975**	**0**	**0**	**26,275**
Other provisions for liabilities	**4,000**	**0**	**0**	**-4,000**	**0**
Securities portfolio and forward financial instruments					
Long-term investments					
Property development					
Provisions for taxes					
Other	*4,000*	*0*	*0*	*-4,000*	*0*
Exceptional provisions	**0**	**0**	**0**	**0**	**0**
Restructuring of information systems					
Other exceptional provisions					
TOTAL	**233,233**	**27,326**	**-14,013**	**-4,000**	**242,546**

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3.10.2 Provisions and impairment charges for counterparty risks

in thousands of euros	01/01/2015	Provisions made	Utilised	Provisions written back	**31/12/2015**
Impairment of assets	**414,348**	**98,904**	**-79,008**	**-46 677**	**387,567**
Impairment of loans and advances to customers	360,805	86,283	-65 917	-42 326	338,845
Impairment of other receivables	53,543	12,621	-13 091	-4,351	48,722
Provisions for counterparty risks recognised as liabilities	**233,233**	**27,326**	**-14 013**	**-4,000**	**242,546**
Provisions for off-balance sheet commitments(1)	7,554	1,448	-2,555	0	6,447
Provisions for country risks	1,980	0	-1,296	0	683
Provisions for sector risks	93,114	2,454	-7,075	0	88,493
Provisions for customer counterparty risks(2)	22,323	16,406	-949	0	37,780
Provisions for employee benefit obligations	81,961	3,043	-2,137	0	82,867
Provisions for regulated savings	22,300	3,975	0	0	26,275
Other provisions	4,000	0	0	-4,000	0
TOTAL	**647,581**	**126,230**	**-93 021**	**-50 677**	**630,113**

(1) Including execution risk relating to commitments for a total of €6.4 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.

3.10.3 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 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;
- 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

in thousands of euros	31/12/2015			
	CARBP pension scheme	**Pension obligations**	**Other commitments**	**Total**
Actuarial liabilities	106,139	10,224	39,120	155,484
Fair value of plan assets	-55,003	-6,751	-7,206	-68,961
Effect of ceiling on plan assets				0
Unrecognised actuarial gains/(losses)	-2,352	-999	-618	-3,969
Unrecognised past service costs			0	0
NET AMOUNT REPORTED ON THE BALANCE SHEET	**48,784**	**2,474**	**31,296**	**82,554**
Employee benefit commitments recorded in the balance sheet	48,784	2,786	31,296	82,867
Plan assets recorded on the balance sheet		313		313

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

in thousands of euros	31/12/2015				31/12/2014
	CARBP pension scheme	**Pension obligations**	**Other commitments**	**Total**	Total
Current-year service cost	0	0	-2,653	-2,653	1,878
Past service cost	0	0	0	0	0
Interest disbursed	-1,817	-18	-676	-2,512	4,027
Interest received	804	0	0	804	
Benefits paid	3,329	34	259	3,623	-1,142
Contributions received	0	0	0	0	0
Actuarial gains and losses	-653	-15	0	-668	0
Other	0	0	210	210	63
TOTAL	**1,663**	**1**	**-2,860**	**-1,196**	**4,826**

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

in thousands of euros	CARBP		End-of-career awards	
	Weight by category (as a %)	Fair value of assets *(€ millions)*	Weight by category (as a %)	Fair value of assets *(€ millions)*
Cash	2.11%	1,161	3.40%	245
Shares	39.38%	21,659	9.00%	649
Bonds	50.21%	27,616	84.10%	6,060
Property	0.00%	0	3.50%	252
Derivatives	0.09%	50	0.00%	0
Investment funds	8.20%	4,517	0.00%	0
TOTAL	**100.00%**	**55,003**	**100.00%**	**7,206**

MAIN ACTUARIAL ASSUMPTIONS

en pourcentage	CARBP pension scheme		Other commitments	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
Discount rate	1.83%	1.57%	2.09%	1.52%
Expected return on plan assets	1.70%	1.80%	1.70%	1.80%

The mortality tables used are:
- TF00/02 for retirement indemnities, long-service awards and other benefits; and
- TGH TGF 05 for CARBP.

The discount rate used is based on the curve of first-class lenders ("EUR Composite (AA)" curve).

3.10.4 Provisions for regulated home savings products

DEPOSITS HELD IN REGULATED HOME SAVINGS PRODUCTS

in thousands of euros	**31/12/2015**	31/12/2014
Deposits held in regulated home savings plans (PEL)		
less than 4 years	696,414	369,165
more than 4 years and less than 10 years	371,746	516,141
more than 10 years	425,799	454,788
Deposits held in regulated home savings plans	**1,493,959**	**1,340,094**
Deposits held in regulated home savings accounts	**146,753**	**146,383**
TOTAL	**1,640,712**	**1,486,477**

LOANS GRANTED

in thousands of euros	**31/12/2015**	31/12/2014
Loans granted		
under regulated home savings plans	3,123	4,429
under regulated home savings accounts	4,985	7,300
TOTAL	**8,108**	**11,730**

PROVISIONS FOR COMMITMENTS RELATED TO REGULATED HOME SAVINGS ACCOUNTS (CEL) AND PLANS (PEL)

in thousands of euros	01/01/2015	Increase in/reversals from, net	**31/12/2015**
Provisions for regulated home savings plans			
less than 4 years	3,214	4,124	7,338
more than 4 years and less than 10 years	3,523	-1,432	2,091
more than 10 years	7,217	-929	6,288
Provisions for regulated home savings plans	**13,954**	**1,763**	**15,717**
Provisions for regulated home savings accounts	**8,346**	**2,212**	**10,558**
Provisions for PEL regulated home savings loans			
Provisions for CEL regulated home savings loans			
Provisions for regulated home savings loans	**0**	**0**	**0**
TOTAL	**22,300**	**3,975**	**26,275**

3.11 Subordinated debt

in thousands of euros	**31/12/2015**	31/12/2014
Term subordinated debt	**293,000**	**318,000**
Undated subordinated debt		
Mutual guarantee deposits	**483**	
Related liabilities	**9,243**	**9,627**
TOTAL	**302,726**	**327,627**

The amount of bond issue and redemption premiums remaining to be amortised totalled €378,000.The unamortised balance corresponds to the difference between the amount initially received and the redemption price for the debt securities.

3.12 Fund for general banking risks

in thousands of euros	31/12/2014	Increase	Decrease	Other changes	**31/12/2015**
Fund for general banking risks	97,029	11,328	0		108,356
Regional Solidarity Fund	51,214	0	-663		50,551
TOTAL	**148,243**	**11,328**	**-663**	**0**	**158,908**

At 31 December 2015, the Fund for general banking risks included in particular €77.2 million allocated to the Banque Populaire Network Fund (Fond Réseau Banque Populaire), €31.1 million allocated to the Mutual Guarantee Fund (Fonds de Garantie Mutuel) and €50.6 million allocated to the Regional Solidarity Fund (Fonds Régional de Solidarité).

3.13 Shareholders' equity

in thousands of euros	Capital	Share premium account	Reserves and other	Retained earnings	Profit for the year	Capital and reserves (excluding FGBR)
TOTAL AT 31 DECEMBER 2013	**573,260**	**4,604**	**926,462**	**110,000**	**139,592**	**1,753,918**
Movements during the period	53,921	0	107,795	-3,640	-256	157,820
TOTAL AT 31 DECEMBER 2014	**627,181**	**4,604**	**1,034,257**	**106,360**	**139,336**	**1,911,738**
Change in method impact				3,640		3,640
Appropriation of 2014 profit			124,628		-128,268	-3,640
Distribution of dividends					-11,068	-11,068
Capital decrease						0
Capital increase	54,355		-3,999			50,356
Other movements	2,272	2,878	-7,397			-2,247
Profit for the year					171,556	171,556
TOTAL AT 31 DECEMBER 2015	**683,808**	**7,482**	**1,147,489**	**110,000**	**171,556**	**2,120,335**

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The share capital amounts to six hundred and eighty-three million, eight hundred and eight thousand and two hundred and fifty-four euros and twenty-eight cents (€683,808,254.28). It is composed of:

Sixty-six million, six hundred and forty-seven thousand and nine hundred and seventy-eight (66,647,978) cooperative shares with a par value of ten euros and twenty-six cents (10.26) each, fully paid up and all of the same class.

A capital increase enabling the merger by acquisition of Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer was carried out in October 2015 for an amount of €2.3 million, through the issue of 222,780 new shares of a par value of €10.20, fully paid up. Three BRED Banque Populaire shares were issued to the cooperative members of Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer, excluding BRED Banque Populaire, in exchange for two Caisse Régionale de Crédit Maritime Mutuel d'Outre-Mer shares, with rights on these new shares accruing from 1 January 2015. This capital increase was approved by the Extraordinary General Meeting of 27 May 2015. The merger also generated a merger bonus of €2.9 million and an amount of €3.3 million allocated as regulated provisions and investment subsidies.

A capital increase, subscribed in cash, in an amount of €50.4 million followed by the capitalisation of reserves amounting to €4.0 million enabling the par value of the share to be raised from €10.20 to €10.26 was completed in accordance with a decision of the Board of Directors' meeting on 02/02/2015 under the delegation granted by the Extraordinary General Meeting of 27/05/2015, by issuance at par of 4,936,887 new cooperative shares at a par value of €10.20 which was raised to €10.26 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.

							31/12/2015
in thousands of euros	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	1,419,460	444,992	2,956,747	1,958,037	831,800	0	7,611,036
Amounts due from credit institutions	4,439,222	2,959,927	1,105,457	841,378	200,436	0	9,546,421
Transactions with customers	2,886,719	597,559	1,180,880	3,746,060	4,491,823	0	12,903,041
Bonds and other fixed-income securities	150,280	233,175	897,830	996,966	2,708,527	0	4,986,776
Finance and operating leases	0	0	0	0	0	0	0
TOTAL USES OF FUNDS	**8,895,681**	**4,235,653**	**6,140,914**	**7,542,441**	**8,232,586**	**0**	**35,047,275**
Amounts due to credit institutions	3,844,846	1,968,471	609,970	520,020	1,237,449	0	8,180,756
Transactions with customers	25,254,063	336,881	529,760	1,064,991	91,979	0	27,277,673
Debt securities	716,200	1,970,578	784,063	315,551	8,800	0	3,795,193
Subordinated debt	17,726	0	25,000	260,000	0	0	302,726
TOTAL SOURCES OF FUNDS	**29,832,834**	**4,275,930**	**1,948,793**	**2,160,562**	**1,338,228**	**0**	**39,556,347**

NOTE 4
Off-balance sheet and similar items

4.1 Commitments received and given

4.1.1 Financing commitments

in thousands of euros	**31/12/2015**	31/12/2014
Financing commitments given		
to credit institutions	**1,453,272**	**1,153,697**
to customers	**2,057,467**	**1,953,352**
Opening of documentary credits	*56,565*	*45,544*
Opening of other confirmed credit lines	*1,974,998*	*1,896,862*
Other commitments	*25,904*	*10,945*
TOTAL FINANCING COMMITMENTS GIVEN	**3,510,739**	**3,107,048**
Financing commitments received		
from credit institutions	4,827,092	6,688,087
from customers		
TOTAL FINANCING COMMITMENTS RECEIVED	**4,827,092**	**6,688,087**

4.1.2 Guarantee commitments

in thousands of euros	**31/12/2015**	31/12/2014
Guarantee commitments given		
To credit institutions	**160,886**	**237,216**
Confirmation of opening of documentary credits	*65,043*	*51,447*
Other guarantees	*95,843*	*185,768*
To customers	**1,634,267**	**1,706,434**
Property guarantees	*56,128*	*19,550*
Tax and administrative guarantees	*51,450*	*50,473*
Other endorsements and similar guarantees	*548,420*	*565,202*
Other guarantees given	*978,269*	*1,071,209*
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,795,153**	**1,943,649**
Guarantee commitments received from credit institutions	2,769,244	2,047,074
TOTAL GUARANTEE COMMITMENTS	**4,564,398**	**3,990,724**

4.1.3 Other commitments not reported as off-balance sheet items

in thousands of euros	**31/12/2015**		31/12/2014	
	Commitments given	**Commitments received**	Commitments received	Commitments received
Other securities pledged as collateral to credit institutions	5,353,104		5,266,089	
Other securities pledged as collateral received from customers	0		0	
TOTAL	**5,353,104**	**0**	**5,266,089**	**0**

At 31 December 2015, receivables pledged as collateral in the context of refinancing arrangements included in particular:

- €470.9 million of receivables mobilised with Banque de France under the TRICP automated system, compared with €649.3 million at 31 December 2014.
- No receivables pledged to SFEF, as at 31 December 2014.

4.2 Transactions involving forward financial instruments

4.2.1 Commitments relating to financial and currency forwards

in thousands of euros	31/12/2015				31/12/2014			
	Hedging	**Other**	**Total**	**Fair value**	Hedging	Other	Total	Fair value
Firm transactions								
Transactions on organised markets	***0***	***2,351,785***	***2,351,785***	***0***	***0***	***1,617,458***	***1,617,458***	***0***
Interest rate contracts	0	2,351,785	2,351,785	0	0	1,617,458	1,617,458	0
Foreign exchange contracts			0	0			0	0
Other contracts			0	0			0	0
Over-the-counter transactions	***111,042,093***	***83,511,086***	***194,553,179***	***-157,581***	***217,136,445***	***62,076,324***	***279,212,769***	***180,433***
Forward rate agreements (FRA)	0	0	0	0	0	0	0	0
Interest rate swaps	110,995,619	31,845,792	142,841,411	1,271	217,067,798	31,574,233	248,642,031	-7,121
Foreign exchange swaps	0	21,641,728	21,641,728	7,513	0	18,589,176	18,589,176	5,438
Other forward contracts	46,473	30,023,566	30,070,040	-166,366	68,647	11,912,915	11,981,562	182,116
TOTAL FIRM TRANSACTIONS	**111,042,093**	**85,862,871**	**196,904,963**	**-157,581**	**217,136,445**	**63,693,782**	**280,830,227**	**180,433**
Options								
Transactions on organised markets	***0***	***2,709,293***	***2,709,293***	***11,477***	***0***	***1,612,525***	***1,612,525***	***-4,206***
Interest rate options	0	2,709,293	2,709,293	11,477	0	1,612,525	1,612,525	-4,206
Foreign exchange options			0	0			0	0
Other options			0	0			0	0
Over-the-counter transactions	***1,664***	***2,255,021***	***2,256,684***	***-2,729***	***2,000***	***1,958,751***	***1,960,751***	***2,828***
Interest rate options	1,664	1,602,914	1,604,577	3,751	2,000	1,517,420	1,519,420	5,527
Foreign exchange options	0	576,093	576,093	-3,420	0	332,009	332,009	-1,960
Other options	0	76,013	76,013	-3,060	0	109,322	109,322	-739
TOTAL OPTIONS	**1,664**	**4,964,314**	**4,965,977**	**8,748**	**2,000**	**3,571,276**	**3,573,276**	**-1,378**
TOTAL FINANCIAL AND CURRENCY FORWARDS	**111,043,756**	**90,827,184**	**201,870,940**	**-148,833**	**217,138,445**	**67,265,058**	**284,403,503**	**179,055**

4.2.2 Breakdown of over-the-counter interest rate financial instruments by type of portfolio

in thousands of euros	Micro-hedge	Macro-hedge	Isolated open position	Specialised management
Firm transactions	***106,727,285***	***4,268,334***	***0***	***53,487,519***
Forward rate agreements (FRA)	0	0	0	0
Interest rate swaps	106,727,285	4,268,334	0	31,845,792
Foreign exchange swaps	0	0	0	21,641,728
Other interest rate forward contracts				
Options	***1,664***	***0***	***0***	***1,602,914***
Interest rate options	1,664	0	0	1,602,914
TOTAL	**106,728,949**	**4,268,334**	**0**	**55,090,433**

No transactions were transferred to another portfolio during the period.

4.3 Breakdown of balance sheet by currency

in thousands of euros	**31/12/2015**		31/12/2014	
	Assets	**Liabilities**	Assets	Liabilities
Euro	43,691,470	36,854,919	40,392,629	36,943,922
US dollar	1,279,667	2,284,900	1,442,968	1,386,462
Pound sterling	521,174	6,221,081	672,266	4,120,962
Swiss franc	59,839	36,753	54,449	57,830
Yen	42,312	74,959	28,571	72,616
Other	31,042	152,891	39,579	48,669
TOTAL	**45,625,504**	**45,625,504**	**42,630,461**	**42,630,461**

4.4 Foreign currency transactions

in thousands of euros	**31/12/2015**	31/12/2014
Spot currency transactions		
Currency receivable not received	95,235	169,682
Currency deliverable not delivered	113,735	149,849
TOTAL	**208,970**	**319,531**

31/12/2015					31/12/2014
Total	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	Total
164,483,139	***211,993,978***	***5,073,820***	***0***	***50,163,409***	***267,231,207***
0	0	0	0	0	0
142,841,411	211,993,978	5,073,820	0	31,574,233	248,642,031
21,641,728	0	0	0	18,589,176	18,589,176
0					0
1,604,577	***2,000***	***0***	***0***	***1,517,420***	***1,519,420***
1,604,577	2,000	0	0	1,517,420	1,519,420
166,087,716	**211,995,978**	**5,073,820**	**0**	**51,680,829**	**268,750,627**

NOTE 5
Notes to the income statement

5.1 Interest and similar income and expense

in thousands of euros	**2015 financial year**			2014 financial year		
	Income	**Operating expenses**	**Net**	Income	Operating expenses	Net
Interbank transactions *	129,440	-56,642	72,798	140,725	-51,915	88,810
Transactions with customers	366,470	-95,699	270,771	356,959	-109,493	247,466
Bonds and other fixed-income securities	160,086	-150,278	9,808	204,429	-182,837	21,592
Subordinated debt	1,269	-17,619	-16,350	1,485	-19,494	-18,009
Other						
TOTAL	**657,265**	**-320,238**	**337,027**	**703,598**	**-363,738**	**339,860**

* *of which €8.0 million as operating expenses and €61.4 million as income on macro-hedging transactions.*

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.

The regulated home savings provision charge amounted to €4.0 million for the 2015 financial year, compared with a reversal of €9.7 million for the 2014 financial year.

5.2 Income and expense from finance lease and operating lease transactions

Not applicable.

5.3 Income from variable-income securities

in thousands of euros	**2015 financial year**	2014 financial year
Shares and other variable-income securities	2,235	477
Equity interests and other long-term investments		
Investments in affiliates	17,613	16,749
TOTAL	**19,848**	**17,226**

5.4 Fees and commissions

in thousands of euros	**2015 financial year**			2014 financial year		
	Income	**Operating expenses**	**Net**	Income	Operating expenses	Net
Cash and interbank transactions	1,021	-490	531	1,122	-839	283
Transactions with customers	139,268	0	139,268	130,979	0	130,979
Securities transactions	15,105	0	15,105	24,649	0	24,649
Payment services	153,925	-84,417	69,508	144,650	-77,902	66,748
Gains on currency transactions	737	-77	658	643	-66	578
Off-balance sheet commitments	22,704	-3,532	19,174	22,613	-3,613	18,999
Financial services	65,279	-7,891	57,388	62,442	-6,146	56,296
Advisory services						
Other	3,099	0	3,099	2,943	0	2,943
TOTAL	**401,138**	**-96,407**	**304,731**	**390,041**	**-88,566**	**301,475**

5.5 Gains or losses on trading securities

in thousands of euros	**2015 financial year**	2014 financial year
Trading securities	-5,630	-1,878
Gains on currency transactions	22,913	16,250
Gains on forward financial instruments	130,906	116,856
TOTAL	**148,189**	**131,228**

5.6 Gains or losses on available for sale and similar securities

in thousands of euros	**2015 financial year**			2014 financial year		
	Available for sale securities	**Portfolio securities**	**Total**	Available for sale securities	Portfolio securities	Total
Impairment	2,595		2,595	-133		-133
Provisions made	*-8,193*		*-8,193*	*-7,164*		*-7,164*
Provisions written back	*10,788*		*10,788*	*7,031*		*7,031*
Gains on disposal	32,036		32,036	18,121		18,121
Other items						
TOTAL	**34,631**		**34,631**	**17,988**		**17,988**

5.7 Other banking operating income and expense

in thousands of euros	2015 financial year			2014 financial year		
	Income	**Operating expenses**	**Net**	Income	Operating expenses	Net
Share in joint operations	6,306	0	6,306	5,762	-13	5,748
Rebilling of banking income and expense	1,308	-56	1,252	1,162	-60	1,102
Property business						
IT services						
Other activities	268	0	268	239	0	239
Other related income and expenses	13,894	-1,036	12,858	6,534	-1,809	4,725
TOTAL	**21,776**	**-1,092**	**20,684**	**13,697**	**-1,882**	**11,815**

5.8 Operating expenses

in thousands of euros	**2015 financial year**	2014 financial year
Personnel costs		
Wages and salaries	-176,753	-176,805
Pension costs and similar obligations	-39,158	-56,746
Other social security charges	-54,750	-53,145
Employee incentive scheme(s)	-15,862	-14,340
Employee profit-sharing scheme(s)	-25,997	-22,289
Payroll taxes and charges	-25,061	-22,852
Total personnel costs	**-337,581**	**-346,177**
Other operating expenses		
Taxes and duties	-27,004	-24,062
Other general operating expenses	-151,339	-133,893
Total other operating expenses	**-178,343**	**-157,955**
TOTAL	**-515,924**	**-504,132**

The average active workforce during the period was 3,397 employees.

The CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi) is deducted from personnel costs; it amounted to €4.3 million in 2015.

The use of this tax is presented in the "Corporate social and environmental responsibility" section of the annual report.

5.9 Cost of risk

in thousands of euros	Provisions made	Provisions reversed	Losses not covered by provisions	Recoveries of bad debts written off
Impairment of assets				
Interbank	-1			
Customers	-85,907	39,458	-5,132	811
Securities portfolio and other receivables	-61	-167		
Provisions				
Off-balance sheet commitments	-1,448	2,555		
Provisions for customer risks	-18,859	8,024		
Other		1,296		
TOTAL	**-106,276**	**51,166**	**-5,132**	**811**
of which:				
- reversals of obsolete impairment charges		*51,166*		
- reversals of utilised impairment charges		*65,917*		
Provisions reversed		*117,083*		
- losses covered by provisions		*-65,917*		
Provisions reversed net		**51,166**		

5.10 Gains or losses on non-current assets

in thousands of euros	**2014 financial year**				2013 financial year			
	Equity interests and other long-term investments	**Held to maturity securities**	**Tangible and intangible assets**	**Total**	Equity interests and other long-term investments	Held to maturity securities	Tangible and intangible assets	Total
Impairment	**2,252**			**2,252**				
Provisions made	*-51*			*-51*				
Provisions written back	*2,303*			*2,303*				
Gains on disposal		**194**		**194**	**-97**	**2**		**-95**
TOTAL	**2,252**	**194**	**0**	**2,447**	**-97**	**2**	**0**	**-95**

Gains or losses on equity interests and investments, investments in affiliates and other long-term investments include in particular the following transactions:

- allowances to impairment charges on equity interests and investments: €51,000;
- reversals from impairment charges on equity interests and investments: €2.303 million;
- income of disposals on equity interests and investments and other long-term investments: 0.

5.11 Exceptional items

No exceptional item was recorded in 2015.

2015 financial year	2014 financial year				
Total	Provisions made	Provisions reversed	Losses not covered by provisions	Recoveries of bad debts written off	Total
-1	0	2	0	0	2
-50,770	-93,589	32,753	-4,331	3,799	-61,368
-228	-336	-90			-426
1,107	-4,708	1,404			-3,304
-10,836	-22,691	6,966			-15,725
1,296	-385				-385
-59,431	**-121,708**	**41,034**	**-4,331**	**3,799**	**-81,206**
		41,034			
		32 865			
		73 899			
		-32 865			
		41,034			

5.12 Income tax expense

5.12.1 Breakdown of income tax in respect of the 2015 financial year

BRED Banque Populaire is a member of the BPCE tax group.

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:

in thousands of euros

Tax bases at the following rates	33.33%	15.00%	Total
Tax on current income	167,887	29	
Tax on non-recurring income	167,887	29	
Tax losses brought forward			
Tax bases	167,887	29	
Corresponding tax	55,962	4	55,967
Additional contribution assessed at 3.3%			1,822
10.7% surcharge			5,988
Deductions in respect of tax credits			-627
Tax recognised			**63,150**
Overseas territories tax			
Provisions for the return to profitability of subsidiaries			-271
Dividend tax			332
Provisions for tax and other			27,299
TOTAL			**90,510**

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

	KPMG				PwC			
	2015 financial year		2014 financial year		**2015 financial year**		2014 financial year	
in thousands of euros	**Amount (excluding VAT)**	**%**	Amount (excluding VAT)	%	**Amount (excluding VAT)**	**%**	Amount (excluding VAT)	%
Audit								
Statutory audit, review of parent company and consolidated financial statements	229.9	80%	209.8	79%	229.9	81%	246.0	64%
Other audit procedures and services directly related to the statutory audit assignment	57.2	20%	55.3	21%	54.9	19%	137.4	36%
TOTAL	**287.1**	**100**	**265.0**	**100**	**284.9**	**100**	**383.4**	**100**

6.3 Operations in non-cooperative countries

Under Article L511-45 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 2015, BRED Banque Populaire had no operations or activities in countries or territories considered non-cooperative for tax purposes.

Five-year financial summary

in thousands of euros	2011	2012	2013	2014	**2015**
Capital at the year end					
Cooperative shares: amount	345,990	416,229	573,260	627,181	683,808
Number of shares outstanding	36,420,000	41,622,857	56,758,441	61,488,311	66,647,978
Cooperative investment certificates: amount	86,498	104,057			
Number of certificates outstanding	9,105,000	10,405,715			
Shareholders' equity	2,130,854	2,227,702	1,753,918	1,911,738	2,120,335
Results of operations					
Net banking income	734,143	747,864	795,290	819,591	865,110
Profit before tax, employee profit-sharing and cost of risk	297,144	280,472	318,757	337,565	377,633
Profit before tax, employee profit-sharing, depreciation, amortisation and provisions	275,253	196,018	252,715	260,367	290,042
Income tax	-67,727	-47,033	-74,911	-68,275	-90,511
Employee profit-sharing for the year	-27,000	-19,200	-20,000	-22,200	-26,000
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	107,316	113,039	139,592	139,336	171,556
Retained earnings before appropriation of profit for the year	110,000	125,096	110,000	106,360	110,000
Net profit transferred to reserves	78,635	105,015	128,354	117,661	154,668
Retained earnings after appropriation of profit for the year	110,000	110,000	110,000	110,000	110,000
Dividends paid to members	12,383	10,536	11,238	11,068	11,355
Dividends paid to cooperative investment certificate holders	16,298	12,584	-	-	-
Earnings per share (cooperative shares and certificates up to August 2013)					
Profit before tax, employee profit-sharing and cost of risk	4.45	4.71	4.30	4.35	2.82
Profit after tax and employee profit-sharing, but before depreciation, amortisation and provisions	3.97	2.85	3.03	2.99	1.51
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	2.36	2.48	2.68	2.45	2.79
Dividend per share (€)	0.34	0.27	0.26	0.19	0.18
Dividends per cooperative investment certificate (€)	1.79	1.29	0.00	0.00	0.00
Employee data					
Average workforce employees during the period	3,372	3,395	3,400	3,370	3,397
Total payroll costs for the period	159,762	168,949	175,007	176,805	176,753
Employee benefits	91,403	91,780	93,287	109,891	93,908

– 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.
– the 222,780 new shares created at the time of the merger by acquisition of Crédit Maritime d'Outre Mer have been entitled to dividends since 1 January 2015
– the 4,936,887 new cooperative shares created in December 2015 have been entitled to dividends since 1 January 2016.

4

Statutory Auditors' report on the company financial statements

Period ended 31 December 2015

To the cooperative members

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 related to the period ended 31 December 2015, on:

- the audit of the company financial statements of BRED Banque Populaire, as appended to this report;
- the basis for our opinion;
- 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 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 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.

II. Basis for our opinion

In accordance with the requirements of article L823-9 of the Commercial Code related to the basis for our opinion, we bring to your attention the following matters:

Accounting estimates

Provisions for credit risk

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.

Measurement of equity interests, investments in affiliates and other long-term investments

Equity interests, investments in affiliates and other long-term investments by your Bank 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.

Measurement of other securities and financial instruments

Your Bank holds positions in securities and financial instruments. Notes 2.3.4, 2.3.10 and 3.3 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 of these positions and the determination of the criteria used for their measurement. 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.

Provisions for employee benefit obligations

Your Bank records provisions to cover its employee benefit obligations. We examined the methods used for the measurement 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 members 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 et Neuilly-sur-Seine, le 3 mai 2016

THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG SA

Marie-Christine Jolys
Partner

PricewaterhouseCoopers Audit

Anik Chaumartin
Partner

Nicolas Montillot
Partner

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 opinion 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'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, accelerated repayment, 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 officers at regional management level.

The Commitments Department and the Credit Risk Department regularly organise training for staff. New recruits and network staff receive general training concerning the internal credit risk management and control system as part of their job training or as part of the "Superbank" career plan. The delegated risk officers also provide local training at Regional Management level. The Credit Risk Department is involved in particular in the area of the Basel II internal rating system.

Two key principles govern the decision-making process:
- prior approval is required for all credit transactions;
- delegation of analysis and approval of applications at the most appropriate level of competence: the commercial business line, the Commitments Department, the Credit Committee for significant commitments.

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. The Credit Committee considers the largest commitments granted by subsidiaries.

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.

Collection from clients is managed by two departments: one that is responsible for amicable debt collection and involved at the first level, and a litigation department which undertakes court proceedings and monitors 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 bad debts 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, on which the Risk Department, the Markets and Marketing Department and the Networks management departments are represented. The Finance Department prepares and acts as secretary at this committee's meetings. Decisions of the Asset/Liability Pricing Committee are based 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 BRED group level of the internal rating system developed by Groupe BPCE. As well as the rating of counter parties (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 counter parties 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 for the regulatory watch carried out by Groupe BPCE, both with regard to rating and credit risk management standards and methods. In 2015, the Credit Risk Department monitoring team focused in particular on priority actions such as overhauling the database of groups, integration into the Groupe BPCE counter parties 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 watch list of corporate counter parties for which closer vigilance is required. This watch list is drawn up based on rating and commitment criteria. The performing watch list contains counter parties 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 bad debts watch list contains counter parties with proven risk of insolvency and in default under Basel rules. The watch list is prepared on a quarterly basis by the Credit Risk Department 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, the risk management software application enables the commercial business line and its management to regularly measure the quality and monitoring of commitments with retail, professional and corporate customers.

1.2.3 Reporting to and communicating with executive and supervisory bodies

The Credit Risk Department reports regularly to various bodies. Reporting generally takes place on a quarterly basis (dashboard, watch list, etc.), or on a twice-yearly basis (LBO reporting) or on an annual basis. This reporting provides information to the executive managers and supervisory body, notably through committees, in their respective fields of competence: Risk Committee of the Board, Committee for coordination of the control services, Executive Risk Committee. The dashboard for credit risks is also regularly presented directly to the Board of Directors.

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.

Similarly, within the framework of post-AQR work, the Credit Risk Department regularly takes part in and contributes to the workshop activities of Groupe BPCE.

1.3 Permanent control of credit risk

"Information provided under IFRS 7"

1.3.1 First level control

Operational line managers are responsible for first level control.

In addition to their decision-making role on financing requests from the commercial entities, delegated officers of the Commitments Department monitor, at Regional Management level, the proper functioning of accounts and compliance with commitments.

On the one hand, they are responsible on a daily basis for approving account transactions resulting in breaches of the authorised limits.

On the other, they are 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.

These delegated officers also monitor customers' compliance with the repayment schedules for the loans taken out.

Lastly they 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 Groupe BRED 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 counter parties, 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.

The Credit Risk Department regularly reports to Groupe BPCE via the PILCOP tool on the work undertaken and results achieved in its second level control.

With regard to controlling subsidiaries' credit risk, in collaboration with the subsidiaries' permanent control departments and in accordance with 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 the parent company's opinion or decision taken by the Groupe BPCE Credit Committee.

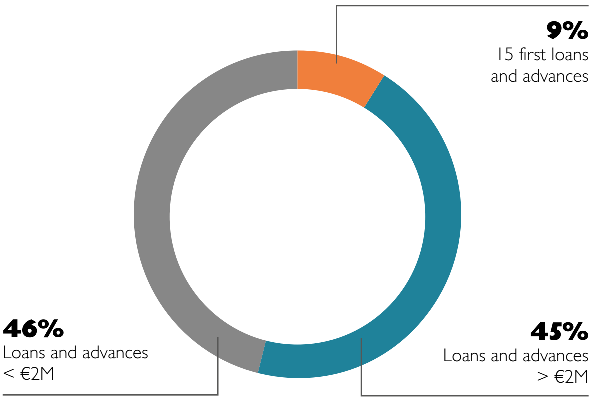
1.4 Statistics on credit risk exposure

1.4.1 Overview

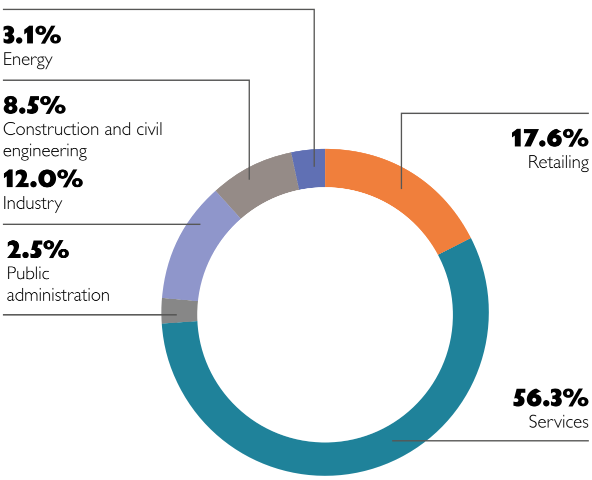
"Information provided under IFRS 7"

In 2015, BRED Social commitments to corporate and professional customers amounted to €11.2 billion (balance sheet and off-balance sheet), the same amount as in 2014.

BREAKDOWN OF CORPORATE AND PROFESSIONAL LOANS AND ADVANCES BY SIZE



BREAKDOWN OF CORPORATE AND PROFESSIONAL LOANS AND ADVANCES BY ECONOMIC SECTOR



The concentration of risk changed in 2015. The 15 first loans and advances represent 9% of the total in 2015 (compared with 16% in 2014). The portion of loans and advances below €2M increased to 46% (compared with 40% in 2014).

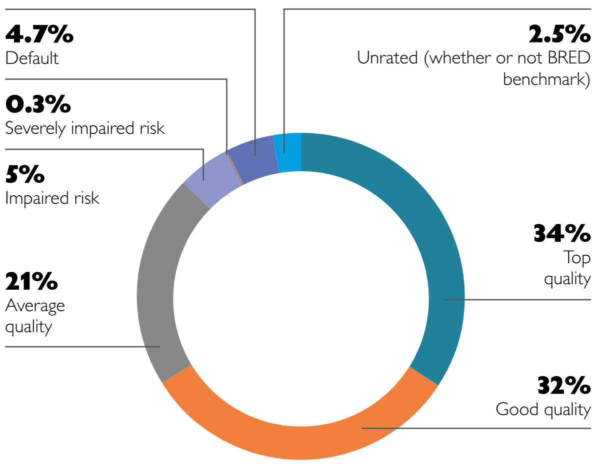
The breakdown of loans and advances by economic sector is stable. The portion of loans and advances to the business services sector continued to predominate, accounting for 56% of the total. Loans and advances to the industrial and retailing sectors remained almost identical to the previous year.

1.4.2 Breakdown of commitments by internal rating

"Information provided under IFRS 7"

The loans and advances below correspond to balance sheet and off-balance sheet items (except for trading securities, equities, securitisations and intra-group).

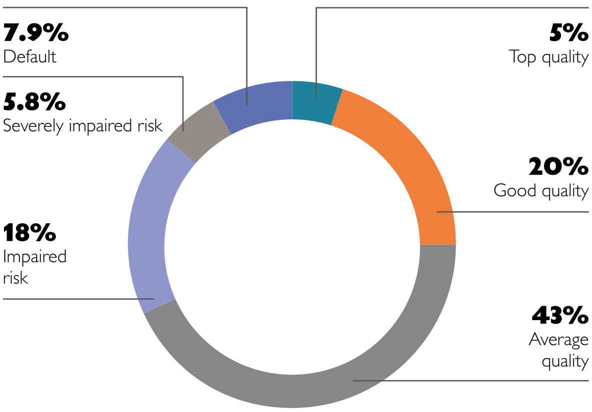
CORPORATE LOANS AND ADVANCES TOTAL: €8,057 MILLION



With a slight increase in the level of loans and advances (+0.8%), 2015 saw growth in high and good quality loans and advances and stability in defaults. The portion of loans and advances which are not rated reduced markedly over the year.

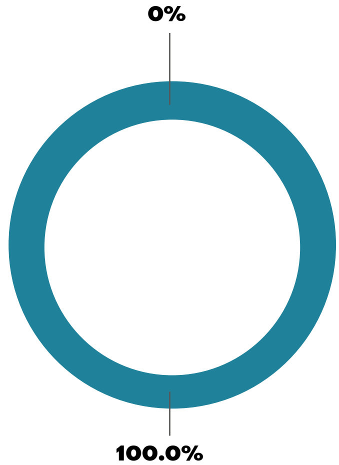
5

PROFESSIONAL LOANS AND ADVANCES
TOTAL: €3,189 MILLION



2015 saw relative growth in outstanding loans (+5.2%). The portion of high and good quality loans and advances increased slightly (+0.8%). The portion of loans and advances in default reduced marginally (from 8.2% to 7.9%).

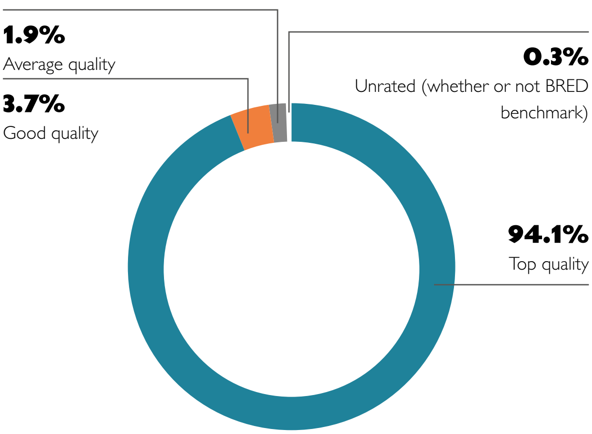
SOVEREIGN LOANS AND ADVANCES
TOTAL: €11,161 MILLION**



The quality of loans and advances remained identical to 2014 but sovereign loans and advances increased by +10% in 2015.

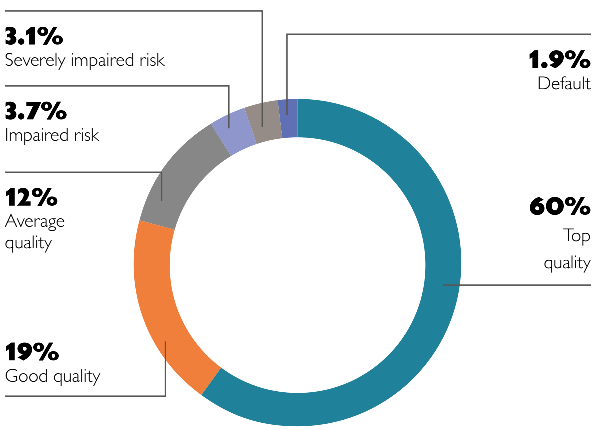
*** Including €0.3G rated 1 and €0.87G rated 3*

INTERBANK LOANS AND ADVANCES
TOTAL: €3,712 MILLION



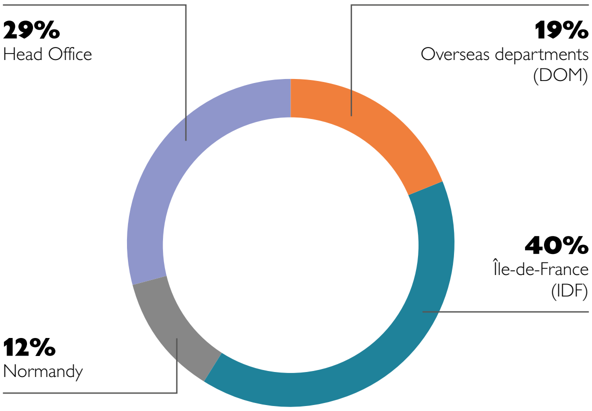
With a stable level of loans and advances, interbank loans and advances are almost exclusively of high and good quality. No defaults were recorded.

LOANS AND ADVANCES TO INDIVIDUALS
TOTAL: €7,228 MILLION



Net increase in outstanding loans to individuals (+9%) essentially due to the increase in outstanding home loans in 2015. High and good quality loans and advances remain stable at 79% for the year. Similarly, defaults remained stable, continuing to account for 1.9% of total loans and advances.

GEOGRAPHIC BREAKDOWN OF LOANS AND ADVANCES AS AT 31 DECEMBER 2015



As regards geographic breakdown, distribution remained stable overall between one year and the next: IDF Network (40%, very slight increase), DOM Network (19%, almost identical), Normandy Network (12%, stable), Head Office (29%, slight reduction).

1.4.3 Analysis of loans and advances reclassified as disputed in 2015

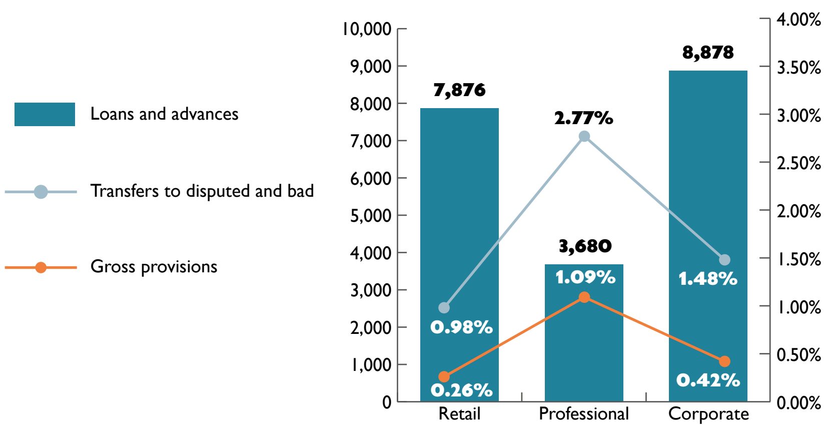
Loans and advances reclassified as bad debts and disputed debts totalled €310.3M. They represent 1.52% of the outstanding debt, spread across individuals (0.98%), professionals (2.77%) and corporate customers (1.48%).

Outstanding bad debts and disputed debts stood at €1,107.3M. The provisioning rate for reclassification as disputed and bad debts is 31.4%.

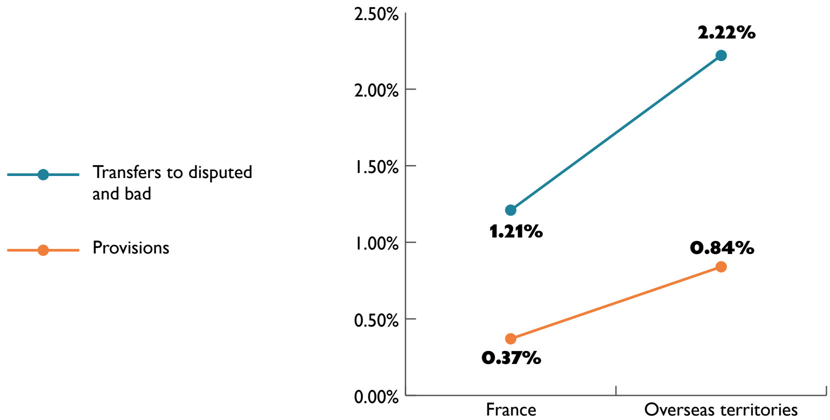
in thousands of euros	Loans and advances	Transfers to disputed and bad	As % of loans and advances	Provisioning rate of transfers to disputed and bad	Outstanding disputed and bad debts	Provisions for disputed and bad debts
Retail	7,876	77	0,98%	26,2%	204.4	93.2
Professional	3,680	102	2,77%	39,3%	382.8	218.9
Corporate	8,878	131	1,48%	28,3%	520.0	247.1
TOTAL	**20,434**	**310.3**	**1,52%**	**31,4%**	**1 107.3**	**559.2**

Group outstanding balance sheet and off-balance sheet items (except for trading securities, equities, securitisations and intra-group). Excluding mutual guarantee companies. Excluding EPS provisions.

RISK: DISTRIBUTION BY SEGMENT



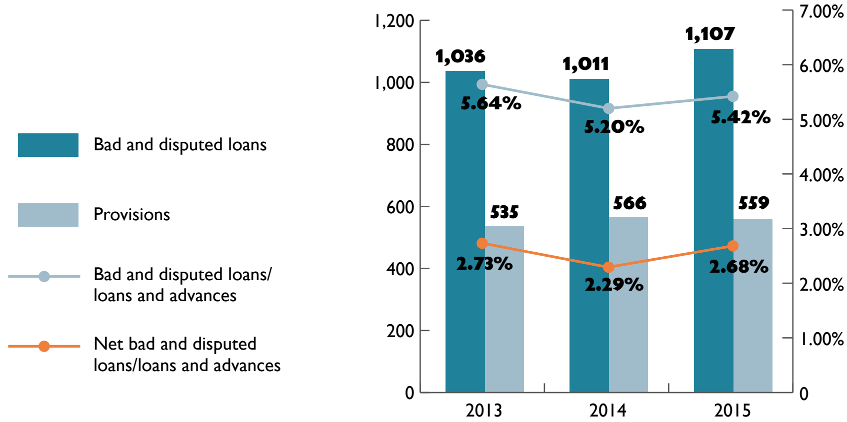
RISK: BRED SOCIAL GEOGRAPHIC BREAKDOWN (AS A PERCENTAGE OF LOANS AND ADVANCES)



PROVISIONS FOR CREDIT RISK AT 31 DECEMBER 2015

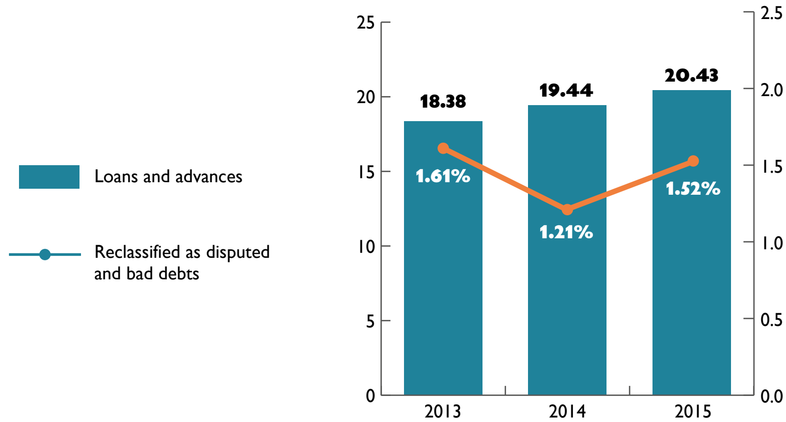
	BRED SA		Subsidiaries		BRED Group	
€ millions	2014	**2015**	2014	**2015**	2014	**2015**
Impairment provisions on customer transactions and off-balance sheet commitments	102.8	-103.8	-23.6	-29.9	-126.4	-133.7
Net reversals of impairment provsions on customer transactions and off-balance sheet commitments	40.7	42.5	16.6	15.3	57.3	57.8
Losses and recoveries	-0.5	-4.3	-0.4	-1.9	-0.9	-6.2
Cost of risk on commercial loans and off-balance sheet commitments	**-62.6**	**-65.6**	**-7.5**	**-16.5**	**-70.1**	**-82.0**
Net cost of risk on other assets	0.0	0.2	3.1	0.0	3.1	0.2
Cost of risk excluding collective provisions	**-62.6**	**-65.3**	**-4.4**	**-16.5**	**-67.0**	**-81.8**
Collective provisions	-18.2	4.6	-0.8	-6.5	-19.0	-1.8
Total cost of risk	**-80.8**	**-60.7**	**-5.2**	**-22.9**	**-86.0**	**-83.7**

CHANGE IN STOCK OF OUTSTANDING BAD AND DISPUTED DEBTS



BRED Group outstanding balance sheet and off-balance sheet items (except for trading securities, equities, securitisations and intra-group). Excluding mutual guarantee companies. Excluding EPS provisions.

CHANGE IN LOANS AND DEBTS RECLASSIFIED AS DISPUTED AND BAD DEBTS



BRED Group outstanding balance sheet and off-balance sheet items (except for trading securities, equities, securitisations and intra-group). Excluding mutual guarantee companies. Excluding EPS provisions.

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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 2015, the Trading Desk pursued its commercial trajectory, ensuring compliance with the Act on the separation of banking activities. Organisation of the activities is based around the three internal units defined in 2014:

- 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 investor clients seeking investments, by structuring appropriate deals.

The control mechanism set up to ensure compliance with the provisions of the Act on the separation of banking activities has been enhanced by the implementation of regular analysis reports and daily warning indicators.

The Finance Department comprises two internal 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 since 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;
- developing monitoring tools;
- since mid-2015, production of the Trading Desk's combined net banking income (NBI) figure and analysis of the same by risk factor.

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 supervisory bodies);
- monitors compliance with the risk mandates;
- since mid-2015, analyses the Front Office NBI on the basis of the combined NBI provided by the Modelling Department and produces the relevant report;
- heightens staff awareness of market risks and contributes to their risk training.

The control cell for the daily P&L accounts, dedicated to the combined calculation of the daily NBI for market activities, was integrated in mid-2015 into the Modelling Department (as regards the production aspects) and into the Market Risk Department (as regards the control aspects). Operational management is carried out within the 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 Risk Committee of the Board 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 Committee for coordination of the control services, which has overall responsibility via BRED Group internal control executive;
- the Financial Strategy Committee, which sets the general guidelines for the Bank'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 Investments Committee, which decides on the financial investments of BRED Group, other than via the Trading Desk.

- the Credit Committee, which sets the credit and counter party 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;
- the Market Activities Accounting Committee, which deals with accounting issues;
- the Committee for coordination of fraud control;
- the Compliance Committee, which monitors the risk of non-compliance and the action plans put in place to rectify such risks.

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 counter party and/or broker confirmation;
- the post-trade operations (settlement/delivery, matching of contracts or SWIFT messages depending on the product).

The audit trail of the KTP system enables the following to be traced for each event (creation, modification, removal): the date of the action; the user identification for the operation; the nature of the modification, cancellation or re-input; the author of the modification.

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 level (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.

A VaR indicator is calculated by Groupe BPCE in relation to BRED's trading activities. This indicator is subject to the same methods and econometrics as the calculations carried out by Groupe BPCE.

Four other VaR indicators are calculated by BRED: 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 measure 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
Foreign-exchange risk	Risk measured by reference to the scenario in the standard CAD method, namely with a variation of 4% for correlated currencies, 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 shift 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 3 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 include warnings on atypical operations enabling these to be identified by their amount or other features, given the history of the activity.

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, counter party risk measurement software – also developed in-house by the Modelling Department – is used to measure credit and counter party risk on an individual basis and an aggregate basis by group of counter parties. 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.

Monitoring reports on the information and results are produced and provided and presented to the executive managers and supervisory body, and to BPCE, on a weekly or monthly basis using a format tailored to each audience as required. In addition, a dashboard is prepared each quarter, presented to 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. Additionally, the combined NBI produced by the Modelling Department enables controls to be carried out, notably by the Market Risk Department.

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 and consumption above a 90% threshold is now also monitored. In 2015, the warning system was enhanced by indicators reflecting compliance with the requirements of the French banking Act. 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 (developed by the Modelling Department) and risk indicators.

The Financial Audit function is responsible for controlling the accounting risks associated with market transactions.

Permanent auditors 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 Statistics on 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

€ millions	**31/12/2015**	31/12/2014
Interest-rate risk	54	46
Foreign-exchange risk	21	16
Ownership, commodities and gold risk	5	13
TOTAL MARKET RISK	**80**	**76**
Counter party risk linked to market risk	61	60

At 31 December 2015, based on Basel II standards, BRED's capital requirement (calculated as 8% of the risk-weighted assets) in respect of market risk amounted to €80 million, and the requirement in respect of counter party risk amounted to €61 million. This level of requirement has been stable since last year.

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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

€ millions	**Impact at 31/12/2015**	Impact at 31/12/14
Foreign-exchange risk	**4.2**	**6.8**
Interest-rate risk		
• Directional risk	22.6	13.3
• Deformation risk	7.6	19.2
• Monetary crisis risk	11.7	14.8
Total issuer risk in a stress scenario	**112.1**	**110.6**
Stock-market risk	**92.4**	**58.1**

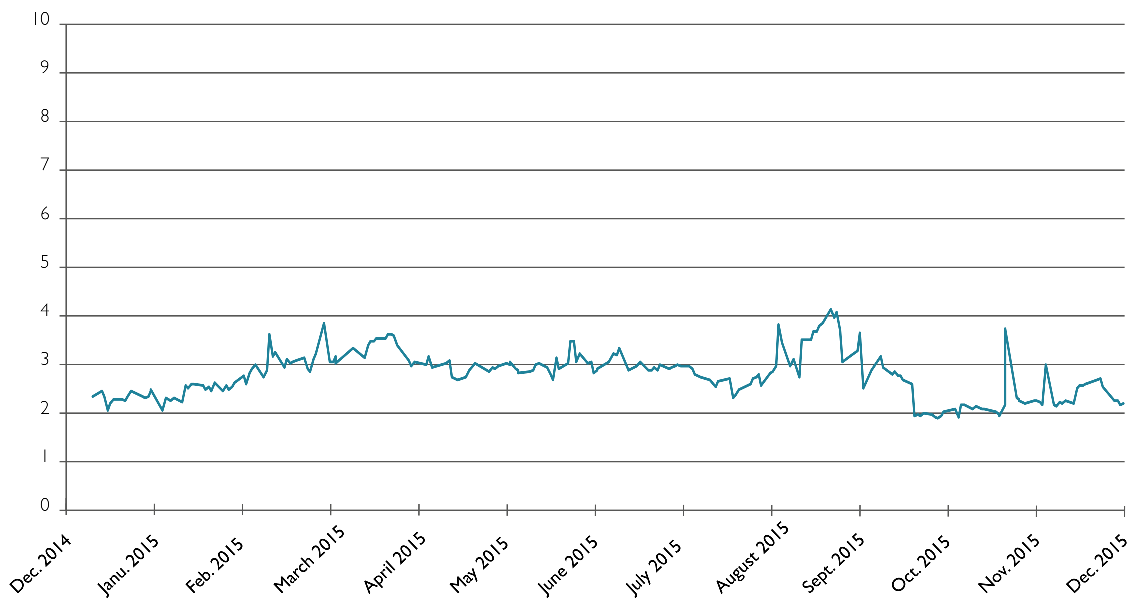
2.4.3 Value at Risk

"Information provided under IFRS 7"

BPCE PARAMETRIC VAR (SCENARISK TOOL) IN RELATION TO BRED TRADING

€ millions

BPCE 99% 1 day parametric VaR in relation to BRED Trading



The VaR increases during the year, regaining its initial levels at year-end. Changes relate to one-off purchases of banking securities and variations in interest rate exposure.

2.4.4 Issuer risk on market activities

"Information provided under IFRS 7"

ISSUER RISK ON MARKET ACTIVITIES

expressed as outstanding market debt

€ millions	**31/12/2015**	31/12/2014
Sovereign	7,476	8,913
Interbank	1,672	1,496
Secured bonds	1,139	744
Corporate	3,150	2,647
TOTAL	**13,438**	**13,800**
o/w off-balance sheet	1,232	953

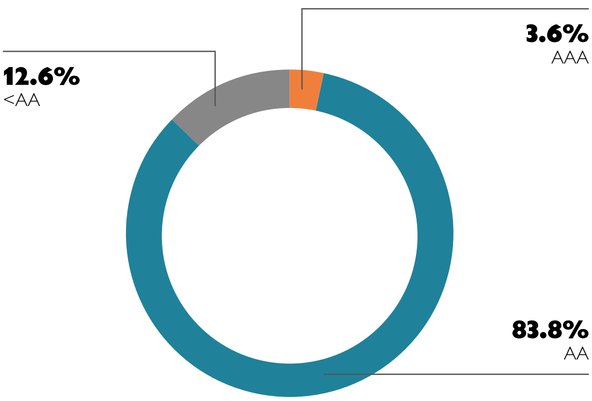
Total BRED scope, excluding securitisations of BRED receivables carried by BRED. The off-balance sheet counter party risk is calculated based on the replacement value plus an add-on determined by reference to volatility, designed to cover any subsequent fluctuation in the replacement value.

The level of exposure to issuer risk has been stable since the previous year.

2.4.5 Sovereign risk by rating

At 31 December 2015, the portfolio of sovereign debt securities consisted as to 87% of issuers rated higher than AA.

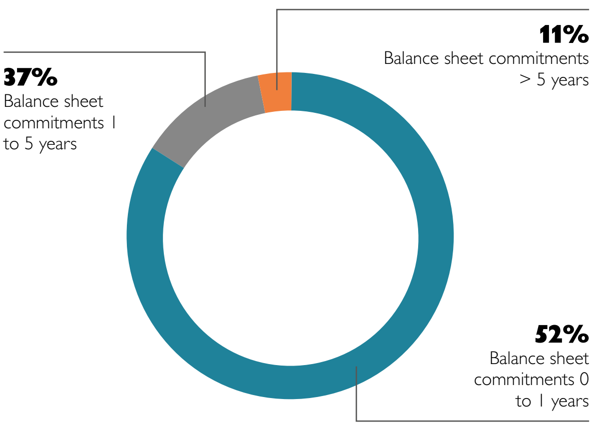
SOVEREIGN BY RATING



2.4.6 Market risk by maturity

The breakdown of risk by residual maturity at 31 December 2015 was as follows:

MARKET RISK BY MATURITY



More than half of the capital markets commitments had a residual maturity of less than 1 year and 89% had a residual maturity of less than 5 years.

3 Balance sheet risk

"Information provided under IFRS 7"

3.1 Balance sheet and treasury risk management principles

3.1.1 General organisation

The management and monitoring of balance sheet and treasury risk are organised around two operational departments, the Asset/Liability Management (ALM) Department and the Treasury Department, and two second level control departments, the Balance Sheet Risk Department and the Market Risks Department.

The Treasury Department (DTRE), 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 (CSF), which approves 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/Treasury policy;
- the Financial Markets Committee (CMF) which, as well as monitoring market activities, approves any proposed changes to the list of authorised financial instruments for the ALM Department and the Treasury Department. It fixes BRED Group internal limits, called "ALM" and "DTRE" governing the balance sheet and treasury management operations, particularly for rates and liquidity risks. When notified by the Risk Department, the Financial Markets Committee reviews any breaches of limits. In addition, the ALM Department presents to the Financial Markets Committee a periodic review (at least quarterly) of the ALM balances of the bank and the DRB presents a quarterly summary of its ALM checking work;
- the Asset/Liability Pricing Committee (COTAP) approves the Bank's pricing policy, in particular with a view to balancing assets and liabilities and the costs of expected risk.

An account is regularly submitted to the Board of Directors and the Risks Committee of BRED BP Board about the management of these risks.

3.1.2 Role of the ALM Department

The ALM Department is responsible for managing the financial structures of the Bank and its subsidiaries on a consolidated basis. Its range of activities includes asset/liability management, refinancing (outside the perimeter devolved to the Treasury Department, see below) and the management of liquidity reserves, equity and solvency. In this regard, and as part of 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:
- managing the liquidity 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. The ALM Department deals with the management of liquidity running for more than one week and can, at any time, take initiatives to improve the short and long term liquidity of the bank and the regulatory and management indicators of BRED Group. With the DTRE, it implements PCA liquidity;
- managing interest-rate risk and hedging transactions aimed at protecting 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 of the Bank (excluding management of reserves and cooperative shares);
- exchange rate risks: 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.

The balance sheet management implemented by the ALM Department rests particularly on the standards set out by the BPCE Asset/Liability Management as well as on the specific rules used by the General Management in the decision-making processes of the bank.

Finally, in the framework of its rights, the ALM Department assumes the following roles with the consolidated subsidiaries of BRED:
- Gives risk measurement tools for liquidity and rates;
- Analyses, advises and suggests actions to cover these risks;
- Ensures brokerage for refinancing and rates coverage.

Any ALM type operation carried out by an entity of BRED Group must be pre-authorised by the head of the ALM Department or the Financial Director.

3.1.3 Role of the Treasury Department

The Treasury Department defines the policy in terms of treasury operations accompanied by a supporting arrangement, approved by the General Management following advice from Risk Management. The main aim is to guide the intra-day flows and to manage the treasury forecasts in order to ensure daily balances and short term financial security. The treasurer applies treasury management policies and checks the equilibrium between the daily refinancing capacities of the bank and the impacts of the development of its business on the treasury. 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;
- guides intra-day euro flows, follows the investment systems, the BPCE and correspondent accounts and ensures that the utilisation limit for the POOL 3G credit line is not surpassed;
- ensures the harmonisation of the security collateral funds with treasury intra-day deficits and, in the case of disproportions, suggests adjustments to the Financial Markets Committee;
- is authorised to activate PCA liquidity and to implement the first security measures, after having informed the Financial Director, the Risks Director and the ALM Department. The Treasury Department defines and maintains PCA liquidity;
- issues final payment authorisations and payment orders (cashier function), after input by the Front Office and control/validation by the Back Office;
- provides an opinion on the compatability of treasury impacts of strategic developments or new business;
- 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 their forecast flows and the Back Office teams that record the transactions.

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 balance sheet risk of the financial management activities. It verifies the proper application and relevance of first level controls implemented 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;
- contributes to the defining and the development of the ALM risk management system (risk indicators, limits systems) subject to validation by the appropriate committees or by the General Management;
- verifying, ex-post, the proper application of the control, modelling and measurement standards and methods and the financial risk decisions approved by the relevant committees;
- defining and implementing second level control of the ALM Department's work;
- monitoring changes in the Bank's structural balance sheet risk and compliance with ALM limits;
- checking the production of balance sheet risk monitoring reports;
- producing summary reports and notifying the executive or decision-making bodies when necessary; and
- monitoring the implementation of corrective action and resolution of breached limits.

3.1.5 Role of the Market Risk Department

The Market Risk Department ensures second level control of market operations carried out in the framework of the ALM and Treasury Departments' mandates, their missions in this matter are set out above (Market Operations section).

3.1.6 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 guidelines and 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 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 Féerie project. On a quarterly basis, the ALM Department inputs BRED Group's balance sheet data into the application, which produces measurement indicators, including:

- static liquidity gaps, which measure balance sheet in run-off circumstances. 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 2% 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 (NIM) to interest-rate movements, which measures the impact on the forecast net interest margin of changes in the interest-rate curve (parallel upward or downward rate shock of +/- 1%, 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. T he 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 BRED Group. The ALM Department draws up measurement indicators by subsidiary based on the data entered in Fermat. The indicators produced for BRED Group 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 to each subsidiary are approved by their decision-making bodies.

3.2.4 Additional monitoring indicators

In addition to the Groupe BPCE indicators defined above, BRED relies on an internal rates risk measurement. This particularly enables the breakdown of the rates risk per management entity within 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 Communications to managers, staff and supervisory 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, 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 ONE PERCENTAGE POINT RISE IN MARKET INTEREST RATES

€ millions	2016	2017
Sensitivity to short-term interest rates		
Sensitivity of existing loan portfolio	12.2	23.1
Sensitivity of future loan production	-12.3	-34.8
Overall sensitivity to short-term interest rates	-0.1	-11.7
Sensitivity to long-term interest rates		
Sensitivity of future loan production	12.3	34.8
Sensitivity to early loan repayments, renegotiation and past dues	1.1	9.6
Overall sensitivity to long-term interest rates	13.4	44.4

The overall impact of a one per cent rise in interest rates would be a €13.3 million increase for BRED. Although the impact of a one percentage point rise in short-term interest rates would be negative (-€0.1 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.

STRESSED LIQUIDITY GAP AT 31/12/2015 (BPCE STRESS SCENARIOS)

31/12/2015 *€ millions*	Gap
Month 1	8,650
Month 2	6,686
Month 3	6,862

The BRED balance sheet structure ensures that it has good autonomy in BPCE liquidity stress scenarios (so-called strong intensity). These liquidity stresses are part of the scenarios of the loss of liability compensated by a drop in the production and mobilisation of securities eligible for central bank refinancing availability. The positive gap indicates that the bank has enough liquid resources to deal with loss of liability.

4 Operational Risk

4.1 Operational risk management principles

Operational risk management is the responsibility of 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 applied to BRED and to its subsidiaries is based on the rules and methods defined by the Groupe BPCE Risk Management Department.

4.1.1 Supervision by the Operational Risk Management Department

Within BRED Group, the system is overseen by the Permanent Control and Operational Risk Management Department and implemented by correspondents throughout BRED 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 BRED Group's other departments and subsidiaries;
- implementing second level control of operational risk with the central and/or decentralised permanent control officers at BRED Group's other departments and subsidiaries;
- overseeing the second level permanent control system, in particular by verifying performance of the annual second level permanent control plans at 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.

The permanent decentralised staff are the controllers of the commercial network and the colleagues in charge of the second level control within the subsidiaries. They function through the central control departments. A strong functional authority strengthens the arrangement (a right of veto on new hires and joint decision-making power particularly 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 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.

4.2.3 Monitoring fraud

The Fraud Committee is in charge of monitoring internal and external fraud risks. 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.

5 Compliance Risk

5.1 Compliance mechanism

Each operational department within the parent company and its subsidiaries is responsible for managing non-compliance risks 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 Group's 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 to create new products or when changing existing processes.

Within the parent company, the non-compliance risks are managed by two departments directly attached to the central office of the bank, a member of the COMEX: 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 Group's subsidiaries in the light of their location, activities, customer bases and applicable regulatory requirements. The updating of the regulatory framework is covered in the regular reports in the risk mapping table of BRED Group; these reports are subject to regular presentations to the Control Functions Coordination Committee, the Board Risks Committee and the Board of Directors.

5.1.1 Compliance Department

Mission

The Compliance Department takes part in the permanent control of 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 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 BRED Group, constantly in the best interests of its customers, employees, directors 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 main interlocutor of the ACPR (banking and insurance authority), the TRACFIN information bureau (the French body that handles suspicious transaction reports), the CNIL (National Commission on Informatics and Liberty), the DGCCRF (Directorate General for Competition, Consumer affairs and Repression of Fraud) and the Défenseur des droits (the French human rights authority).

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 essential services that have been outsourced.

The Compliance Department also has an anti-money laundering and terrorist financing unit (AML/FT), 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 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's final unit is an internal fraud unit responsible 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 Bank's obligations 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.

The Investment Services Compliance Department ensures the conformity and efficiency of the control arrangements of the approved subsidiaries.

As in each year, it has established an Annual Compliance Report for the AMF. This generally presents precise mapping for BRED compliance via 230 general questions and an audit of 37 orders to be observed.

An Investment Services Compliance Officer (RCSI) was appointed in 2014 as responsible for the tasks of OPC depositary and the FIA. This appointment was covered in an information letter with the AMF. The depositaries of the financial investment bodies (OPCVM) and the alternative investment funds body (FIA) have two main duties:

They hold the assets owned by the collective investment bodies (OPC) and ensure the correctness of the decisions of the OPCVM or the FIA or its management company in relation to the applicable legislative and regulatory provisions, as well as those appearing in its prospectus.

Organisation

The Directorate for Investment Services Compliance (DCSI) includes two departments corresponding to the largest commercial sectors of the bank: those of the network clients (Operating Department and Large and International Accounts Department) and those of the clients and counterparts of the Capital Markets Departments.

It delegates, via specific procedures that are recorded in its official manual, which is available to all employees, some of its tasks to permanent control officers in other specialist departments, mainly the Market Risks Department (DRM), the Permanent Control and Operational Risk Management Department.

5.2 Organisation of control

5.2.1 Compliance Department

The Compliance Department has a non-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, overseas permanent control and the Credit Risk Director. It has remit over BRED and also over those subsidiaries that have delegated authority to BRED's Compliance Department for this purpose.

The Banking and Insurance Compliance unit sets out an annual second level control plan for all the main themes arising from client protection. These controls are dealt with directly by colleagues from this department or, very marginally, entrusted to permanent network controllers functionally attached to the Risk Department on the basis of standards published by the Compliance Department.

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 unit

The Anti-Money Laundering 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 algorithms. 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 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 verifies the effectiveness of the controls which it has entrusted to the other control bodies, particularly the Risks and Permanent Control Department when the size of certain services justifies this.

With regard to BRED Group'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 and the French regulatory framework 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 provisions of the AMF's General Regulation are constantly being amended and 2015 featured in particular the ongoing impact of EMIR regulations on asset management and supporting financial sector players on the AFIM directive. These developments naturally resulted in the introduction of new procedures and controls. Accordingly, as well as amendments and supplementary procedures, all the Investment Services Compliance Officer's procedures were revised in 2015 (39 procedures).

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 or 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.

Concerning the depositary activity, the regulatory changes linked to the FIAs were subject to a modification of the costings which set out the conditions under which the depositary exercises its business by type of activity (OPCVM on the one hand and FIA on the other) but also to an extension of the perimeter of the controls. All the procedures of the depositary's functions were reviewed in 2015 (20 procedures).

5.3 Significant events in 2015

5.3.1 Compliance Department

Banking and Insurance Compliance unit

In 2015, 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 2016.

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.

In January 2015 a new recruit, a lawyer by training, joined the Banking and Insurance Compliance unit. This person is more particularly assigned to the delivery of compliance approval for advertising and commercial documents and the treatment of the regulatory scrutiny. The staff of the department was thus raised to 3 Full Time Equivalents (ETP in French).

Financial Crime unit

In 2015, the AML/FT unit continued to enhance the anti-money laundering and terrorist financing system at 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;
- integration in the tool for filtering the results for the hierarchical controls on the relevance of the responses made to alerts by operators regarding the updating of client profiles held in the KYC electronic files; introduction of controls by random checking concerning the handling by operators of the filtration alerts in the workflow of the MAHAKALA filtration tool. Launching the MAHAKALA Génération 2 (MG2) project designed to improve the relevance of filtering scenarios and reduce the number of alerts, particularly "false positive" alerts, by improving the statistical yield from the detection algorithms without deviating from the surveillance obligations set in the regulations. The target timetable for this work envisages a deployment in the second quarter of 2016 concerning individual clients and during the second half of 2016 for firms.

The completion action of the Regulatory Client Files (DRC in French) for all the client segments continued throughout 2015. This regulatory obligation is regularly covered by the second level controls operating both on existing clients and on new arrivals. In addition the DRC rate of compliance was integrated as a compliance indicator impacting the amount of the collective premiums envisaged in the framework of the commercial work of the network when performance is not judged to be satisfactory.

During the year 2015, the staff of the department rose to 11 members, i.e. an increase of 2 including a colleague who came to strengthen the department supervising the subsidiaries, BRED having to ensure that the principles applicable in France were also implemented in its international network.

Concerning the AML/FT supervision of French and overseas subsidiaries of BRED Group, emphasis was placed on a project to establish a base for AML/FT requests differentiated according to the vigilance score assigned to each client. This minimum base will be imposed on all our overseas subsidiaries with deployment planned for the second half of 2016.

The other interventions in the perimeter of the supervision of subsidiaries had the essential aims of establishing a report on the effectiveness of the AML/FT tool for each of our subsidiaries and to formalise an action plan aimed at strengthening the tool and/or correcting malfunctions noted in accordance with the state of development of these entities, some of which were created recently. 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 within BRED network in France, the controls performed directly 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 regular on-site visits the unit also 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.

For the 2015 financial period the most directly affected by these on-site interventions were the subsidiaries of BCIMR (Djibouti) and our subsidiaries established in the South Pacific (BRED Vanuatu and BRED Fiji).

5.3.2 Investment Services Compliance Department

The RCSI regularly provides regulatory monitoring and 2015 saw emphasis placed particularly on an important finalisation task for reforms undertaken and not completed such as MIFID II, EMIR and PRIIPS which aim to harmonise the pre-contractual information sent to investors, MAR which has the duty of improving the integrity of the markets and investor protection by updating and strengthening the current arrangements for fighting market abuses, CSDR which will harmonise the rules applying to regulatory activity and delivery everywhere in Europe and T2S which will enable the installation of a single technological system for regulation and delivery.

Another event was the UCITS V directive which, among other things, reforms the role and responsibilities of UCITS custodians.

The work of optimising tools initiated by the RCSI were actively pursued in 2015, particularly with the establishment of the MIG-15 tool which enables controls for the compliance of investments by ensuring verification of the regulatory and statutory ratios of the funds administered. A common platform established at the end of 2015 also enables the strengthening of controls, both for the depositary's needs and those of the evaluator. The RCSI also strengthened the marketing controls, particularly traceability of investment advice by keeping up careful examination of our statistics relating to performance of EPAs directly linked with the number of products sold. These are updated and made available to the networks every week on BRED intranet. Since the start of 2015, a minor compliance factor was applied in all the presentations and settlements; this incentivising factor will be increased in 2016. In addition, many checks have been carried out on the verification of the implementation rates of the EPAs on "complex" financial instruments after they have been marketed.

SOCIAL, ENVIRONMENTAL AND CIVIC RESPONSIBILITY

Responsible cooperative and developmental identity

1.1 Continuing cooperative values

Since its creation in 1919, BRED has operated as a cooperative bank serving its cooperative members, in the same way as the other Banques Populaires.

Since the creation of the first Banque Populaire at Angers in 1878, and even more so since the law establishing Banques Populaires of 1917, these banks have the duty of serving artisans and traders, which at that time constituted all their members, a mission which was rapidly extended to medium and small enterprises. From 1962 regulatory changes enabled Banques Populaires to accept individual customers. The creation of the ACEF (1), the arrival in 1974 of the Casden Banque Populaire (2) then in 2002 of Crédit Coopératif (3) completed the diverse range of customers.

Based on a territorial presence, specific responses to the real economy and local clients and support for economic and social players, the Banque Populaire model has demonstrated its relevance, efficiency and resilience. Strengthened by this diversity and historic commitment which lie at the heart of its identity, BRED Banque Populaire has always strived to use its ability to find a new way forward based on economic activity which develops a long-term approach looking beyond short-term financial gains. Thus, BRED follows a logic of collective responsability and sustainable developement, respectful of all its employees. This is why BRED has always kept pace with societal changes on the basis of its strong regional presence, its practical responses to the needs of the real economy and local clients and by supporting players in the economic and social spheres.

(1) ACEF: The Association encouraging Loans and Savings for officials and staff of the public services
(2) A bank dedicated to education, research and cultural sector staff
(3) A bank specialising in Social Economy and Solidarity structures

Cooperative Shareholders and Sustainable Development – CSR Department

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.

Cooperative Shareholders and Sustainable Development-CSR Department	**2015**	2014	2013	2012
Number of staff	3	3	3	1

This Department's task is to mobilise all parties concerned, particularly cooperative members, by the use of a responsible cooperative model and by identifying and proposing the priority challenges and objectives of the CSR of BRED Group. 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.

1.2 Sustainable development strategy

Keeping faith with its cooperative values, BRED has always developed an approach based on Corporate Social Responsibility (CSR), promoting proximity and attachment to social ties and to human values. We seek, through our responsible development approach, to develop a differentiating cooperative model around the triptych customers-staff-members, called to become actors of tomorrow's society. 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. For this reason BRED has defined a CSR approach based on two elements:

- a strategy which is based around the eight ambitions identified and defined with the members of BRED Executive Committee (COMEX), ambitions which are also references for its daily activity; and
- engaging in dialogue with the stakeholders.

BRED'S AMBITIONS FOR RESPONSIBLE DEVELOPMENT

Our economic responsibility	
Do our job as a local bank by developing local services	**1 – Support the local real economy** Promote local development, fulfilling our role as a source of finance for local investments and contribute to creation of wealth. **2 – Foster customer relationships based on transparency and shared interests** BRED proposes solutions that are tailored to the individual needs of its customers, acting in their interest and encouraging innovation and access to banking services.
Our social responsibility	
Develop fair practices and promote equal opportunities within the Bank	**3 – Recognise individual merit and foster employee loyalty** Internal promotions are common at all levels of the Bank. This is possible due to a continuous and substantial investment in training and the allocation of time for self-learning. **4 – 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. **5 – Improve diversity and equal opportunities** BRED undertakes to respect diversity and provide equal opportunities in all areas of its human resources management. Promotion of diversity remains a key priority for BRED Group.
Our civic responsibility	
Support local initiatives for social cohesion	**6 – Make money socially useful** Support the economic and social integration of people in situations of difficulty, promote solidarity and protect vulnerable customers. **7 – Support and develop local action and support local initiatives by our customers and cooperative members** Encourage and take part in local initiatives and innovative action, promote social cohesion.
Our environmental responsibility	
Reduce the environmental footprint of our operations	**8 – Reduce, sort, recycle** BRED's four main direct environmental challenges are: the reduction of greenhouse gases caused by energy consumption in its buildings and during 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 Principles favouring the exercising of these values

BRED is a cooperative bank subject to a specific legal framework designed to facilitate the daily practicing of cooperative values:

The capital is held by its own customers.

- Ownership of its shares is a free and voluntary act.
- The interests of the bank are thus also the interests of its users.

BRED's main strategic policies are validated by the Board of Directors, consisting of cooperative members, to which the members delegate the operational management of the Bank at its General Meetings

- The main decisions are submitted for the approval of members at the time of these General Meetings.

The remuneration of the shares is subject to a ceiling.

- The members do not therefore have the objective of supporting decisions for which their only interest would be to maximise their revenues.

The shares have always been sold or bought at their face value

• There is thus no seeking of short term gains which could influence the market price of the share. This gives each of the stakeholders the chance to analyse and decide, taking a medium/long term view.

The reserves cannot be shared

• Profits are thus mainly destined for business development; this long-term equity strategy supports the taking of a medium/long term view when making decisions.

COOPERATIVE MEMBERS

BRED Banque Populaire	**At 31/12/2015**	At 31/12/2014
Number of cooperative members	142,211	123,566
Annual increase in the number of cooperative members	15.09%	nd
Average capital held per members	€4,426	€4,639
Number of member accounts	154,463	139,372

At 31 December 2015, BRED accounted for 142,211 cooperative members who owned the entire capital stock. Their confidence in our model is justified by the success of every capital increase. At the time of the 2015 capital increase, more than 10,000 customers chose to become new members and contribute to the development of BRED.

They vote at the general members' meetings and directly elect the directors who represent them on the Board of Directors. Cooperative members are regularly invited to meetings at their local branch and to special evening events to discuss the Bank's affairs with senior executives and directors.

The cooperative members can also become involved in helping local associations supported by BRED. BRED's cooperative members have their own dedicated and interactive website which provides them with up-to-date information on the Bank: www.bred-societaires.fr

In 2015, BRED had 18 directors and two advisors 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 members. They are creators of values (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 members 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 Banques Populaires.

1.4 Dialogue with stakeholders

BRED is engaged in ongoing, constructive dialogue with its various stakeholders, either directly or via its subsidiaries. Its recognised experience in finance and sustainable development in the Paris and Greater Paris area, Haute-Normandie and the French overseas departments has led it to work with a variety of stakeholders (government, local authorities, NGOs, etc.) on social, 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 members. 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 members throughout the year in local branches. These events provide cooperative members and customers with an opportunity to discuss the Bank's affairs and to meet members of BRED management.

As part of this policy of committed dialogue with stakeholders and with a view to complying with the GRI-G4 reporting guidelines, in 2015 BRED adjusted the stakeholder mapping that it launched in 2014.

MAPPING OF BRED'S PRINCIPAL STAKEHOLDERS AND THEIR EXPECTATIONS

Clients
Carry out our business ethically and efficiently

- Financing of the real economy
- Expenses and interest rates
- Transparency of products and practices
- Data security
- Solidarity in case of difficulties
- Offering sustainably developed products

Staff
Developing loyalty and talent

- Secure employment
- Compensation
- Work–life balance
- Career management, mobility
- Recognition

Cooperative members
Conduct business in accordance with cooperative values

- Stability and long-term business
- Utilisation of funds
- Transparent and efficient corporate governance
- Taking their proposals into account

Civil society
Respect people, the environment and consumers

- Environment, social, governance – the ESG policy in the financing of the project
- Responsibilities towards the customer and the product
- Participation in regional development

Regulatory bodies
Being in compliance with laws and regulations

- Observance of current regulations
- Responsible conduct in the business
- Transparent governance

Suppliers
Ensure reliable and long-term relations with external partners

- Stability of relationships
- Fairness in economic relationships

The dialogue with these stakeholders takes various forms such as meetings of cooperative members enabling exchanges with our partners, locally, on the bank's development policies and providing fruitful opportunities to reply to their questions and seek their opinions.

The arrangement for hearing customers is strengthened as described in section 2.3.1 "A bank investing in improving the customer experience", listening to the customer, which is also relayed by the sales teams which, through their visit reports, pass on the views of customers.

Dialogue with staff occurs via various social situations (cf: 3.3.4 "Social Dialogue" but also using tools such as Intranet and internal publications, and the role of communications and interfacing with managers as listed in BRED Management School established in 2015 (cf: "3.1.2. Training").

Our actions with respect to associations and civil society representatives who are close to us and our regular dialogue with the professional and trade organisations are also opportunities to seek the views of our stakeholders and discuss our actions at local level.

This dialogue with our stakeholders is completed by constructive interactions with the regulatory authorities and exchanges with our suppliers, based on shared interests.

1.5 Cooperative and CSR Dividend: reflection of "most cooperative"

The Banques Populaires have designed a specific tool, the Cooperative Dividend, enabling them to report to their members about their societal responsibility and cooperative actions. 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 members, directors, employees and customers, and of civil society. A reflection on the "most cooperative" of the Banques Populaires, this tool only takes into account actions going beyond legal obligations and whose aim is not commercial, going beyond the minimum duties of the banking profession. This tool is intended to be traceable and understood byeveryone. This cooperative dividend is available on the website of the Fédération Nationale des Banques Populaires.

• In 2015, BRED's Cooperative Dividend amounted to 811,540 euros, a rise of nearly 10% over one year, to the benefit of common interest structures and local cooperation by intervening in domains such as employment, support for corporate creativity and culture.

1.6 Responsible development charters

BRED's responsible development strategy is based on international standards, including in particular through the membership of the BPCE, the Group's central body, and thus adhesion to the principles of the United Nations Global Compact. Our CSR initiatives are also based on the work of the United Nations, the OECD and the ILO at an international level.

1.6.1 Global Compact

BRED endorses the commitment of BPCE to the Global Compact, the signature of which in 2012 extended the commitment initiated by the Banques Populaires network since 2003 [(4)] and enables it to develop its sustainable development policy in observance of international standards.

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 Global Compact is the main internationally recognised code for responsible companies. Its primary objective is to promote the social legitimacy of companies and markets [(5)] . The aims of the Global Compact are compatible with those of ISO 26000 [(6)] and the Global Reporting Initiative (GRI) [(7)] criteria.

(4) 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.

(5) https://www.unglobalcompact.org/Languages/french/index.html

(6) The ISO 26000 standard contains directives for any kind of organisation seeking to assume responsibility for the impacts of its decisions and activities and to report on these.

(7) The Global Reporting Initiative (GRI) was established in 1997 with the aim of developing globally applicable directives relating to sustainable development as well as taking account of economic, environmental and social performance, initially for companies and then later for any governmental or non-governmental organisation.

1.6.2 Diversity charters

Three agreements structuring the solidarity and diversity approach of BRED: an agreement on gender equality, an inter-generational agreement and an agreement on staff with disabilities.

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 emphasised five priority domains: effective compensation, recruitment, professional training, terms of employment and the relationship between professional life and family responsibilities.

Inter-generational agreement

BRED has 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 was initially signed in September 2013 and was renewed in 2015. It 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.

Agreement on staff with disabilities

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.

1.6.3 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 is applied to all our financing activities and our investment activity on our own behalf and for third parties. The policy is factored into decisions by the relevant decision-making bodies (Credit Committee, Investment Committee, etc.).

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, self-employed, entrepreneurs, associations, SMEs or large companies, an incalculable number of economic actors have been able to fund their projects.

At least, that is what citizens and civil society expect as the role of banks. They believe 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.

Remaining loyal to its cooperative and responsible development values, 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 March 2015, these strong convictions were widely disseminated to all staff of BRED Group via an internal document setting out the cooperative and responsible values of BRED. Values and ethics sit at the heart of BRED, cooperative bank.

2.1 Neighbourhood Banking: Financing the Economy and local development

BRED is part of the Group of principal financiers of the social economy of firms and structures in a region which includes part of the Paris Region, the Calvados, Eure and Seine Maritime in Normandy and the overseas territories.

BREAKDOWN OF BRANCHES

Number	2015	2014
Branches, Private banking Centres, Professional Centres	364	357
Business centres	16	16
Number of branches in priority areas	9	11

This neighbourhood support rests on a network of 364 contact centres for customers of which 95 are in French overseas territories, 16 are business centres (11 in metropolitan France and 5 overseas) which include a "Grand'Ze" branch for students from the most prestigious universities and the Resoplus branch to support the mobility of overseas residents and their children studying in France.

These neighbourhood presences are a response to the sustainable development objectives in these regions because BRED has made the concept of its local and regional presence one of the hallmarks of its success. 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.

But BRED's local support is not limited to actual offices. BRED has chosen to invest in reinventing a local relationship in the digital environment which customers and local players now use naturally. Thanks to better management and communication tools, strengthened by an internet site and a mobile telephone application entirely redeveloped to adapt to the needs and expectations of our customers, they can interact withBRED as they like, depending on the subject which they wish to deal with, at their own time and place.

Thus, BRED is always present alongside its customers and local players to support the regional projects and initiatives which drive the dynamism of the regions in which BRED is established and is trying, like in previous years, to pursue a sustained lending policy:

- At the end of 2015 the average amount of outstanding loans to individuals in France amounted to 6.232 billion euros, i.e. 1.738 billion euros for professionals and 5.946 billion euros for firms and institutions, making a total growth of 10.3% by comparison with 2014. For the two newer entities outside France, the outstanding loan amount of the Franco-Lao Banque in Laos amounted to 87 million euros and that of Vanuatu to 168 million euros.
- In a rather morose economic environment, one should emphasise BRED's positive development in metropolitan France and overseas territories which witnessed the level of new loans granted to individuals grow by 32.7% and those granted to professionals and local firms grow by 12.6%, illustrating our ability to support our customers and to finance their projects.
- In 2015, 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 (cf.: 4.2 "Supporting solidarity-based financing").

Finally, in the framework of the use of the CICE [8], BRED went ahead in 2015 with various investments amounting to 4.33 million euros in terms of:

- Property: 1.4 million euros enabled the opening of new branches;
- Training 1 million euros were assigned for professional training with the creation of the Management School of BRED;
- Recruitment: 1.6 million euros for staff recruitment (summer staff and the CDD open-ended contract);
- Development: 0.3 million euros were invested in market prospects programmes in new markets to improve BRED's competitivity at international level (South Pacific, Ethiopia, Myanmar).

2.2 Ethics in business: honest practices and the preventing corruption

In 2015, 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);
- professional practices: 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) intervenes in any customer transaction likely to fall within the declaration requirement of the AML/FT Directive 3, with a particular focus on Politically Exposed Persons (whether French or non-residents).

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.

(8) The CICE (Tax credit for competitivity and employment) aims to finance the improvement of companies' competitivity through efforts made in relation to investment, research, innovation, training, recruitment, seeking new markets, ecological and energy transition and the re-establishment of their working capital.

ANTI-MONEY LAUNDERING TRAINING

	2015	2014	2013	2012
% of employees trained in anti-money laundering policies and procedures	27%	49%	55%	40%

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.

To ensure implementation of the Directive, in 2015, 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.

BRED (Vanuatu) Limited

Anti-corruption and anti-money laundering

To combat corruption and money laundering activities, BRED (Vanuatu) has specific policies in dealing with corruption and the prevention of money laundering such as the AML Anti Money Laundering and Counter Terrorism Policies, AML Risk Matrix and the Code of Ethics.

To prevent money laundering, for every new account opened, a due diligence questionnaire has to be filled in to ensure that the customer's reasons to open an account are genuine and the source and usage of funds is clearly stated. Global checks are performed on all account applications.

To ensure that funds are not run in a way that involves a violation of international standards or illegal activities, transactions to or from high risk or embargo countries, new account applications for citizens from embargo countries and politically exposed persons are approved by the Approval Committee. Copies of Transaction that require the approval of the Approval Committee are filed by the Risk & Compliance Team and regular controls are performed with reporting to BRED Paris Compliance.

In overseas entities, the campaign against corruption and anti-money laundering is a task of Group policy, at the same level as that seen by the teams in France, as the example of Vanuatu shows.

2.3 A shared interests approach with customers

2.3.1 A bank invested in 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. 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.

Customer perception of our services remains very good, as confirmed by the annual quality survey. The survey showed that 88% 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 the customer telephone and e-mail relations management has continued to improve since 2013. Amongst our individual customers, 94% declared themselves satisfied with our internet site and our smartphone application. 96% of them were satisfied by the email replies to their questions.

In 2015, the customer survey arrangements were implemented and transformed in particular by a systematic questionnaire a few days after contact with the bank. This allows us to gauge our customers' experience regarding the quality of our response and our reaction, which enables us to improve the quality of our relationship.

All these measures will be repeated and widened in 2016 to enable our customers to express their opinions on the development of the service quality we are offering them, in more simple terms.

2.3.2 Responsible marketing

For BRED, faithful to its values, the priority responsibility of marketing is to ensure the pertinence and the quality of the products or services being marketed to our customers. For this reason, a Marketing Committee meets regularly to validate new products and banking and financial services targeting customers. This procedure draws on skills and expertise throughout the company (marketing, commercial, legal, financial, risk management, information systems and compliance). Contributors meet at a New Products/Processes Committee meeting (COCOM) in order to validate each new product before the market launch.

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 applies to products and services as well as sales processes, including in particular distance selling, and to the standard sales and marketing materials used with customers.

This also enables us to guarantee that the processes and tools for customer protection (cf.: 2.3.4 "Customer protection") ensure the confidentiality of personal data and on-line banking, particularly the methods for combatting fraud due to phishing and scams.

This validation of new products before their market launch also enables BRED to satisfy the criteria set out in Article L.225 of the Grenelle 2 Act on measures to 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.

Having the right up-to-date data concerning our customers is therefore an essential component in building a high-quality relationship. The reliability and updating of this kind of information is therefore a real necessity. For this purpose, beyond the data quality processes used in our banking practices and tools, the Vie du Compte a department of BRED, is responsible for ensuring that this information exists and observes legal and regulatory obligations.

In this framework, this service ensures the accuracy of the data, eliminating any errors and/or anomalies encountered. A long-term campaign for the detection and correction of anomalies in customer data which started three years ago ended in 2015.

This service works closely with the Data Management Department within the IT Bureau to ensure harmonisation of all departments.

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. The appointment of a CNIL 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.

Keen to ensure a high level of security in banking, BRED has provided a secure method of access to banking transactions since the launch of its website in 2003. Through a subsidiary, Click & Trust, it has developed means of securitisation based on electronic certificates which offer a very high degree of securitisation, enabling customers to carry out their banking transactions safely.

By extension, another subsidiary, Vialink, was created to adapt the electronic signature to the requirements of companies in the framework of online contract preparation, dematerialisation, e-warnings, electronic safe-boxes and the security of payments. This has enabled BRED to guide its corporate customers through the implementation of the SEPA [10] and during dematerialisation, ensuring that their transactions remain secure.

BRED also assists and advises customers wishing to adopt mobile banking (or m-banking [11], and offers solutions to secure mobile applications and digital identities.

In addition information campaigns about the safety of IT systems are regularly carried out with BRED staff. One such campaign was carried out in 2015 by IT security teams to develop a security culture, and the knowledge and use of good practices in order to avoid data leaks or security failures. This campaign, based on the main dangers incurred, suggests simple, practical and effective rules and advice. Out of a total duration of about 55 minutes, on-line e-learning training consisted of 8 modules of at least 10 minutes each in order to take into account the imperatives linked to everyone's activities.

(10) 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).
(11) M-banking: banking transactions and payments using mobile telephones

2.3.5 Vulnerable customers

While, since 1 October 2014, banks have been legally required to offer specific banking services to people in financial difficulty, BRED has already been doing this for the past 17 years, providing a service based on personal contact and dialogue that aims to better identify and meet the needs of vulnerable customers and those experiencing financial difficulties. 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 civil society.

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, another adverse life event, etc.). 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 on how to rectify their financial situation, 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.

2.3.6 Regulated Professions Department

BRED set up the Regulated Professions Department to help companies in difficulties.

This dedicated team of specialists assists around 1,000 companies in all business sectors. The Regulated Professions Department has been able to establish all solutions (medium and long-term) adapted to every situation, in concert with professionals such as insolvency practitioners or lawyers.

It provides companies seeking to turn around their business with advice and the support of a commercial bank, even in the most difficult situations.

2.3.7 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.

2.3.8 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.

While, strictly speaking, our branches do not comply with all the requirements of the 2005 decree on access for people with disabilities, 28% of these (96 branches) are equipped with access for those with reduced mobility. A plan is being implemented over the next few years to facilitate access to all our branches.

2.4 Supporting responsible green growth

Beyond its local economy lending activities, BRED offers differing socially responsible investment products in order to respond to expectations of customers interested in the impact of their investment decisions. This concerns mainly the range of responsible investments managed by Mirova, the subsidiary of Natixis Asset Management, a pioneer of the ISR in France, which includes specialised and interdependent responsible funds. The titles Finansol and Novethic assigned to some of these funds indicate the quality of this range. For BRED, the environment is an intrinsic part of responsible banking. Banks essentially have an indirect impact on the environment, through the projects they finance.

2.4.1 Support for green growth and energy transition

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 also to 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.

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 European. It concerns everyone, including private individuals, the self-employed, micro-businesses 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.

To approach this market pragmatically, BRED is already engaged in investments in a certain number of projects.

In 2013, BRED partially financed a new 2.45 MW solar 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: the power plant entered service in June 2015.

BRED offers its customers investment products and loans for energy-saving projects.

INITIATIVES SUPPORTING THE DEVELOPMENT OF GREEN GROWTH

Number and in thousands of euros	**2015**		2014		2013	
	Number	**Loan production**	Number	Loan production	Number	Loan production
Regulated products						
Livret de Développement Durable (LDD) (sustainable development passbook savings account)	504	50,608	609	57,003	653	49,625
Loans for energy saving projects	7	62	13	140	28	347
EcoPTZ interest-free eco-loans						
Loan production	81	1,377	128	1,889	109	1,142
Total outstanding loans	830	7,790	820	8,470	694	7,879

2.4.2 Support for responsible investment

The Socially Responsible Investment (SRI) approach is an application to the financial investment domain of the notion of sustainable development. It consists of choosing to invest in firms which incorporate ideas in their development model which are not solely financial but also have a social and environmental aspect. Like more traditional funds, SRI funds are based on the financial performance of companies and countries. But they go 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 and support this approach. Although private investors have embraced socially responsible investment it continues to represent only a minority of investments made by corporate investors. BRED contributes to the financial development of responsible firms in three ways: its own investments in responsible investments, a responsible investment offer in the framework of salary savings and investments requested by its customers in SRI products.

In thousands of euros, as at 31 December of each year)	**2015**	2014	2013
	Number	**Number**	**Number**
Total BRED Investments in SRI Funds	**161,400**	**109,038**	**232,456**
Amount invested in funds with the Novethic SRI label	69,339	62,578	132,697
Amount invested in funds that have not been awarded the SRI label but are listed in the Novethic database	**92,061,,,**	**46,460**	**99,758**
Salary savings: Total amount invested in the Company Savings Plan SRI funds funds	**270,261**	**232,629**	**161,972**
Customer investments in SRI funds	**51,457**	**48,412**	**nd**

Social Responsibility

In a sector undergoing profound change, we must adopt a value-creation policy for the community of men and women who work in BRED. To train and develop our staff, act so that they can experience constant professional development and to take pleasure in working.

Improve staff professional satisfaction, better adjust management to practical realities, undertake training activities matching the challenges, enable them to develop better adaptability to change, contribute to the quality of social dialogue and act for the well-being of staff: these are all good ways of improving the firm's competitiveness and performance. Our social policies rest on a large investment in training, a high quality permanent social dialogue and an organisation which develops employability, favouring autonomy at the same time as collective recognition, via profit-sharing and BRED's involvement.

It is in this manner that BRED can develop a human relations policy which rests on three ambitions constituting a key part of its CSR policy:

- The encouragement of all talents and loyalty of staff thanks to a favourable promotion and salary policy and an ongoing and significant investment in training or self-development.
- BRED undertakes to respect diversity and provide equal opportunities in all areas of its human resources management.
- Work satisfaction thanks to high-quality dialogue between senior management and employees, good working conditions and a decentralised organisation which encourage autonomy and foster collective recognition.

The different tables presented in this section illustrate how the generally favourable development of these ambitions is taken into account.

3.1 Encouragement of the talents and loyalty of staff

3.1.1 Employment policy

Within the perimeter being studied c.f.: page 277 (6.5 Additional information on HR data) – the actual total staff roll of BRED Group on permanent employment terms (CDI), on fixed-term contracts (CDD) and temporary staff and professional contracts amounted to 4,378 persons as at 31 December 2015.

BRED carried out these actions in a well-established stability policy for its staff and acted as a socially responsible employer. Women are in the majority and represent 58.7% of staff out of the total of the Group studied, with 68.5% abroad and 54% in our overseas subsidiaries, with a managerial proportion of 47.3%.

The employment policy of BRED is supported by a long-term employment perspective for its staff which can be perceived in the high proportion of permanent staff (97.9%) and an almost equal proportion of managerial and non-managerial staff.

The age pyramid saves BRED from massive staff losses because of retirement, with 64.6% of staff being under 45 years and 2.6% being over 60.

TOTAL HEADCOUNT BY REGION AND GENDER

			2015			2014
	Men	**Women**	**Total**	Men	Women	Total
Mainland France	1,449	1,920	3,369	1,410	1,862	3,272
Overseas departments	228	496	724	231	525	756
International	131	154	285	132	152	284
TOTAL	**1,808**	**2,570**	**4,378**	**1,773**	**2,539**	**4,312**

BREAKDOWN OF HEADCOUNT BY POSITION AND CONTRACT TYPE

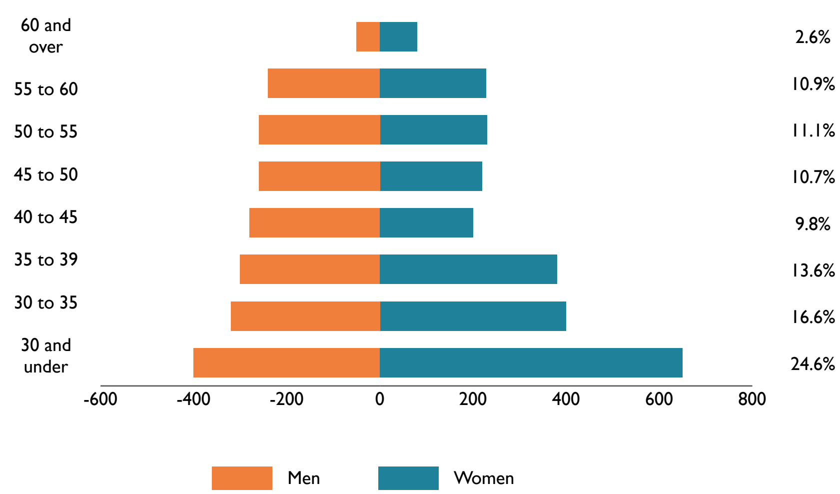
	2015		2014	
	Number	**%**	Number	%
Non-management staff	2,213	52.7%	2,246	53.3%
Management staff	1,989	47.3%	1,968	46.7%
Total headcount, not including people on work experience	**4,202**	**100.0%**	**4,214**	**100.0%**
Of which: people on permanent (CDI) contracts, not including people on work experience	*4,112*	*97.9%*	*4,112*	*98.3%*
people on fixed-term (CDD) contracts, not including people on work experience	*90*	*2.1%*	*102*	*1.7%*
Work experience: professional contracts	176		98	
TOTAL	**4,378**		**4,312**	

BREAKDOWN OF NEW HIRES*

	2015		2014 (*)	
	Number	**%**	Number	%
Contract				
People on permanent (CDI) contracts, excluding people on work experience	231	44.1%	240	62.7%
People on fixed-term (CDD) contracts, excluding people on work experience	115	21.9%	65	16.9%
Work experience: professional contracts	178	34.0%	80	20.4%
Non-management/management				
Non-management staff	433	82.6%	309	81.0%
Management staff	91	17.4%	76	19.0%
Women/men				
Women	281	53.6%	187	49.2%
Men	243	46.4%	198	50.8%
TOTAL	**524**		**385**	

(*) Excluding international

BREAKDOWN OF HEADCOUNT BY AGE



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BREAKDOWN BY REASON OF DEPARTURES OF EMPLOYEES ON PERMANENT (CDI) CONTRACTS

	2015		2014 (*)	
	Number	%	Number	%
Resignations	105	32.4%	111	27.3%
Redundancy	34	10.5%	23	6.3%
Transfer	16	4.9%	16	5.6%
Retirement	97	29.9%	115	39.2%
Contract termination by mutual consent	12	3.7%	7	2.1%
Contract termination during probationary period	55	17.0%	55	18.2%
Death	5	1.5%	5	1.4%
TOTAL	**324**		**332**	

BRED is a firm which continues to employ at a constant rhythm with the objective of encouraging the recruitment of young people. In this sense, BRED has strengthened its labour contracts policy by accepting 170 young persons in this category in 2015 against 80 in 2014.

Under this recruitment policy, equality of opportunity, employment of persons with disabilities and combatting employment discrimination are the RSE challenges that apply directly during the recruitment process. Convinced that a broad-ranging employment pattern in firms constitutes a factor of complementarity, social cohesion and strength, BRED is trying to balance recruitment of men and women.

BRED is recruiting in all the bank's business sectors.

All steps are taken to facilitate the integration of new staff (welcome, information on the firm, its projects, etc.), or to offer prospects of motivating promotion (individual assessment conversations, ability to develop, remuneration). Certain staff members nevertheless choose to leave the firm (resignation) or retire (29.9% of reasons given for departure).

3.1.2 Annual performance review – skills development

Once a year it is the responsibility of the directly responsible manager, who continuously evaluates the quality of the work performed by his or her staff, to express his/her opinion during a conversation and to formalise it with a written report.This is an essential management skill and tool to motivate, assess the achievement of objectives, follow the development of skills in relation to the work, identify training needs, and formally recommend and follow up the improvements to be made as well as forecast possible future development and thus take part in the career orientation of staff placed under a manager's responsibility.

The conversation is therefore a periodic opportunity for a special dialogue between the staff member and the manager, centred upon the work reformed and on the basis of concrete elements (measurable facts, given objectives).

This annual conversation is, for the staff member, a marker of progress and the occasion to take part in his/her own professional development. For BRED, these interviews constitute an indispensable support for preparing each important step in the professional life of workers: training, mobility, career progression, review of the situation and promotion.

3.1.3 Training

The quality of the services it provides to 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 social dialogue between management, the employee representatives and union bodies.
Each BRED department implements a responsible human resources policy that both 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.

To offer the best possible expertise to our customers, we have reviewed all our training courses for branch advisers, private banking managers and corporate managers. They all benefit from the best-designed training. The same thing goes for all our other back, middle and front offices.

With HEC we have created BRED – EMB Ecole de Management (Management School) to enable all the 750 BRED Group managers to better encourage their teams towards individual and collective success. The Ecole de Management opened its doors at Paris-Joinville, Saint-Denis in Réunion and Fort-de-France; Nouméa and Bangkok are to follow.

By maintaining its investment in training at more than 6.8% of the payroll, and with almost 96% of its employees having received training on at least one occasion, BRED's performance in this area places it above both the sector average of around 4%(12) and the statutory minimum requirement (1%). The number of hours allocated to training in 2015, i.e. 171,178, compared to 170,314 in 2014, is indicative of BRED Group's sustained efforts to provide training for its employees in the demanding and ever-changing banking sector.

In 2015, 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: 93%;
- new skills learning: 7%.

BREAKDOWN OF THE NUMBER OF STAFF HAVING UNDERGONE AT LEAST ONE TRAINING COURSE BY GENDER AND BY POSITION

	2015			2014			2013		
	Women	**Men**	**Total**	Women	Men	Total	Women	Men	Total
Non-management staff	1,314	635	1,945	1,230	594	1,824	1,070	514	1,584
Management staff	828	939	1,767	774	854	1,628	687	744	1,431
TOTAL	**2,142**	**1,574**	**3,716**	**2,004**	**1,448**	**3,452**	**1,757**	**1,258**	**3,015**

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 professionalism.

Accordingly, in 2015 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 employable and mobile 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 various training courses in 2015 passed.

Additional actions to promote employee equality and facilitate the work–life balance were effected.

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.

(12) http://www.fbf.fr/fr/secteur-bancaire-francais/metiers-de-la-banque/chiffres-cles/les-chiffres-de-la-formation-continue

Innovative teaching to help employees "learn differently"

In 2015, distance learning courses accepted 24,223 participants (virtual classes, webinars, MOOC, e-learning, telephone, etc.), illustrating the transformation of the offer of distance training which is developing steadily in the form of regular sessions, favouring easier assimilation of knowledge.

Raising employee awareness of environmental issues

Thanks to a move to a new building where the organisation of the work is based on shared printers instead of individual ones [(13)], and a selective organisation centralised work unit, more than a third of BRED employees were informed on ecological issues in the workplace. In addition, the training of branch staff taking place at Joinville, this more responsible approach is spreading across all the teams.

3.1.4 Compensation

Our Human Resources policy is based on the knowledge of the men and women in the firm and on the shared desire to create professional career routes supported by meetings, training and experience enabling the further development of skills. To meet, to appreciate the staff member, and to discover their talents and progress markers, are the essential ingredients to establish with them a development route enhancing their employability. Compensation is one of the important indicators that accompanies and supports the encouragement of talent.

PROMOTION/PAY INCREASES

	2015		2014	
	Women	**Men**	Women	Men
Change of level	171	112	115	92
Change of category	32	28	22	14
Number of individual pay increases	**695**	**504**	**423**	**315**
Changes made to overall staff levels	28.7%	30.0%	17.7%	19.2%

Every year BRED analyses and reviews individual pay levels and changes based on performance targets assigned to employees. This global compensation policy is designed to recompense the performance of everyone individually but also to reward each contribution to the success of the firm through collective compensation (variable, profit-sharing, participation) by seeking to ensure fair promotions and salary reviews among men and women.

The 4 objectives of this policy are:
- Promote a suitable policy for all staff while maintaining the financial balance,
- Ensure fair and motivating compensation, that recognises individual and collective success,
- Offer an attractive social status,
- Support the management to be able to discuss compensation.

(13) The number of printers has markedly diminished, from 3739 individual printers to 2164 and from 853 big printers in 2014 to 486 in 2015.

3.2 Diversity and equal opportunities

Diversity is one of the strengths of BRED. Whether this is in the achievement of gender equality when recruiting and promoting employees or in the 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. To improve attitudes and to adjust representations are at the core of BRED project. For many years BRED has made its human resources policy a priority objective.

Professional equality between men and women has been carefully studied for BRED through company-level agreements since 2008 in this sphere, particularly in senior positions; thus, with a ratio of 47.6% of women in management positions, staffing levels in BRED are approaching parity for managerial staff.

BREAKDOWN OF STAFF IN PERMANENT EMPLOYMENT CONTRACTS (CDI)

	2015			2014		
	Non-management staff	Management staff	Total	Non-management staff	Management staff	Total
Women	1,478	945	2,423	1,500	940	2,440
Men	647	1,042	1,689	652	1,020	1,672
TOTAL	**2,125**	**1,987**	**4,112**	**2,152**	**1,960**	**3,763**

AVERAGE ANNUAL SALARY OF PERMANENT STAFF (CDI)

	2015			2014		
	Non-management staff	Management staff	Total	Non-management staff	Management staff	Total
Women	€30,835	€47,935	€37,686	€30,791	€47,605	€37,355
Men	€30,229	€54,426	€45,457	€30,364	€54,038	€44,986
TOTAL	**€30,661**	**€51,229**	**€40,764**	**€30,669**	**€50,838**	**€40,329**

Salary of permanent staff, annual and gross excluding profit sharing and bonuses for overseas staff.

AVERAGE ANNUAL SALARY AT THE INTERNATIONAL ENTITIES

	2015	
	Non-management staff	Management staff
Women	€8,742	€44,821
Men	€8,463	€66,103

Laos and Vanuatu

In terms of salaries, the average salary ratio between men and women is 98.0 for non-management staff and 113.5 for management staff, the same as in 2014.

For the international entities under study, one notes an identical salary for non-managerial staff, men or women; the difference between managerial and non-managerial staff is linked largely to expatriate recruitment.

Facilitate diversity: the Pluri'elles Network

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.

Its objective is to encourage the appointment of women to positions of responsibility, to participate in concrete actions to raise awareness throughout the company, and 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 BRED Group as shown by the number of women in management positions.

In 2015, the Board of Directors was widened to overseas territories to be more representative of the skills and staffing of BRED. This is about wider federal organisation in the bank's territories. A development programme for potential staff and new skills in line with a manager has been drawn up with the support of the BPCE network Essenti'Elles.

3.2.2 Employment of people with disabilities

EMPLOYMENT OF PEOPLE WITH DISABILITIES

		2015	2014	2013	2012	2011
Direct employment	Number of new hires on permanent employment contracts	4	3	11	5	9
	Number of work stations adapted	12	16	15	-	-
Employment rate *(in relation to DOETH)*	Direct employment rate	2.23%	2.46%	2.28%	2.04%	1.95%
	Indirect employment rate	0.53%	0.30%	0.33%	0.27%	0.09%
TAUX D'EMPLOI GLOBAL		**2.75%**	**2.76%**	**2.61%**	**2.32%**	**2.04%**

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 2015, we held an awareness-raising event at the Cannes Festival in the form of a scratch card with questions on disability sent to all BRED employees. The winner's prize was a USB key called "Clap de Cinéma" with a document showing the development of disabilities in the cinema. This type of communication, established since 2014, 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 older 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, renewed in March 2015, have been carried over, including in particular an objective of maintaining all employees aged 55 or over in employment.

3.3 Satisfaction in the workplace

3.3.1 Organisation of work

BRED is aware of the importance of work–life balance for its employees. In general terms, and for nearly twenty years, staff have had the possibility of working part-time: in 2015, 9% of permanent staff, of whom 90.5% are women, opted for part-time. This possibility is also open to staff at entities established overseas.

Within BRED and its subsidiaries subject to French law, 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.

BREAKDOWN OF PART-TIME PERMANENT CONTRACTS ACCORDING TO TIME WORKED

		2015			2014		
		Women	**Men**	**Total**	Women	Men	Total
Non-management staff		199	10	209	201	9	210
Management staff		134	25	159	126	16	142
TOTAL		**333**	**35**	**368**	**327**	**25**	**352**
Of which:	*Less than 50%*	*17*	*1*	*18*	*17*	*0*	*17*
	50%	*27*	*9*	*36*	*32*	*9*	*41*
	50 to 79%	*87*	*8*	*95*	*80*	*5*	*85*
	80%	*83*	*8*	*91*	*85*	*4*	*89*
	More than 80%	*119*	*9*	*128*	*113*	*7*	*120*

3.3.2 Health, Safety

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 the health and safety conditions of our employees' working environment, in conjunction with the company doctors BRED has put in place the usual health prevention and monitoring systems such as a mandatory medical check-up every two years for each employee, at which his or her health and working conditions are discussed.

No specific agreements have been signed on health in the workplace. The company doctors are best placed to detect any possible risks and take action if and when necessary. Their main role is to ensure 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

	2015		2014		2013	
	Number	**Number of days' absence**	Number	Number of days' absence	Number	Number of days' absence
Number of accidents reported with resulting absence	**79**	**1,990**	**118**	**2,200**	**99**	**1,654**
Accidents in the workplace	35	1,037	60	1,567	36	357
Accidents when travelling to and from work	56	953	58	633	63	1,297

Days' absence based on working days.

6

It should be noted that no fatal accident or workplace accident has occurred with resulting absence according to local regulations for the last two years in those overseas subsidiaries which fall within the range studied.

The severity and frequency of accidents with resulting absence is monitored as part of an action plan to combat stress put in place in 2011.

A special section of BRED's 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. The existence of our company doctors is largely to combat workplace stress and forecast or detect professional health issues, if any.

In addition, training sessions are regularly organised to prepare new entrants joining the commercial network for possible aggression (rudeness, armed attacks).

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.

Aware of the importance of sport and cultural activities in workplace satisfaction, BRED facilitates, as far as possible, sports activities by making showering facilities available to staff in the two main offices and making rooms available to staff taking part in the choir and the theatre group. A BRED sports association encompasses several disciplines.

Relaxation premises are made available to staff in the Paris and Joinville offices, such as cafes and rest areas.

3.3.3 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 for holidays in particular remains stable at roughly 4%.

Indicators at end of December	**2015**	2014	2013	2012
Absenteeism rate for illness	4.06%	4.12%	4.11%	3.87%

The rate of absenteeism due to illness corresponds to the number of days' absence of BRED staff and all its French subsidiaries over the year, on a calendar basis, to the nearest year.

For overseas establishments studied in this report, the rate is hard to compare to those of the establishments in France and in the overseas territories. Vanuatu was severely hit by a hurricane which destroyed a large part of the main island resulting in absenteeism of 6.4 days per employee, on average. For Laos, the average was 2.1 days per employee.

3.3.4 Social Dialogue

BRED provides over 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. 100% of the staff working in France are covered by a collective agreement.

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 2015, the Central Works Council was convened twice for ordinary meetings and three times for extraordinary meetings.

The Health and Safety and Working Conditions Committee was convened eight times. These exchanges dealt with the arrangements for future networks, the creation of multi-sites, changing timetables for branches and changes to opening times by opening for half-days for customers. Programme for the refurbishment of branches and the creation of new commercial sites. CHSCT meetings have also been organised to explain the refurbishment of the offices at La Rapée with the temporary transfer of certain departments to other sites. Reorganisations of branches have been described as well as the transfers of certain Private banking centers.

Two plans to open branches on the basis of 6 days/7 days have been put on the agenda.

At the start of the year, a meeting was dedicated to terrorist attacks and their consequences which occurred at Dammartin-en-Goële and in Paris Vincennes.

During negotiation sessions, 7 company agreements were signed:
- Generational contract;
- An agreement on working on public holidays within the framework of the Target 2 system;
- Draft electoral agreement;
- Agreement on electronic voting;
- Endorsement of the agreement on union law;
- Salary agreement;
- Agreement to give holidays to staff with sick children and where the presence of a parent is necessary.

3.3.5 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 for 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 would authorise such practices. This obligation is set out in the contracts with our suppliers and sub-contractors, is entered in the charter which will be made public on the internet sites of our overseas subsidiaries during the next few months and will be the object of one of the Environmental, Social and Governance (ESG) criteria which are being drawn up and which will apply to our lending policies.

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.

BRED's activities are supplemented by BRED Enterprise Foundation which has been working mainly for the last two years for the "Second Chance Schools Foundation". These actions also strengthen the activities supported by the National Federation of Banques Populaires (FNBP) whose mission is to promote and develop a partnership and sponsorship policy for the Banques Populaire group.

The FNBP's action priorities are micro-financing, education and employment/recruitment, financed by its own funds as a sponsorship activity. 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.

Civic responsibility also encompasses a commitment to society and demonstrating solidarity with charitable bodies. For example, at the Route du Rhum yachting event, in late 2014, BRED had a stand in the village which was made freely available to certain associations, based on social inclusion. Thus, BIK d'insertion (employment of workers with disabilities), the 2nd Chance School (training and employment of young people in professional life), Champ Passion (administrative and financial support for associations), Pôle social éducatif (combatting illiteracy), Lupus Guadaloupe (help for those with lupus disease), and the centre for "bistoury" type leisure and activities (extra-curricular child care) have all been able to discuss their activities.

In 2015 BRED joined forces with *Nocturnes de l'Économie*. Targeting students, these events, jointly organised by the Journées de l'Économie, Patrick Artus and the Conférence des Doyens, invite leading specialists in their field, personalities from complementary fields, economists, politicians or institutional leaders to debate economic subjects at round tables.

These meetings are intended to enable young people to better understand the economic challenges facing them in their daily lives, like the great economic and social changes in the world, through lively and accessible teachings. The *Nocturnes de l'Économie* take place in this same spirit which fully meets BRED's convictions and economic and civic commitments of BRED in its active regions.

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 10.5% of all salaried employment in France and includes organisations and companies with the status of associations (83.8%), cooperatives (12%), mutual societies (3.6%) and foundations (0.6%). In France, 30%(14) of all jobs in the banking, financial and insurance sectors are provided by cooperatives and mutual societies.

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.

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.

(14) Source: National Observatory for Social Solidarity Economy

4.2 Supporting solidarity-based financing

4.2.1 Micro-loans for setting up a business

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 as self-employed entrepeneurs. BRED has provided financial support over six years to ADIE advisory centres in Normandy, as well as to several Adigo agencies in its active regions, including one in Montreuil near Paris and one in La Réunion.

In 2015, a new step was taken when, with its fellow banks, the Banques Populaires undertook to continue to be the leading financial network for ADIE micro-loans with 30% coverage of their production. Since 2014, BRED has been involved with ADIE in its active regions by participating in several prize competitions such as Créadie and CréaJeunes, while playing a leading role in the logistics of these competitions as jury member or candidate coach.

PERSONAL AND BUSINESS MICRO-LOANS

(loan production – number and amount)

	2015		2014		2013		2012	
	Number	**Amount**	Number	Amount	Number	Amount	Number	Amount
Microcrédits professionnels ADIE	207	€900,808	367	€1,464,914	371	€1,239,753	481	€1,624,633

4.2.2 Crowd funding

BRED is the co-founder and partner of **Babyloan**, a peer-to-peer lending website. Users of the www.babyloan.org website 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. On the site bred.societaires.fr, BRED members vote regularly for micro-entrepreneurial projects in the south, via the Babyloan platform. These projects are financed through a fund which was established by BRED staff.

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.

4.3 Supporting local associations

BRED encourages social cohesion initiatives through an active sponsorship policy, both selective and long-term. We support various local players either directly or through the National Federation of Banques Populaires which acts as a coordinating mechanism for actions mobilising all the Banques Populaires. Our aid consists of gifts, appeals for gifts or distribution of the professional tax. Our staff also invest in a certain number of these initiatives, in a framework of skilled sponsorship. We facilitate the communication between these associations and our customers and members through our website bred-societaires.fr.

4.3.1 Integration and equal opportunity

An increasing number of marginalised persons find themselves in difficult situations which they find hard to overcome and prevent them from fully re-establishing their financial independence. As a result, we give aid to a certain number of bodies who have the aim of promoting supportive solutions favouring a return to employment or which offer job-creation activities which are useful to the community.

If equal opportunities are obviously needed in terms of economic efficiency, this is also an urgent moral issue, and an imperative in terms of civil peace. This is also why we are working hard, within our means, on equal opportunities through various structures. Supporting deserving young people from any place and any origin, to facilitate their educational or professional progress and introduce them to the values of citizenship, is a moral duty as much as a social and economic necessity.

The Café de l'Avenir

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. For nearly 10 years, Café de l'Avenir's 350 volunteers have helped approximately 3,500 young people.

The Fondation des *Écoles de la 2^{e} Chance*

BRED also supports the Fondation des *Écoles de la 2^{e} Chance* (E2C), founded by Edith Cresson, former Prime Minister. Particularly involved in these schools which are located in its region in Seine-et-Marne, in Val-de-Marne, in Paris and in La Réunion, BRED supports the E2C financially via its foundation and the apprenticeship tax. 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.

The HEC Foundation

Sharing the same commitment to the transmission of knowledge, equal opportunities and social mobility, BRED and the HEC Foundation entered a partnership in 2015 to finance the studies of students with grants. The HEC Foundation has also invested in the Frateli project which supports students with strong potential and of modest origins, and BRED reflects this by taking part in the mentorship programme.

The Foundation "A Future Together"

BRED has also formed a partnership with the A Future Together 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.

The AMEF

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, whose members are educational professionals and public and private sector companies. For more than 25 years, they have acted on a voluntary basis to facilitate career guidance and training and improve employment prospects for beneficiaries of all ages and all categories. The AMEF rewards deserving young people on the occasion of the Victoires de l'AMEF.

The Internat de la Réussite

BRED provides financial support for the Internat de la Réussite (former Internat d'Excellence). This boarding school, located in Martinique, enables students from modest origins to study and work in better conditions and to try for entry to the leading French universities. This partnership is bearing fruit over the long term: in 2015, 55% of the students of the 2nd year joined a renowned engineering university or business school. And 20% pursued their studies at university level.

The 2nd Chance Foundation

The 2nd Chance Foundation (F2C) aims to support people aged from 18 to 62 who, have struggled with difficult challenges in their life and now live with great difficulty but show a real desire to change their lives. It supports financially the creation/recovery or training projects whose objective is to successfully create a realistic and sustainable professional project: training leading to qualifications, and the creation or recovery of a business. BRED has long been a partner of the F2C, getting involved practically with graduates and candidates (preparation of CV files, coaching of individuals, etc.).

Harmonie Mékong

In Asia, BRED is particularly established in Cambodia and in Laos. In this area, inspired by what can be done in France or overseas, it supports the Harmonie Mékong association, created in 2009 which aims to encourage initiatives favouring sustainable development, in the biological agricultural sector for example. Harmonie Mékong aims to develop the cultural diversity and teaching of the French language by establishing schools and libraries.

The sports club Créteil Voile

Employment can also be found through sport. Through its branches, BRED supports 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 association BRED helps in this way is US Créteil Voile. BRED's help enables the purchase of appropriate clothing (wetsuits and footwear) to be used by young people when learning to sail in order to ensure favourable conditions on the courses. BRED's contribution finances part of the travel costs so that the most underprivileged children can benefit from the courses with their friends.

The Caraïbe Race

This year, staff from BRED Espace Outre-Mer club have taken part in the Caraïbe Race. This event lasts a whole weekend: races and entertainments with a Caribbean flavour in the Bois de Vincennes are a lot of fun for the participants. The benefits of the exercise enable the support of young sportspeople from overseas who, lacking the means, have not continued with their training.

4.3.2 Culture and education

Culture is a driving force for development and a vital part of our social life because it favours a better life, social links and the attractions of the area. To put culture at the heart of development is thus a real capital investment. In this sense, by supporting a certain number of cultural and artistic initiatives, BRED plays an active role in the lifestyle of the territories it is established in.

The Flaubert Foundation

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.

Alliance Française Foundation

Established over 5 continents, more than 800 Alliance Française offices promote the French language and culture to half a million students over 135 countries. BRED is the principal banking partner, supporting more than 200 Alliance offices around the world, but it is also a sponsor of the conferences organised by the Alliance Française Foundation. To be linked to the Alliance Française is to promote the values of solidarity and an international approach which are characteristic of BRED.

Le Ratrait

More locally, BRED is also active in supporting activities in the areas it operates in. For example for 15 years it has been supporting the Le Ratrait association which is active in the Ménilmontant area of Paris. On the programme each year in the premises of the association, at the theatre of Ménilmontant and in various other parts of the 20th arrondissement, are exhibitions (sculpture, painting, photography and lacquer ware) without forgetting street events which liven up the area (concerts, plays, puppet shows, town criers) and therefore give pleasure to those who love Street Art.

Les douze courts de minuit

This is a short-film festival which is quite unique, even in its category: everyone can vote for the winners, both the public and cinema professionals. Since its creation it has been supported by BRED, the aim being to let the public know of films which are often unknown because they are little publicised or seen only at professional film festivals. People rely on the cultural sector, and helping film-makers or simply sharing a passion for cinema helps it to thrive.

Les Musicales de Bagatelle – classics in the open air

Music festivals mark the life and work of the Banques Populaires thanks to their joint Enterprise Foundation, which is a benchmark in the world of classical music. Thus, BRED is naturally linked to the annual festivals represented by "Les musicales de Bagatelle" or "Open Air Classics". It helps to spread the word about these events and invites members to take part.

The University of Lyon

In 2015 BRED signed a partnership agreement with the University of Lyon intending to link itself to discussions on the economic subjects which fascinate the public, in the framework of the Journées de l'Economie. The debates, exchanges and discussions in which experts from BRED take part, enable the analysis of timely subjects such as the political climate, the economics of terrorism, the future of pensioners, international migration, etc.

Canopé

In 2015, BRED welcomed Canopé during the European Sustainable Development Week. In fact the COP21 on climate issues took place in December 2015 in Paris. It was in this context that the "Climate Change" project was launched: "The climate is changing: quick, time is passing!" The project brings together twenty schools and establishments in France, overseas territories, Europe and North America. Supported by the Academy of Paris and run in partnership with the capital, BRED contributed to the logistics of the debate.

The Jeunesse au Plein Air

BRED was present at the launch of the annual campaign called Jeunesse au Plein Air (JPA), it took part in the actions of this federation of secular associations which operate in France to promote the right to leisure for disadvantaged and disabled children and young adults. It promotes equal opportunities by helping almost 20,000 children go on holiday every year.

Les Éclaireuses et Éclaireurs de France.

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.

Solidarité Laïque

Another example of BRED's extensive involvement in the education sector is its partnership with Solidarité Laïque, a non-profit lay 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.

4.3.3 Health and research

Fondation pour la Recherche sur Alzheimer

BRED asks all new customers to support the Fondation pour la Recherche sur Alzheimer, 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.

Fondation ARC pour la Recherche sur le Cancer

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.

Odysséa

In its active regions, BRED has taken part in the Odysséa Réunion race. This race has beaten its own record in 2015 with more than 15,000 people meeting under the pink banner of the fight against breast cancer in La Réunion.

This unprecedented gathering on the island for a sports and charity event enabled the collection of 120,000 euros in donations in a festive and jolly atmosphere.

cHeer uP!

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.

Médecins Sans Frontières

In 2003, BRED took 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.

The Institut de la Vision

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

Sponsorship

As engagement with the community is one of BRED's core values, we offer a solidarity sponsorship mechanism: when our customers sponsor someone close to them for the opening of an account, BRED pays €5 to one of the following associations: Médecins Sans Frontières, the Alzheimer's Research Foundation and Jeunesse au Plein Air.

Habitat et Humanisme Île-de-France

BRED also supports an association called Habitat et Humanisme Île-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.

BRED Foundation

This year BRED Foundation has awarded five prizes to the associations working in the solidarity and local development domains: E.S.F natation-plongée, Secours populaire, the Friends of the Organ at Notre-Dame de Guibray, ISC CHALLENGE and the association AD AUGUSTA-MP, an association which supports those severely injured while serving the nation with their domestic, social and professional reintegration.

Protection of human rights in Thailand

In 2015, colleagues in BRED IT, a subsidiary in Thailand, cooperated with the students of the Lycée Français of Bangkok through a campaign of gifts to support victims of human trafficking. Gifts in cash and kind were sent to the "Anti-Human Trafficking and Child Abuse Center" association (http://www.atcc.or.th) in the province of Chonburi.

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

The policy adopted by BRED was in line with the commitments of the Procurement Department, the Business Divisions and the suppliers of the BPCE Group since April 2013 (The Phare Project). In this sense, BRED's heads of Procurement regularly take part in training for bulk purchasing which enables them to use and to pass on a purchasing policy which respects the environment and its stakeholders progressively all along 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;
- preference is given to suppliers in BRED territories, as well as metropolitan France and the dependent territories; in 2015, 81% of suppliers were established in these territories;
- 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.

Examples of actions promoting an environmentally friendly policy

IT: Installation of in-branch signature tablets making it possible to reduce paper archives and cut down on the volume of archives sent by the French overseas departments. Used consumables are subject to a specific collection to be recycled or to a controlled destruction with reuse of part of the plastic. Waste electrical and electronic equipment (WEEE) – mainly replaced hardware – is processed by an adapted business, organisation that helps disabled people return to work or independent business (EA/ESAT/EI) that reconditions and resells functional hardware and destroys the remainder by sorting materials for recycling.

Paper and printed matter: BRED prints business cards using recycled paper and cardboard. All our chequebook printers share our CSR approach through their procurement policy sourcing pulp from sustainable management forests. Most of our printers are Imprim'vert certified.

Office supplies: Reduction in the thickness of plastic sleeves and the thickness of plastic bags for collecting cheques.

Transport and shuttles: Since October 2013, links between branches – delivering post, supplying and collecting cheques – have been carried out at night and pooled with other customers. The service is faster and the number of kilometres covered per branch has been reduced. Daily transport between the main BRED and BPCE Group buildings has since July 2013 been carried out by an Adapted Business (Entreprise Adaptée, EA). BRED favours maritime transport to the overseas departments.

Waste recycling: BRED recycled some 372 tonnes of paper in 2015 using our waste collector. Scraps of virgin paper from the publishing studio are processed separately for recycling. Fluorescent tubes changed by the maintenance provider are collected for dispatch to a specialist recycler.

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 Organisation's fundamental conventions

BRED ensures that its suppliers and sub-contractors 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.

The sub-contracting contracts cover ancillary activities outside of BRED's sensitive employment areas.

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.

BRED's 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.

- In 2015, in its supplier selection, BRED ran two adapted workshops, one of which involved the digitisation of 600,000 pages of HR files and the other, waste sorting at the Joinville head office.

SUBCONTRACTING TO THE PROTECTED WORKER SECTOR

Indicateurs	**2015**	2014	2013	2012	2011
Number of full-time equivalent jobs in the protected worker sector	19.64	11.14	10.94	9.36	3.16
Amount of purchases from the protected worker sector (€'000, excl. VAT)	377	275	262	262	109

Tackling environmental issues

Controlling ecological impact and consumption of resources is also part of the company's responsibility to society and the planet.

In its daily activity, BRED generates direct impacts on the environment even if, because of its service sector work, its environmental impacts are limited. Nevertheless, areas for improvement can be identified by reviewing how we operate.

As a bank with a commercial network, the issues cover mainly travel, buildings and consumables: to reduce consumption, increase the share of renewable resources and improve the upstream recycling are the major objectives.

These actions have the support of BRED's Executive Committee and are coordinated by the Sustainable Development Department.

Since 2011, BRED has been preparing its carbon accounting using calculation data made available by BPCE. This year, a new tool, "SPIDER", enabled BRED to prepare its accounts using a more realistic and accurate methodology for its impact. From year to year, the tools improve and the data to be collected is more accurate and fine-tuned. Data, definitions and reporting scopes are increasingly better managed. We have therefore provided one year of energy consumption records in an attempt to make the years comparable. The correspondents of the Sustainable Development Department, vital for the establishment of these accounts, are also now more thorough.

5.1 Reducing our carbon footprint

5.1.1 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 [15] 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;
- the use of more low-consumption light bulbs in the new branches in particular but also at the time of branch refurbishments;
- 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.

Meeting and conference rooms have been equipped with videoconferencing and telephone conferencing equipment to reduce travel to meetings that can be held virtually.

Notable events in 2015

A new contract was negotiated between the BPCE Group and ENGIE (formerly GDF SUEZ) for the invoicing of our energy in the name of group entities, one of the objectives being to optimise the traceability of energy consumption in order to better control and even to reduce them.

In 2015, the total energy consumption (excluding fuel oil) was valued at 33,998,625 kWh, a drop of 2.7% compared to 2014.

ENERGY CONSUMPTION [16]

	2015		2014	
	kWh	**€ (*)**	kWh	€ (*)
Total final energy consumption	**33,998,625**	**4,182,5**	**34,946,397**	**3,914,3**
Total electricity consumption	28,791,710	3,800,7	27,590,433	3,418,3
Total gas consumption *(in kWh HHV higher heating value)*	3,863,796	203,8	6,145,275	326,3
Total consumption of steam-heat network	1,343,119	156,9	1,210,689	140,7
Total consumption of cold network	nc		nc	
Annual fuel purchases *(on a basis of 9.86 kWh per litre)*	295,849	21,1	340,347	29,0
Proportion of renewable energies				
in total final energy consumption (wind, photovoltaic, geothermal, biomass, etc.)	nc		nc	
Total energy consumption (excluding fuel) per m²	**203,6, kWh/m²**		**209,4, kWh/m²**	
Total surface area	166,987 m²		166,858 m²	
o/w branches and business centres	90,487 m²		89,134 m²	

(*) (€'000 incl. VAT)

(15) 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.
(16) This fuel has been recalculated on the basis of 9.86 kWh per litre for the year 2014 (25,404 litres x 9.86 = 250,433.44), like in 2015; the purchases for these two years only concern the Montereau site.
Concerning the steam network, the conversion is calculated on the basis of 0.697 –the rate indicated on the invoice.
The reduction of gas consumption between 2014 and 2015 is explained by the move from Créteil to Joinville. At Créteil, in 2014, BRED consumed 4,537,690 kWh – mainly due to the staff restaurant – against 2,691,558 kWh in 2015.

For business travel in 2015 BRED assigned the management of staff travel to Havas Voyage in order to fully cover all business travel and make travel reservation arrangements more efficient. Havas Voyage has provided BRED with a precise follow-up for business travel using a dashboard display indicating kilometres per transportation type. This source, more reliable than indicators from previous years partly explains the difference from one year to another. It was also desirable to manage our business travel arrangements more efficiently in order to reduce BRED's ecological footprint.

Concerning travel in a commercial or service vehicle, BRED has included travel to its overseas territories for the first time, which explains the large difference in fuel consumption between 2014 and 2015. It is to be noted that in France, only one motor cycle and two scooters run on petrol, the other vehicles use diesel.

In 2015, BRED bought two electric vehicles for its service fleet (Zoé Renault).

MEASURES TAKEN TO REDUCE TRANSPORT-RELATED ENERGY CONSUMPTION

	2015	2014
Total petrol consumption by company cars *(in litres)*	5,155	457
Total diesel consumption by company cars *(in litres)*	116,772	100,499
Business travel in personal cars (in km) – *Kilometres allowance base*	1,949,948	2,154,476
Business travel by train *(in km)*	247,018	404,787
Business travel by short-haul air travel *(in km)*	30,371	1,923,945
Business travel by long-haul air travel *(in km)*	5,268,489	8,188,805

5.1.2 Sustainable use of resources

CONSUMPTION OF PAPER AND OFFICE EQUIPMENT

	2015	2014
Total consumption of EU Ecolabel paper [17] *(metric tons)*	754	767
Total consumption of paper for entire workforce *(kg/FTE)*	172	195
Total consumption of recycled or FSC/PEFC certified paper for entire workforce *(kg/FTE)*	0	0
Total tonnage of recycled EU Ecolabel paper purchased as a percentage of total tonnage of paper purchased *(in %)*	100%	100%

5.1.3 Water management

Strictly speaking, BRED 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	**2015**	2014	2013
Total spending on water *(€'000, incl. VAT)*	176.7	190.2	147.4
Total water consumption *(in m^3)*	41,957	47,488	38,862

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(17) The European ecolabel (EU Ecolabel) helps to identify the products and services which have a reduced impact on the environment for the whole of their life cycle, from the extraction of the raw materials up to the production, utilisation and elimination stages.

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.

5.1.4 Biodiversity management

The protection of biodiversity is a component of the environmental policy in the same way as the other measures (reduction of the carbon footprint, green products, etc.). However, contrary to factors such as greenhouse gas emissions, the work to integrate the notion of biodiversity in banking practices is less advanced.

5.1.5 Reducing our carbon footprint

In accordance with regulatory requirements under the Grenelle 2 Act on the Environment (18), BRED has carried out a carbon review ("Bilan Carbone®") each year 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 motorised 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") (19) and HQE certified building in Joinville-le-Pont 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, buildings, transport and power.

With regard to greenhouse gas emissions, the largest item for BRED is procurement and services which represent 38% of the total greenhouse gas emissions.

CALCULATION OF EMISSIONS IN TONNES OF CO_2 EQUIVALENT (CO_2E)

Indicators	2015	2014	2013
Direct greenhouse gas emissions (scope 1)	1,285	1,820	1,560
Indirect greenhouse gas emissions (scope 2)	2,000	1,792	1,896
Total direct and indirect greenhouse gas emissions (scope 1 and 2)	**3,285**	**3,612**	**3,456**
Total other indirect greenhouse gas emissions (scope 3)	22,584	33,387	37,064

(18) Article 75 of Act 2010-788 of 12 July 2010
(19) BBC: 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.

BREAKDOWN – BY EMISSION ITEMS (TEQ CO_2)

	2015		2014		2013	
Energy	3,596	14%	3,831	10%	4,027	10%
Procurement and services	7,219	28%	14,532	39%	16,042	39%
Business travel	2,248	9%	4,738	13%	6,398	16%
Buildings	4,652	18%	6,362	17%	6,259	15%
Other items	8,154	31%	7,536	20%	8,022	20%
TOTAL	**25,869**		**36,999**		**40,749**	

5.2 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 equipment;
- light bulbs;
- management of liquid refrigerants;
- office consumables (paper, printed material, ink cartridges, etc.).

BANKING BUSINESS WASTE [20]

Indicators	2015	2014	2013
Total spending on waste management services *(€'000, excl. VAT)*	259	267	248,2
Volume of waste produced *(metric tons). Paper/cardboard/plastics and WEEE (essentially IT equipment)*	665.6	659	619

5.3 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 represent 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 2015, 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.

(20) Since 2013 we have been improving the traceability of our waste, both internally and in line with our providers.

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.

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. BRED takes part in the work carried out under the aegis of Groupe BPCE with all the Caisses d'Épargne and Banques Populaires, Natixis, Banque Populaire 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;
- remarks made by the Independent Third Party Bodies in the framework of their auditing work for the 2013 and 2014 financial periods for the CSR items, in the management report from the Groupe BPCE;
- 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 improvement of air, water and soil emissions that have a serious adverse impact on the environment: an issue with little relevance to our activity;
- noise pollution and other forms of pollution, including land cover. Given that BRED operates in the services sector, it is not concerned by issues relating to the prevention of 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.

6.3 Period of the report

Published information concerns the period from 1 January 2015 to 31 December 2015.

When physical data was not exhaustive for the reporting scope or the period, the authors carried out order-of-magnitude calculations to estimate the missing data using average ratios supplied by BPCE.

6.4 Scope of the report

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 2015 financial year was determined on the basis of current possibilities, and is considerably broader than in 2015, with more subsidiaries being included in the analysis. The perimeter 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 scope of the report on the CSR ratio concerned BRED, plus an increase to include eighteen entities of its French subsidiaries: Sofider, BRED Cofilease, Promepar AM, BIC BRED, BRED Gestion, Sofiag, Cofibred, Bercy Gestion Finance, Bercy Patrimoine, Cofeg, Click and Trust, Perspectives et participations, SPIG, Vialink, Socama BRED, Socama Normandie, FCC Elide and FCT Eridian.

The 2015 CSR report, in comparison to the 2014 report, added overseas subsidiaries (Banque Franco-Lao, BRED Bank Vanuatu, BRED IT) and the latest French subsidiaries: PREPAR-VIE, PREPAR Courtage and PREPAR-IARD. Crédit Maritime Mutuel d'Outre-Mer (CMMOM), which was not part of the 2014 report, is included in this report because it was taken over by BRED in 2015. We note the exit of Bercy Gestion Finance and Bercy Patrimoine from the reporting scope in 2015 in comparison to 2014.

Subsidiaries consolidated for accounting purposes using the equity method are not included in the reporting scope.

The 2015 scope covered 83% of BRED Group's headcount, as opposed to 76.3% in 2014.

6.5 Additional information on HR data

- The data on staff covers those on the books as at 31 December 2015. This data includes people on CDI open-ended contracts, effectively permanent, and those on CDD fixed-term contracts, professional contracts, work-experience contracts as well as people on long-term leave for any reason. Trainees, support staff, temporary staff and providers are not included.
- Recruitments correspond to people joining in 2015 from the outside or from within another BPCE entity. A move from a fixed-term contract or a "sandwich course" to a permanent contract within BRED is not subject to a new employment contract. When a person has several fixed-term contracts during the year this will be counted once in the employment records if this person was still present as at 31 December 2015. Similarly, a person employed under a fixed-term contract in a given year moving to a permanent contract during the year will be recorded only as a permanent recruitment.
- 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.
- The data on training covers all training undergone by staff including that performed within the framework of the Personnel Training Account (CPF) which replaced the DIF (right to training) after 1 January 2015, and the time passed through professional contracts in companies; this data does not take account of individual training leave (CIF).
- Workplace accidents with time off includes all kinds of accidents at work, including accidents during travel.
- The rate of absenteeism reported takes into account the absences of supplementary staff and trainees.

6.6 Additional information on environmental data

The environmental data covers BRED headquarters, i.e., for 2015 the main buildings located in Paris and Joinville-le-Pont and consumption by branches. In addition, the energy consumption reported is based on invoices.

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 implementing and monitoring CSR performance for organisations using key indicators. 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. Banking cooperatives are also disadvantaged when compared.

That being so, 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.

Report by a Statutory Auditor designated as an independent third party on the consolidated social, environmental and civic information included in the management report

Year ended 31 december 2015

To the cooperative members

In our capacity as one of the Statutory Auditors of BRED Banque Populaire, designated as an independent third party, accredited by the French Accreditation Committee (COFRAC) under number 3-1049 [21], we hereby present our report on the consolidated social, environmental and civic information for the financial year ended on 31 December 2015 presented in the management report (hereinafter the "CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code (Code de 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).

For our work we have used the skills of five people; this took place between November 2015 and March 2016, for a total period of about six weeks. To assist us in carrying out this work we called on our CSR experts to help.

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 [22] international standard.

1. 1. Attestation of completeness of the CSR Information

NATURE AND SCOPE OF WORK

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. Methodology for reporting CSR in the management report.

Conclusion

On the basis of these works and taking account of the limits mentioned above, we confirm that the CSR information required is in the management report.

2. 2. Reasoned opinion on the fairness of the CSR Information

NATURE AND SCOPE OF WORK

We held ten 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 [23]:

- 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 , 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. Our tests covered 93% of the staff and 100% of the quantitive environmental and societal information presented.

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, 27 April 2016
KPMG S.A.

Anne Garans	**Marie-Christine Jolys**
Partner *Climate change and sustainable development department*	*Partner*

(21) The scope of which is available on the www.cofrac.fr website.
(22) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information
(23) 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: Consumption of energy (electricity, gas, oil, hot and cold); CO2 emissions linked to energy consumption.
Societal indicators: ADIE business micro-loans; solidarity-driven SRI investments.
Qualitative information: Organisation of management–employee dialogue, including in particular procedures for informing, consulting and negotiating with employees; 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 or local populations; relations with individuals and organisations concerned by the company's business activities; anti-corruption actions; measures in favour of the health and safety of consumers.

Comparison table between the CSR data produced and national regulatory obligations (Art. 225 Grenelle 2 Act)[24]

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. 254
	Breakdown of employees as at 31/12 according to age and gender (age pyramid)	p. 255
Recruitments and dismissals	New hires according to: • contract (permanent, fixed-term, work-study) • grade (management, non-management) • gender	p. 255
	Departures from permanent positions, according to reason	p. 255
Compensation and pay increases	Basic average salary of employees with permanent contracts according to grade and gender, and average M/F salary ratio	p. 259
Organisation of work		
Organisation of working time	Percentage of part-time employees (permanent contracts only), including the percentage of women	p. 261
	Average weekly working hours on an annual basis	p. 261
	Breakdown of permanent contracts as at 31/12 according to working hours	p. 261
Absenteeism	Absenteeism rates	p. 262
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. 262
	Number of meetings: health and safety and working conditions meetings (CHSCT), personnel representatives, Works' Council	p. 262
Review of collective bargaining agreements	Description	p. 262
Health and safety		
Health and safety conditions in the workplace	Description of health and safety conditions in the workplace	p. 261
Review of agreements signed with trade union organisations and employee representatives concerning health and safety in the workplace		p. 261
Accidents in the workplace, including their severity and frequency, and occupational illnesses	Number of accidents in the workplace	p. 261
	Monitoring of reasons for accidents in the workplace	p. 262

(24) 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
Training		
Training policies implemented	Percentage of payroll allocated to training	p. 257
	Amount of training expenditure (€)	
	Breakdown of training according to type (specific to position/ development of skills)	p. 257
	Breakdown of training according to area	p. 257
	Breakdown of employees on permanent contracts as at 31/12 who received training, according to grade and gender	p. 257
	Total amount of training expenses in % of payroll	p. 257
Total number of hours of training	% of staff trained	p. 257
Equal opportunities		
Measures taken in favour of gender equality	Description of gender equality policy	p. 246-259
	See all the indicators by gender, particularly: men/women average salary, age pyramid	p. 255
Measures taken to promote the insertion and employment of people with disabilities	Description of policy on employment of people with disabilities	p. 260
	Rate of employment of people with disabilities (direct and indirect)	p. 260
	Number of new hires and adapted workstations	
Anti-discrimination policy	Description of anti-discrimination policy	p. 258
Promotion and observation of the ILO's relevant fundamental conventions		
Respect of freedom of association and the right to collective bargaining		p. 263
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. 271
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. 258
Resources allocated to the prevention of environmental risks and pollution		p. 272
Pollution and waste management		
Measures for the prevention, reduction and remediation of air, water and soil wastes that have a serious adverse impact on the environment	Not applicable given our business activities	NA
Measures for the prevention, recycling and elimination of waste	Volume of waste electrical and electronic equipment (WEEE)	p. 275
Management of noise pollution and any other type of pollution caused by a specific activity	Not applicable given our business activities	NA
Sustainable use of resources		
Water consumption and water supply in light of local restrictions	Total water consumption	p. 273
	Total water-related expenditure	p. 273
Consumption of raw materials and measures taken to improve efficient use thereof	Total consumption of recycled and/or FSC or PEFC certified paper per FTE	p. 273
	Consumption of virgin paper per FTE	p. 273
	Total paper consumption	p. 273
	Total consumption of recycled and/or FSC or PEFC certified paper	p. 273
	Total consumption of virgin paper	p. 273
Energy consumption, measures taken to improve energy efficiency and use of renewable energies	Total energy consumption per m^2	p. 272
	Description of products and services in terms of energy performance of buildings	p. 272
	Total business travel by car	p. 273
	Description of initiatives to reduce energy consumption and greenhouse gas emissions	p. 274
	Not applicable given our business activities	NA
Management of noise pollution and any other type of pollution caused by a specific activity	Not applicable given our business activities	NA
Climate change		
Greenhouse gas emissions	Direct greenhouse gas emissions (scope 1)	p. 274
	Indirect greenhouse gas emissions (scope 2)	p. 274
Adaptation to the consequences of climate change	Description of measures taken	p. 252-271
Protection of biodiversity		
Measures taken to preserve or increase biodiversity	Description of strategy implemented with regard to biodiversity management policy	p. 274

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		
Regional lending	Loans to individuals: annual production, as an amount	p. 248
	Loans to professionals and firms: annual production, as an amount	
To neighbouring or local populations	Number of branches/sales outlets/business centres (including stand-alone ATMs)	p. 247
	Number of branches in priority and rural areas	
	Number of branches with disabled access (2005 Disability Act) as a proportion of all branches	
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. 245
Partnership and sponsorship initiatives	Amount of donations made over the financial year to organisations eligible for tax treatment under the sponsorship system	p. 246
Subcontractors and suppliers		
Consideration of social and environmental issues in the procurement policy	Amount of purchases from the protected sector (2013 estimate)	p. 271
	Number of full-time equivalent jobs provided in the protected sector (2013 estimate)	p. 271
	Description of responsible procurement policy	p. 271
	Training in responsible purchasing	p. 271
Scale of subcontracting and consideration of suppliers' and subcontractors' social and environmental responsibility	Description of measures taken	p. 269
Fair practices		
Action taken to prevent corruption	Percentage of employees (management and non-management) trained in anti-money laundering policy	p. 249
	Description of the current policy and procedures to prevent internal and external fraud	p. 248
Measures taken to protect consumers' health and safety	Description of the CSR analysis of new products and services	p. 250
	Measures taken to facilitate access by people with disabilities or reduced mobility	p. 251

8.4 Business indicators

Information to be included in the management report	Indicators – annual report	Page
Responsible products and services		
Green credit solutions	Zero-rate ecological loan (Eco-PTZ): stock (number and amount) as at 31/12	p. 253
SRI	SRI and supporting funds: outstanding loan amount of funds marketed as at 31/12/2013	p. 253
LDD (sustainable development passbook savings accounts)	Sustainable development passbook savings accounts (LDD): stock (in number and amount) as at 31/12	p. 253
Micro-financing	ADIE professional micro-loans: annual production in number and amount	p. 265

Cross-reference table between french regulatory obligations and international standards

Area/reference	Equivalence GRI 3.1	Equivalence GRI 4 (25)	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)	Art. 148-3.1°	
Energy	EN3 à EN7	G4-EN3 à G4-EN7	Art .R. 225-105-1-I.2° c)	Art. 148-3.1°	
Water	EN8 à EN10	G4-EN8 à G4-EN10	Art. R. 225-105-1-I.2° c)	Art. 148-3.1°	
Biodiversity	EN11/EN12	G4-EN11 ; G4-EN12	Art. R. 225-105-1-I.2° e)	Art. 148-3.2°	
Emissions, effluents and waste	EN16 à EN18	G4-EN15 à G4-EN19	Art. R. 225-105-1-I.2° d)	Art. 148-3.1°	
	EN22	G4-EN23	Art. R. 225-105-1-I.2° b)	Art. 148-3.1°	7/8/9
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		Art. 148-3.1°	
Environmental actions			Art. R. 225-105-1-I.2° a)	Art. 148-3.5°	7/8/9
Society					
Communities	S01/S09/S010	G4-S0/G4-S02	Art. R. 225-105-1-I.3° a)		
	FS14	FS14			
Anti-money laundering procedures	S02/S04	G4-S03	Art. R. 225-105-1-I.3° d)		10
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			Art. 148-3.6°	10

(25) For the purpose of chapter 6 of the reference document (including the management report), 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. This includes several thousand participants who cooperate with the preparation of guidelines for SRI reporting. The objective being to reach a level equivalent to that for financial reporting, based on comparability, credibility, rigour and the checking of data sent out.

Area/reference	Equivalence GRI 3.1	Equivalence GRI 4 [25]	Equivalence Art. 225 French Grenelle 2 Act	Equivalence French NRE (new economic regulations) Act	Global Compact
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) et c) et d)	Art. 148-2.1° a)	
Health and safety in the workplace	LA9		Art. R. 225-105-1-I.1° d)	Art. 148-2.1° a) et b)	
	LA8/LA7		Art. R. 225-105-1-I.1° b) et 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°	1/3/4/5/6
Human rights					
Freedom of association and right to collective bargaining	HR5			Art. 148-2.4°	
Prohibition of child labour	HR6				
Abolition of forced or compulsory labour	HR7		Art. R. 225-105-1-I.1° g)		2/3/4/5

GENERAL MEETING

Ordinary General Meeting of 26 May 2016

Agenda

1. Management report by the Board of Directors on the 2015 financial year and reports by the Statutory Auditors on the annual company and consolidated financial statements;
2. Approval of the annual company accounts for the 2015 financial period. Discharge to the Board of Directors;
3. Approval of the consolidated accounts for the 2015 financial period. Discharge to the Board of Directors;
4. Assignment of the results of the 2015 financial period. Establishing the interest rate for the shares;
5. Statutory Auditors' special report and approval of the agreements and undertakings 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 in the 2015 financial year to the accountable managers and to certain categories of staff members – Article L.511-73 of the French Monetary and Financial Code;
7. Determination of the amounts paid to members of the Board;
8. Renewing the mandate of two directors;
9. Appointment of a director;
10. Ratification of the co-opting of a director;
11. Ratification of the appointment of an auditor;
12. Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares;
13. 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 annual general meeting

Approval of the 2015 financial statements (Resolutions 1 and 2)

Your Board asks you to approve its management report as well as the annual consolidated company accounts for the 2015 financial period.

Appropriation of income and determination of interest to be paid on cooperative shares (Resolution 3)

Concerning the assignment of the results for the financial period, which come out at €171,556,264.14, you are firstly asked, taking account of the capital increases made in 2015, to assign the legal reserve up to a tenth of the corporate capital, i.e. €5,533,736.70.

Given that the retained earnings account shows a positive balance of €110,000,000, the distributable profit stands at €276,022,527.44. We propose that you proceed as follows:

- pay interest on cooperative shares at a rate of 1.80% (the statutory maximum) of the average par value of cooperative shares in 2015, i.e. €0.184 on each of the 61,711,091 shares with rights accruing from 1 January 2015, giving a total amount of €11,354,840.74;
- allocate €154,667.686.70 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, the members 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 rebate of 40% (27)
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 (28)	€11,238,171.38
2014	61,488,311	–	€11,067,895.99	–	€11,067,895.99

(27) For natural persons.
(28) Repurchase of cooperative investment certificates.

Regulated agreements (Resolution 4)

We ask you to approve the Auditors' report on the agreements covered by Article L.225-38 of the Commercial Code as well as the two agreements authorised by the Board of Directors.

Consultation on the overall amount of remunerations of all kinds paid to the categories of persons covered by Article L511-71 of the Monetary and Financial Code (Resolution 5)

Pursuant to Article L. 511-73 of the Monetary and Financial Code, you are asked for consultative advice on the remuneration paid in 2015 to the persons covered by Article L.511-71 of the same Code.

The Ordinary General Meeting must be consulted annually on the overall amount of remunerations of all kinds paid during the past financial period to:

- 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 BRED Group.

The staff regulated by BRED Group consisted of 165 persons for the 2015 financial period.

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 2015 includes a substantial portion corresponding to payments made for financial years prior to 2015.

After review by the Remunerations Committee, the aggregate amount of the compensation actually paid during the financial period closed on 31 December 2015 amounted to €22,669,949. This amount includes the remunerations established for 2015, the non-deferred variable remunerations paid in 2015 for the 2014 financial period and the deferred variable remunerations paid in 2015 for previous financial periods.

Determination of amounts paid to members of the Board of Directors (Resolution 6)

You are also asked to establish at 740,000 euros the annual overall amount of compensatory payments for time passed for the current financial period and for the previous periods up to a new decision by the Meeting.

The functions of the company directors, depending either on the renewal or the appointment which is proposed, as well as their other mandates, appear in the "Governance" part of the annual report.

Board of Directors (Resolutions 7 to 11)

The mandates of three members of our Board of Directors end during this Meeting. We ask you to renew the mandates of Mrs Isabelle Gratiant and Mr Gérard Kuster, and to appoint Mrs Anne Bay as a director.

We also propose to ratify the co-opting of Mrs Patricia Lewin, as a director.

The period of all these mandates is fixed at six years, ending at the close of the General Meeting called to approve the accounts for the 2021 financial period.

Finally you are asked to give a decision on the ratification of the co-opting of Mr Daniel Giron as auditor.

Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares (Resolution 12)

The purpose of the twelfth resolution is to authorise your Board to arrange for BRED to buy back, in compliance with the provisions of 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 6,664,797 shares.

This provision, presented for the first time last year for the approval of members, aims to improve the liquidity of the market for the shares.

The shares thus bought by BRED should, within five years of their acquisition, be offered to members who express their intention to buy them on the occasion of a sale organised by the bank, within the three months following every annual General Meeting.

Powers for formalities (Resolution 13)

Lastly, the thirteenth resolution concerns the grant of powers required 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 accounts

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 2015 financial year, the members approve said annual financial statements as presented to them, as well as the transactions shown in these statements or summarised in these reports.

They give full discharge to the Board of Directors for its management until 31 December 2015.

Second resolution: approval of the consolidated accounts

After reviewing the management report by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements for the 2015 financial year, the members 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 2015.

Third resolution: appropriation of income and determination of interest to be paid on cooperative shares

The members note that a profit of €171,556,264.14 was recorded in 2015 and resolves to allocate it as follows, in accordance with the proposals of the Board of Directors:

En euros

Profit for the financial year	171,556,264.14
Allocation to the legal reserve (5%)	-5,533,736.70
Retained earnings	110,000 000.00
Distributable profit	276,022,527.44
Interest on cooperative shares	11,354,840.74
Allocation to other reserves	154,667,686.70
The balance, to be carried forward	110,000,000.00

On a proposal from the Board of Directors, the General Meeting decided to provide, for the 2015 financial period, an interest payment of €0.184 for each dividend-bearing cooperative share from 1st January 2015.

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 members who are natural persons.

The payment of interest on cooperative shares will be effected as from 1st June 2016. All interest on cooperative shares is payable in cash.

In accordance with the law, the members 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 tax allowance of 40% (27)
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 (28)	€11,238,171.38
2014	61,488,311	-	€11,067,895.99	-	€11,067,895.99

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, having taken note of the continued performance of agreements entered into and approved in previous years and also noted that an agreement was entered into during the year and that an agreement was authorised by the Board of Directors in 2016, the members approve said report and the agreements referred to therein.

(27) For natural persons.
(28) Repurchase of cooperative investment certificates.

Fifth resolution: consultative vote on the aggregate amount of compensation of any kind paid in the 2015 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 members, 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 2015 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 €22,669,949.

Sixth resolution: determination of amounts paid to members of the Board of Directors

After reviewing the report by the Board of Directors, the members meeting:

- resolved to set the aggregate amount paid as compensation for time spent on governance of the cooperative bank at €740,000 for 2016;
- taking 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.

Seventh resolution: Renewal of the mandate of a director

The General Meeting renews, for a period of six years, the mandate of Mrs Isabelle Gratiant as director.

This mandate finishes at the end of the General Meeting called to approve the financial statements for the 2021 financial period.

Eighth resolution: Renewal of the mandate of a director

The General Meeting renews, for a period of six years, the mandate of Mr Gérard Kuster as director.

This mandate finishes at the end of the General Meeting called to approve the financial statements for the 2021 financial period.

Ninth resolution: Appointment of a director

The General Meeting appoints Mrs Anne Bay as a director for a period of six years.

This mandate finishes at the end of the General Meeting called to approve the financial statements for the 2021 financial period.

Tenth resolution: Ratification of the co-opting of Mrs Patricia Lewin as director

The General Meeting ratifies the decision taken by the Board of Directors in its meeting of 28 September 2015, to co-opt Mrs Patricia Lewin as director.

This mandate finishes at the end of the General Meeting called to approve the financial statements for the 2019 financial period.

Eleventh resolution: Ratification of the appointment of Mr Daniel Giron as auditor

The General Meeting ratifies the decision taken by the Board of Directors in its meeting of 28 September 2015 to appoint Mr Daniel GIRON as auditor.

This mandate finishes at the end of the General Meeting called to approve the financial statements for the 2015 financial period.

Twelfth resolution: delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares

The General Meeting, 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 of the Statutory Auditors expressing their appreciation of the terms for establishing the acquisition price;

and ruling in accordance with the provisions of Article L. 225-209-2 of the French Commercial Code:

- authorises 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 6,664,797 cooperative shares;
- resolves that this authorisation may be used to offer the said shares, within five years of their purchase, to cooperative members 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;
- resolves 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;
- establishes that this delegation of authority will remain valid for 12 months from the date of this General Meeting;
- takes 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;
- grants 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;
- takes 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.

Thirteenth resolution: powers

The members meeting gives 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 period ended 31 December 2015

BRED Banque Populaire

18, quai de la Rapée 75012 Paris

Ladies and Gentlemen

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements.

We are required to report, based on the information provided, on the main terms and conditions of, as well as on the reasons justifying the company's interest in, 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 terms of article R225-31 of the 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 R225-31 of the Commercial Code on the performance during the period under review of any agreements that were previously approved by the members.

We carried out the work we considered necessary related 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 general meeting

Agreement authorised during the period under review

In accordance with article L225-40 of the Commercial Code, we have been advised of the following agreement, which was authorised in advance by your Board of Directors.

Agreement related to social protection of the chairman of the board of directors

Person concerned

Mr Stève Gentili, Chairman of the Board of Directors of BRED Banque Populaire.

Type and purpose

Since 1986, the chairmen of Banques Populaires have benefited from a defined-benefits pension provided they complete their careers in the company. They may also benefit, on a decision of the Board of Directors, from the specific additional and supplementary social protection plan applicable to employees of the company. This plan is made up of additional healthcare, additional life insurance and a pension.

The Board of Directors of 27 May 2015 authorised the extension to the Chairman of the Board of Directors of this additional specific social protection plan.

Terms and conditions

As a result of this agreement, €99,927.70 was paid in 2015.

Agreement authorised since the end of the period

We have been advised of the following agreement, authorised since the end of the period under review, which was authorised in advance by your Board of Directors of 29 March 2016.

Renewal of the lease concluded with S.C.I. CBP

Person concerned

Mr Bruno Blandin, Director of BRED Banque Populaire and Manager of S.C.I. CBP

Type and purpose

A lease was granted by S.C.I. CBP to your company for a term of nine consecutive years as from 1 October 2007. This 'type 3-6-9' contract relates to the lease of various commercial premises situated at ZI Les Mangles, Acajou, 97232 Le Lamentin (Martinique) at the Le Lamentin branch. The annual rent excluding taxes in principal is set at €86,558.76. It is automatically reviewed every year depending on the change in the construction index published by the INSEE and is liable to be reviewed at the expiry of each three-year period.

In accordance with articles L225-42 and L823-12 of the Commercial Code, we inform you, by omission, that the initial lease agreement was not authorised in advance by your Board of Directors. We inform you that, when it met on 29 March 2016, your Board of Directors authorised the initial lease and its renewal.

Terms and conditions

This new lease will take effect as from 2016.

Agreement already approved by the general meeting

In accordance with article R225-30 of the Commercial Code, we have been informed of the performance during the period under review of the following agreement already approved by the general meeting during earlier periods.

Memorandum of understanding on the mechanism for contributing to the BPCE Group's capital adequacy

Holder of more than one corporate office on the day of the transaction

Stève Gentili, Deputy Chairman of the Supervisory Board of BPCE and Chairman of the Board of Directors of BRED Banque Populaire.

Nature et objet

On 3 December 2012 your Board of Directors authorised the signing of a memorandum of understanding on the mechanism for contributing to the BPCE Group'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 the 2015 financial statements of BRED Banque Populaire.

Paris La Défense, 3 May 2016 and Neuilly-sur-Seine, 3 May 2016

THE STATUTORY AUDITORS

KPMG Audit	PricewaterhouseCoopers Audit
A division of KPMG SA	
Marie-Christine Jolys *Partner*	**Anik Chaumartin** *Partner*
	Nicolas Montillot *Partner*

Extraordinary General Meeting of 26 May 2016

Agenda

1. Delegation of powers to the Board of Directors to increase the share capital by a maximum amount of €400,000,000 through the issue of cooperative shares for cash or incorporation of reserves and to thereby amend Article 7 of the statutes.
2. Delegation to the Board of Directors to effect an increase in the share capital, reserved for staff pursuant to the provisions of Article L.225-125-9 of the French Commercial Code. Special Statutory Auditors' report on the dropping of the preferential subscription rights.
3. 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 extraordinary members meeting

Ladies and Gentlemen,

Dear members,

This General Meeting intends to submit for your approval a new delegation of powers to your Board of Directors in order to proceed with capital increases by a maximum amount of €400,000,000.

You are informed of the utilisation of the delegation previously granted and which ends in July 2016 in the "General Meeting" section of the annual report.

Renewal of the delegation of powers in terms of increases in capital (1st resolution)

In order to enable your company to support its business and its stability, as well as its financial independence, we suggest delegating to your Board of Directors the necessary powers, for a period of twenty-six months, in order to decide, with the authorisation of BPCE, on the increase of the share capital, on one or more occasions, by a maximum amount of €400,000,000, through the issue of nominal shares to be subscribed in cash as well as by the incorporation of reserves, under the conditions and limits established by the regulations of the Banques Populaires.

The incorporation of reserves could be effected by the raising of the nominal value of the shares or by the creation and free distribution of new shares, or by the simultaneous and combined use of these different procedures.

With regard to the capital increases by subscription in cash, the members will, in proportion to the amount of their shares, have a right of preference that is irrevocable and, if the Board so envisages, revocable, and this right would extend to the subscription to the shares issued.

The shares which will not have been subscribed under this preferential right could be subscribed by persons who are not yet members but who fulfil the conditions to become so. In the case of insufficient subscriptions, the Board of Directors could also use the powers set out in Article L.225-134 of the French Commercial Code, which enables it to limit the amount of the capital increase to the amount of the subscriptions on condition that this attains at least three quarters of the increase decided upon.

With regard to any free allocations of shares by the incorporation of reserves, we ask you to authorise your Board to decide, if it considers this desirable, that the rights forming odd lots will not be negotiable and that the corresponding shares will be sold, the resulting sums from the sale being allocated to the holders of the rights.

We also ask you to delegate to your Board the necessary powers to establish the arrangements and terms of issue, to note the implementation of the resulting capital increases and to proceed with the corresponding amendments to the statutes.

This delegation will lapse, where appropriate, for the part not yet utilised for delegations having the same purpose and which could have been previously agreed to.

Principle of capital increase reserved for staff (2nd resolution)

According to the provisions of Article L 225-129-6 of the French Commercial Code, at the time of any decision to increase the capital by a cash contribution and in any case every three years, the Extraordinary General Meeting must rule on a draft resolution concerning the effecting of a capital increase under the terms set out in Articles L.3332-18 to L. 3332-24 of the Labour Law, that is to say in favour of employees of the company.

It is to respond to this legal obligation that we are presenting you with a resolution intended to authorise your Board to proceed, within a maximum period of twenty six months as from the date of the Meeting, with a capital increase, reserved for staff, for a maximum amount of 0.5% of the capital existing at the time of issue.

It should, however, be observed that, in the case of cooperative companies and thus "Banques Populaires", the salaried members are not in line with its main aim, which is to link staff to the stock exchange valuation of their firm, in other words with the creation of shareholder value.

In fact, cooperative companies are not listed and their basic values do not rely on the search for maximum profits for the members but on long-term performance, responsibility, solidarity and proximity: or, in terms of corporate values, on the essential need to satisfy its client members as well as long-term development and competitiveness. In addition, we remind you that any employee of the bank can become a member in his/her individual capacity, under the same terms as our customers.

That is why, as has always been the case since the entry into force of the above-mentioned text, your Board does not intend to approve this draft resolution and invites members to vote against it. This refusal of approval automatically causes a deduction of proxies without any indication of the representative (far-reaching powers) amongst the votes against the draft resolution pursuant to Article L.225-106, III, paragraph 5 of the French Commercial Code.

Powers for formalities (Resolution 3)

Lastly, the third 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.

This is the meaning of the resolutions on which you are kindly asked to rule.

Resolutions

First resolution: Delegation of powers to the Board of Directors with a view to increasing the share capital through the issue of shares for cash or by the incorporation of reserves.

The General Meeting, ruling under majority quorum terms of an Extraordinary General Meeting, after having heard the reading of the report of the Board of Directors, delegates to the Board of Directors, in accordance with Article L225-129-2 of the Commercial Code, the necessary powers to decide, with the prior authorisation of BPCE, the increase in share capital, on one or several occasions, within a maximum period of twenty six months as from this day and within the overall upper limit of €400,000,000, by the creation and issue of shares to be subscribed in cash as well as, under the terms and limits established by the regulations of the "Banques Populaires", by the incorporation of reserves.

The incorporation of reserves can be effected by the raising of the nominal value of the shares or by the creation and free distribution of new shares, or by the simultaneous and combined use of these different procedures.

With regard to the capital increases by subscription in cash, the members will have, in proportion to the amount of their shares, a preferential right of subscription to the shares issued.

In a case where the irrevocable and, if the Board of Directors has envisaged this, revocable, subscriptions have not absorbed the entire issue of shares, the Board of Directors can open the subscription for unsubscribed shares to persons who are not yet members but who fulfil the terms for so becoming. If there are insufficient subscriptions, the Board of Directors will also have the power, in accordance with Article L.225-134 of the Commercial Code, to limit the capital increase to the amount of the subscriptions provided that the latter attain at least three quarters of the increase decided upon.

In the case of incorporation of reserves by issuing free shares, the Board of Directors is specifically authorised by the Meeting to decide, if it considers this desirable, that the rights forming odd lots will not be negotiable and that the corresponding shares will be sold, the sums arising from the sale being allocated to holders of the rights.

In this framework and within these limits, the Board of Directors shall have all powers to decide on and to implement those capital increases that seem to it to be appropriate and particularly to establish all the arrangements and terms for the issue of new shares, to note the effecting of these capital increases and to proceed with the corresponding amendments to the statutes.

This delegation removes the effect of any prior authorisation with the same objective.

Second resolution: Principle of increasing capital reserved for employees

NB/This draft resolution, proposed in accordance with the law, has not been approved by the Board of Directors, which invites members to indicate their opposition.

The General Meeting, ruling under the quorum and majority terms of an Extraordinary General Meeting, after having learned of the content of the report of the Board of Directors and the special Auditors' report on the dropping of the preferential subscription right, decides, pursuant to Article L.225-129-6 of the French Commercial Code, to reserve for company employees a capital increase in cash under the terms set out in Articles L.3332-18 to L.3332-24 of the Labour Law.

If this resolution is adopted, the Meeting shall decide to authorise the Board of Directors to proceed, within a maximum period of twenty-six months from this day, to a capital increase for a maximum amount of 0.5% of the amount of company capital at the time of issue, which will be reserved for staff of the company under the company savings plan and effected in accordance with the provisions of Articles L.3332-18 to L.3332-24 of the Labour Law and to establish the other arrangements for the increase.

Third resolution: powers

The members meeting gives 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' report on the capital increase reserved for members of an employee savings plan

(Meeting of 26 May 2016 – Second resolution)

To the cooperative members

BRED Banque Populaire

18, quai de la Rapée 75012 Paris

As your company's Statutory Auditors and in fulfilment of the assignment specified by articles L225-135 et seq. of the Commercial Code, we hereby submit our report on the proposed delegation to the Board of Directors of the competence to decide on a capital increase by issuing shares with cancellation of preferential subscription rights, reserved for your company's employees, for a maximum amount of 0.5% of the capital existing at the time of the issuance on which you are called to pronounce.

This capital increase is subject to your approval in accordance with the provisions of articles L225-129-6 of the Commercial Code and L3332-18 et seq. of the Labour Code.

Your Board of Directors proposes, on the basis of its report, to delegate to it (for a period of 26 months) the competence to decide on a capital increase and to cancel your preferential subscription rights to the shares to be issued. If necessary, it is required to determine the final issuing conditions for this operation.

The Board of Directors is required to prepare a report in accordance with articles R225-113 and R225-114 of the Commercial Code. We are required to give our opinion on the accuracy of the figures drawn from the accounts, on the proposal to cancel the preferential subscription rights, and on certain other items of information concerning the issue given in this report.

We carried out the work we considered necessary related to this assignment in view of the professional policies of the French Statutory Auditors' Association (Compagnie nationale des Commissaires aux comptes). These procedures consisted in verifying the content of the report of the Board of Directors related to this operation and the methods for determining the issue price of the shares.

Subject to subsequent examination of the conditions of the capital increase to be decided on, we have no observation to make on the methods for determining the issue price of the shares to be issued given in the report of the Board of Directors.

The final conditions under which the capital increase is to be carried out not having been determined, we do not express any opinion on them and, accordingly, on the cancellation of the preferential subscriptions rights proposed to you.

In accordance with article R225-116 of the Commercial code, we will prepare an additional report, if necessary, when this delegation is used by your Board of Directors.

Paris La Défense and Neuilly-sur-Seine, 3 May 2016

THE STATUTORY AUDITORS

KPMG Audit	PricewaterhouseCoopers Audit
A division of KPMG SA	
Marie-Christine Jolys	**Anik Chaumartin**
Partner	*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.

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 liability 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 by these statutes.

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 members 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 €683,808,254.28. It is divided into 66,647,978 cooperative shares with a par value of €10.26, 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 (€10.26) by account to account transfer following approval by the Board of Directors.

The number of cooperative members as at 31 December 2015 was 142,211.

Dividend policy

Interest paid on cooperative shares was:

- €0.30 for the 2010 financial year;
- €0.34 for the 2011 financial year;
- €0.27 for the 2012 financial year;
- €0.26 for the 2013 financial year;
- €0.191 for the 2014 financial year.

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
Ordinary and Extraordinary General Meeting of 27 May 2014	€400,000,000 by the issue of shares	26 months	Share capital increase in the amount of €54,355,126.08 carried out on 21 December 2015, raising the share capital from €629,453,128.20 to €683,808,254.28: • by the issue at par of 4,936,887 new cooperative shares of €10.20 each for a total amount of €50,356,247.40; • by the capitalisation of €3,998,878.68 drawn from the available reserves, and the corresponding increase of the par value of old and new shares from €10.20 to €10.26.

Crossing of thresholds

Pursuant to Article L.233-6 of the Commercial Code, the raising of the significant threshold of holdings or taking control in companies having their registered offices in France (in %) are the following:

	01.01.2015	During 2015	31.12.2015
AUDIKA GROUPE		5,0	5,0
SNC PAKOUSI	0,0	50,0	50,0
SCI ALCYONE 2014	0,0	99,99	99,99
Indirectly via COFIBRED			
SAS CORPORATE PROSPECTS	0,0	100	100
Indirectly held through Cofibred 8 SAS			
SNC ONYX 1	0,0	100,0	100,0
SNC ONYX 2	0,0	100,0	100,0
SAS GIRASOL 4	0,0	100,0	100,0
SAS GIRASOL 5	0,0	100,0	100,0

Report by the Board of Directors

On the use of the delegation of authority to organise a capital increase

The General Meeting of 27 May 2014 delegated powers to the Board of Directors in the matter of an increase of capital up to €400M for a period of 26 months.

The Board of Directors used this delegation on 6 July 2015.

As required by Article L 225-129-5 of the French Commercial Code, the Board of Directors approved on this same date the text of the report below.

Report relating to the utilisation of the delegation of powers on 6 July 2015

On 6 July 2015, the Board of Directors decided to make use of the delegation of authority to increase the capital granted by the members at the General Meeting of 27 May 2014.

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 members 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 €50,356,247.40 by the issue at par of 4,936,887 new cooperative shares of €10.20 each, in registered form only, to be subscribed in cash and paid up immediately in cash at the time of subscription.

Subscriptions will be reserved first and foremost for current cooperative members, who will have a preferential subscription right based on their existing shares of one new share for 12.5 existing shares. In order to extend the cooperative shareholder base, no irrevocable preferential subscription rights will be granted to current cooperative members for any remaining shares.

Cooperative shares that have not been subscribed as of right may be subscribed by cooperative members 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.

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 that this permission is obtained, the subscription will be open from Thursday 24 September to Thursday 10 December. If this permission from the AMF is not issued before 24 September 2015, the subscription period will start on the day after its issue.

Subscriptions and cash payments may be made at any BRED Banque Populaire branch. The funds arising from the subscriptions shall be deposited at BRED Gestion, which will draw up the certificate certifying the deposit of the funds.

The new shares will become valid from 1st January 2016. They will also be submitted, in the same way as the old shares, to all the provisions in the statutes.

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

Provided that the cash increase actually takes place, the capital will then be increased by the incorporation of the sum required to raise the nominal value of the old and new shares from 10.20 to 10.26 euros, i.e. a maximum amount of €3,998,878.68 taken from available reserves.

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 members equity.

This report will be made available to the cooperative members at the registered office within 15 days of the Board of Director's decision to make use of the delegation of authority.

This report was prepared by the Institutional Communication Department.
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