This Annual Report is published in French and translated in English. In case of possible inconsistencies between the two versions, the French version will prevail.

2016 ANNUAL REPORT

No distance between us

BRED
ADDITIONNER LES FORCES
MULTIPLIER LES CHANCES
BANQUE POPULAIRE

GROUPE BPCE

Contents

COMBINING HUMANISM AND EFFECTIVENESS

In a problematic period for banks, we mustcongratulate ourselves on our positive commercial performance, in France and internationally.

These very fine results are the fruit of all our efforts and spring from a strategy implemented in the spirit of our cooperative values. How else can we create productive and successful initiatives if not by our ability to listen, by our determination to understand, to continually adapt and anticipate, and to implement change in line with developments in society?

This success is also the fruit of an ambition, namely to preserve our historic vocation as a local bank with deep roots in its communities. We are defending a different concept of banking and we confirm our uniqueness by a bold decision. We are increasing investment in commercial banking in France. This does not mean that we are turning our back on digital–far from it. But we integrate it within our services without ever undermining the primacy of the human relationship, whether in-branch or remotely.

As a cooperative bank we have values, ethics and we keep our word, in the service of all our customers. We strive to apply our principles at all times in the delivery of services at our branches, in the design of our product range and in the attention we pay to answering our customers questions.

A cooperative bank means a responsible approach to economic development, in terms of business creation, promoting economic integration or financing local government initiatives.

Our cooperative identity is ultimately indivisible from the concept of cooperative membership. As both owners and beneficiaries of the services provided by BRED, our cooperative members participate in the life of the bank via forums dedicated to dialogue and feedback. The elected directors represent the interests of all members and customers. By participating in certain committees, these directors contribute to the preparation of decision-making at board meetings. It is a multi-faceted board of directors, in terms of representation by geographical region, business sector and socio-professional category.

At BRED, the cooperative spirit is perpetuated and shared while being reinvented and developed. And our customers are demonstrating their confidence in our model in increasing numbers. Together, we were able to implement a successful capital increase in 2016. 15,000 have joined our existing cooperative members, with a direct interest in ensuring that BRED is able to develop sustainably, sheltered from the pressure of the financial markets.

With the support of our members, we will therefore continue to provide an original response to the challenges that lie ahead, rooted in our cooperative values and founded on an economic concept that combines humanism and effectiveness.

"As a cooperative bank we have values, ethics and we keep our word, in the service of all our customers. It also means adopting a responsible approach to economic development."

STÈVE GENTILI
CHAIRMAN

CONSTRUCTING "BANKING WITHOUT DISTANCE" IN THE SERVICE OF OUR CUSTOMERS

For the second consecutive year, BRED has achieved consolidated net banking income of over one billion euros: €1,095m in 2016, a new record. Excluding extraordinary items, NBI growth stands at 6.9% (+3.6% in accounting income).

Despite the unfavourable interest rate environment, in 2016 BRED posted higher net banking income, including commercial banking France. It also further strengthens its financial base with the highest net result in its history of more than 266 million euros (+12.6% excluding extraordinary items and in accounting income).

This enables us to reinforce our vocation to serve our all our regions and customers. Trust and the proximity of our commercial relationships have enabled BRED to significantly increase its capital in 2016, increasing the number of its cooperative members in support of its development plans.

These record activity levels confirm the success of the "banking without distance" strategy implemented by BRED for a number of years now.

In the face of stricter regulatory, fiscal and pricing constraints, in a context of very low rates and of radical changes in customer behaviour, BRED has fundamentally adapted its strategy in order to always offer customers greater added value, whether retail or corporate.

The development strategy adopted over the past four years therefore consists of:

- enhancing the accessibility and convenience of the bank via significant investment in digital;
- strengthening the pivotal role of the advisor at the heart of the customer relationship by focussing on proactiveness and the quality of advice, thereby intensifying the commercial relationship.

The multi-form concept of "banking without distance" deployed in 2016 is an illustration of this. It consists of presenting a bank that is close to its customers, not only in geographical terms but also, and above all, in terms of the relationship, by combining the best that digital and physical proximity have to offer. A bank whose approachability, accessibility, customer focus and the responses it provides are testament to the respect it shows to its customers. A proactive and practical bank that always strives to offer greater added value to its customers during the preparation and implementation of their personal or corporate projects. A bank that never sees its customers as "remote".

For retail customers, for example, in choosing BRED it does not mean having specialist advisors for each range of products, bearing in mind that personal projects may require savings, loans and insurance at the same time, but enabling advisors to take charge of the totality of their clients' needs with a level of expertise in keeping with the nature of customer they are supporting.

> "Our excellent results validate our strategy to make BRED a proactive "bank without distance" which and supports its customers' life projects."
>
> **OLIVIER KLEIN**
> **CEO**

BRED's flexible organisation also enables it to adapt to all profiles and all company sizes. Professionals are managed at branch level, SMEs at the business centres and midcaps, large companies and institutions by the Corporate Banking division. BRED strives to fully understand the issues facing its corporate customers, to anticipate their needs and to jointly design bespoke solutions to support their growth and durability. In short, to be a long-term partner.

The record year of 2016 also saw numerous international projects. We prepared the opening of a commercial bank in Cambodia (BRED Bank Cambodia), officially opened in February 2017, and a banking subsidiary in the Solomon Islands (BRED Bank Solomon) will be opening its doors in late H2 2017.

BRED is therefore pursuing its development both in France and abroad, making significant investments in personnel training and digital. As a cooperative bank it continues to develop its global proximity model wherever it is active, in the service of customers and communities.

NET PROFIT
UP BY
12%

NET BANKING
INCOME
UP BY **7%**
(EXCLUDING
EXTRAORDINARY ITEMS)

Corporate governance

Board of Directors

ALSO ATTENDING BOARD MEETINGS:

Olivier KLEIN CEO
Jean DESVERGNES Honorary Chairman
Éric MONTAGNE Deputy Chief Executive Officer
Vincent GROS General Counsel

Central Works Council delegates
Marie Loulette Petit
Catherine le Gargasson

FROM LEFT TO RIGHT:

Michel CHATOT
Director

Bruno BLANDIN
Secretary to the Board

Isabelle GRATIANT
Director

Leïla TURKI
Director

Pierre MURRET-LABARTHE
Director

Philippe NOYON
Director

Jean-Pierre FOURÈS
Director

Nathalie BRIOT
Director

Gérard KUSTER
Deputy Secretary

Isabelle PASTORET
Director

Stève GENTILI
Chairman

Patricia LEWIN
Director

Michèle CLAYZAC
Deputy Secretary

Raphaël POCHET
Director

Anne BAY
Director

François MARTINEAU
First Deputy Chairman

Information concerning corporate officers

(Article l. 225-102-1 para. 4 of the Commercial Code)

The main activity is shown in blue

Chairman

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.
- Deputy Chairman of the Supervisory Board of BPCE.
- Director of BRED Gestion, BRED Cofilease, SPIG, BCI Mer Rouge, PREPAR IARD, Promepar Asset Management, BICEC, Générale des Eaux Guadeloupe – Groupe Veolia, PRAMEX International.
- Member of the Supervisory Board of PREPAR VIE.
- Permanent representative of BRED Banque Populaire, on the boards of NJR Invest and IRR Invest.

CEO

Olivier Klein

- **CEO of BRED Banque Populaire.**
- CEO of COFIBRED (Compagnie financière de la BRED).
- Chairman of the Board of Directors of PROMEPAR Asset Management.
- Deputy Chairman of the Boards of SOCFIM and Banque Franco-Lao.
- Chairman (SAS) of Perspectives Entreprises.
- Director of: COFIBRED (Compagnie financière de la BRED), 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 Board of PREPAR VIE, Tikehau IM.
- Permanent representative of BRED Banque Populaire on the Boards of: Banque Calédonienne d'Investissement BCI NC), 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.**
- Co-manager of SCP Lussan et Associés.
- Deputy Chairman of the Board of Directors of: BRED Banque Populaire, Associations mutuelles le Conservateur, Assurances mutuelles le Conservateur,
- Director of: AXA, AXA Assurances Vie Mutuelle, AXA Assurance IARD, Conservateur Finance.

Georges Tissié

- **Advisor to the Chairman of the Confédération Générale des Petites et Moyennes Entreprises (CGPME – French association of small and medium-sized enterprises).**
- Chairman of the Board of Directors of BRED Gestion.
- Deputy Chairman of the Board of Directors of BRED Banque Populaire,
- Director of COFIBRED (Compagnie financière de la BRED).

Secretary

Bruno Blandin

- **Manager of Ets Claude BLANDIN & FILS SARL, ultimate group holding company.**
- Caraibes marchand de biens, b6, SCA bonne mere, SCI alpha, SCI martot 321, SCI b&p, SCI beta, SCI boyer sainte rose, SCI californie 97, SCI cbp, SCI de l'angle, SCI l'epi epinay, SCI esperance, 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 neuvillieres-vire, SCI loire sud nantes, SCI moise polka, SCI phil villiers le bel, SCI theta eiffel, SCI pyrenees paris 20eme, SCI sentier de falaise, SCI thema, SCI turgoti cherbourg, SCI wagram etoile, SCI eta lareinty, SCI du tregor lannion, SCI iota jabrun, SCI marengo-collery, SCI kappa lamartine, SCI omicron frebault, SCI riviere aux herbes, SCI sigma dugazon, SARL efo morangis, SARL le parc d'activite de jabrun, SARL les hauts de colin, tridom SARL.
- Deputy CEO of: Blandin SAS, Blandin concept automobile (BCA).
- Chairman of the Board of Directors of UDE–MEDEF Guadeloupe.
- Director of BRED Banque Populaire, BRED Cofilease, Canal overseas, Port autonome de Guadeloupe, F.E.D.O.M (federation of French overseas territories), SEM Patrimoniale Région Guadeloupe, EIG C2B, GIE CBI.

- Honorary consul for Germany in Guadeloupe, Martinique and Guyana.
- Permanent representative of Cofeg on the Board of Directors of SOFIAG (Société Financière Antilles-Guyane).

Deputy Secretaries

Michèle Clayzac

- **Deputy Chairwoman of the Union des ACEF Paris and its region.**
- Chairwoman of the Board of cooperative members of the subsidiary BRED Banque Populaire de Saint-Maur-des-Fossés.
- Director of: BRED Banque Populaire, Union des ACEF du Territoire BRED.
- Permanent BRED representative on the Chambre Régionale de l'Economie Sociale et Solidaire d'Ile de France.

Gérard Kuster

- **Senior Consultant to The Conference Board Brussels.**
- Deputy Chairman of the Cercle d'Éthique des Affaires.
- Director of: BRED Banque Populaire, PREPAR Courtage, Promepar Asset Management, Transparency International France.

Directors

Anne Bay

- **Co-manager – Chief Financial Officer – Nostromo Communications Agency.**
- Director of BRED Banque Populaire.

Nathalie Briot

- **Institutional relations and lobbying consultant.**
- Director of BRED Banque Populaire.
- Chief of staff to the Chairman and head of institutional relations at ADEME, the French Environment and Energy Management Agency.

Nadine Calves

- **Policy Officer at the Secrétariat Général des Ministères Economiques et Financiers.**
- Director of BRED Banque Populaire.

Michel Chatot

- **Chairman of the Board of Directors of AREPA (association of residences for the elderly).**
- Director of BRED Banque Populaire.
- Board Observer of COFIBRED (Compagnie financière de la BRED).

Jean-Pierre Fourès

- **Co-Manager of Sec Sarl.**
- Chairman of the Board of cooperative members of BRED Banque Populaire de Paris Est and BRED Banque Populaire de Seine-Saint-Denis.
- Director of: BRED Banque Populaire, BRED Gestion, Banque Internationale de Commerce – BRED, Banque Internationale de Commerce-BRED (Switzerland).

Isabelle Gratiant

- **Professor (university).**
- Director of: BRED Banque Populaire, Click and Trust, Prepar Courtage.

Patricia Lewin

- **Chief of Staff to the Director General for International Relations and Strategy of the French Ministry of Defence.**
- Director of BRED Banque Populaire.

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: BRED Banque Populaire, Promepar Asset Management.

Philippe Noyon

- **Manager of Computer Component Service, Rivière Noire.**
- Chairman of the Board of Directors of: SPIG, Gimac Santé au Travail, RPPST (occupational health services network).
- Director of: BRED Banque Populaire, Cofibred–Compagnie financière de la BRED, Sofider.

Raphaël Pochet

- **Security executive training consultant.**
- Director of: BRED Banque Populaire.

Leïla Turki

- **Senior executive in an asset management company.**
- Manager of ASK Consulting.
- Director of: BRED Banque Populaire.

Isabelle Pastoret

- **General Controller at the Ministry of Finance, Trade and Industry.**
- Director of: BRED Banque Populaire.

Renewal of a director's term of office

(Article L.225-115 of the Commercial Code)

Jean-Pierre Fourès

Born on 28 July 1947

Functions and offices

- Co-Manager of Sec Sarl,
- Chairman of: Board of cooperative members of BRED Banque Populaire de Paris Est and BRED Banque Populaire de Seine-Saint-Denis,
- Director of: BRED Banque Populaire, BRED Gestion, Banque Internationale de Commerce – BRED, Banque Internationale de Commerce-BRED (Switzerland).

Mr Foures holds 2,599 shares in BRED Banque Populaire.

Ratification of the co-opting of two directors

Isabelle Pastoret
Born on 29 April 1962

Functions and offices
- General Controller at the Ministry of Finance, Trade and Industry,
- Director of BRED Banque Populaire.

Previous functions and offices
- Chief of Staff to the Secretary of State for Trade, Artisans, SMEs, Tourism, Services, Liberal Professions and Consumption.
- Advisor to the Minister of the Economy, Finance and Industry.
- Advisor to the Minister Delegate for Foreign Trade.

Ms Pastoret holds 485 shares in BRED Banque Populaire.

Nadine Calves
Born on 6 April 1965

Functions
- Policy Officer for the General Secretariat for the Economy and Finance Ministries.

Previous functions and offices
- Policy Officer at the General Directorate for Administration and Public Functions.
- Policy Officer in the office of the Minister for SMEs, Trade, Artisans, Liberal Professions and Consumption.

Ms Calves holds 389 shares in BRED Banque Populaire.

Executive Committee

OLIVIER KLEIN
CEO

ÉRIC MONTAGNE
DEPUTY CEO

OLIVIER LENDREVIE
FINANCE DIRECTOR

MICHÈLE BOULET
DIRECTOR OF CUSTOMER BANKING SERVICES

SIMONE DE OLIVEIRA
DIRECTOR OF IT

PASCAL DUPHOT
NETWORK FRANCE DIRECTOR

FRANÇOISE EPIFANIE
DEVELOPMENT DIRECTOR

BALTASAR GONZALEZ-COLLADO
DIRECTOR OF GROUP AUDIT

VINCENT GROS
GENERAL SECRETARY

JEAN-PAUL JULIA
DIRECTOR OF CORPORATE BANKING

STÉPHANE MANGIAVACCA
DIRECTOR OF RISK, COMPLIANCE AND PERMANENT CONTROL

THIERRY MOREAU
OVERSEAS NETWORK DIRECTOR

ÉRIC POGU
ORGANISATION & PROJECTS DIRECTOR

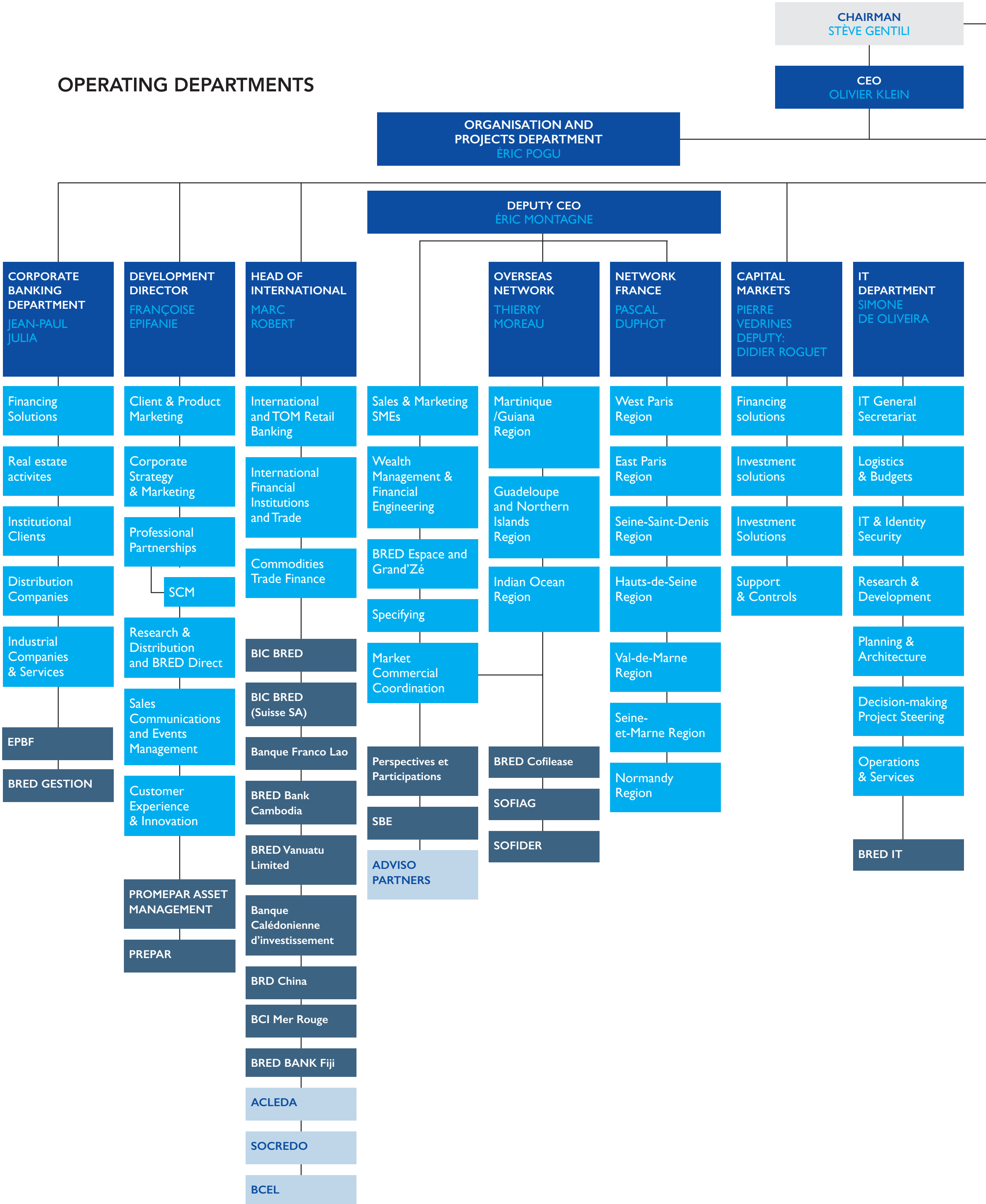
MARC ROBERT
DIRECTOR OF INTERNATIONAL

CHRISTIAN SCHELLINO
COMMITMENTS DIRECTOR

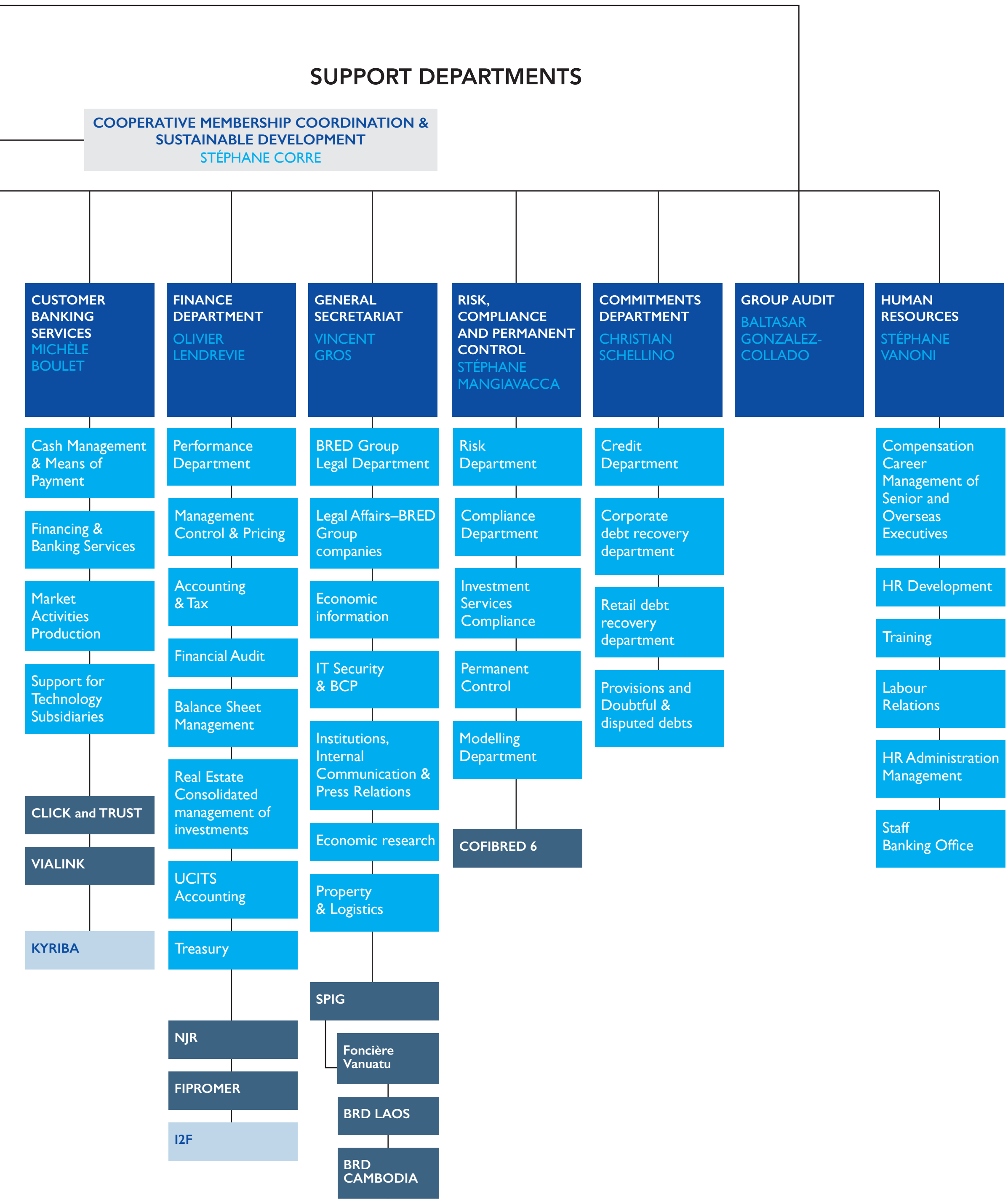
STÉPHANE VANONI
DIRECTOR OF HUMAN RESOURCES

PIERRE VEDRINES
DIRECTOR OF CAPITAL MARKETS

OPERATING DEPARTMENTS



Organisation chart



Executive Committee members
Affiliated subsidiaries
Affiliated 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 20 March 2017.

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 that apply to the company's activities and ensures that they are implemented effectively. Subject to the powers expressly delegated by law to General Meetings and within the limits of the company's corporate object, the Board considers all matters that might have a bearing on the proper functioning of the company and rules on all relevant matters at its meetings. The Board performs whatever checks and controls it may deem necessary.

The articles of association 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;
- deciding on the creation of consultative committees to enhance the quality of the information it receives on the main subjects affecting the bank's activities;
- establishing the annual Corporate Social Responsibility (CSR) programme within the framework of the strategy 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 overall I 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 Rules of procedure

In addition to the provisions of the articles of association, in 1996 the Board of Directors adopted rules of procedure that are regularly updated to remain in line with the applicable regulations and market recommendations.

The rules of procedure set out 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 the 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.

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.

Recommendations issued by the Appointments committee, the Board of Directors proposes candidates to General Meetings capable of ensuring that the various socio-economic 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 association, no one may stand for office as a director for the first time if he/she has reached the age of 68.

In accordance with provisions covering equality, it is specified that the proportion of directors of each gender must be at least 44% at 31 December 2016.

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 Company 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 in part or in whole 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

In accordance with Article L.823-19 of the Commercial Code, within public interest entities the role of this committee is to monitor questions relating to the preparation and verification of accounting and financial information.

This committee is notably responsible for:
- monitoring the financial information preparation process and, where applicable, issuing recommendations to ensure the integrity of the said information;
- monitoring the effectiveness of internal control and risk management systems and, where applicable, internal audit;
- issuing a recommendation vis-à-vis the statutory auditors proposed for appointment or renewal by the Annual General Meeting;
- monitoring the work of the statutory auditors, taking into account the observations and conclusions of the *Haut Conseil du Commissariat aux Comptes* in the light of controls performed in accordance with Articles L. 821-9 et seq. of the Commercial Code;
- ensuring compliance by the statutory auditors with the conditions relating to independence and the prevention of conflicts of interest;
- approving the provision of services other than certification of the accounts as set out in Article L. 822-11-2 of the Commercial Code.

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

In the course of their work, the Audit and Accounts Committee regularly meets key executives, managers responsible for preparing the financial statements and the statutory auditors responsible for auditing the financial statements.

The Head of Audit and the Head of Risk, Compliance & Permanent Control are regularly invited to their meetings.

The Chairman of the aforementioned committee, Gérard Kuster, was selected by the Board of Directors as an independent member with the requisite expertise in financial and accounting matters and ethics.

The committee consists of seven members.

Its activities are governed by a charter approved by the Board of Directors.

The Risk Committee

The Risk Committee performs the responsibilities devolved to it under Articles L. 511-92 et seq. of the Monetary and Financial Code. As such, its main duties include:
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.
- verifying implementation of the system.

The Risk Committee systematically reports to the Board on the exercise of its duties and informs it without delay of any difficulty encountered.

The Head of Audit and the Head of Risk, Compliance & Permanent Control are regularly invited to their meetings.

The committee consists of seven directors.

Its activities are governed by a charter approved by the Board of Directors.

The Compensation Committee

The Compensation Committee performs the responsibilities devolved to it under Articles L. 511-102 of the Monetary and Financial Code.

It 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, 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.

Consisting of Board members who have been selected for their independence and ability to analyse compensation policies and practices, the 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 four members.

The Appointments Committee

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 those 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 four members.

The Cooperative Membership Committee

The Cooperative 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 deployment of cooperative 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.

The committee meets regularly, notably at the time of Board of Directors meetings, to examine strategic and topical issues.

1.4 Work carried out by the Board and its committees in 2016

1.4.1 Work carried out by the Board in 2016

The Board of Directors held six meetings in 2016, as required by the articles of association, with an attendance rate by directors of 94.3%.

Strategy, business activity and operations

The Board took note of the changes made to the bank's organisation to better reflect its strategy and optimise operations.

It notably approved the merger between SOCAMA BRED and SOCAMA NORMANDIE.

It was informed on multiple occasions of the strategic management direction favoured by the CEO.

It was regularly informed about matters relating to the economy and the markets.

It was informed about the deployment of the digitalisation solutions selected by the CEO and about reorganisations, notably carried out in the Corporate and Professionals division.

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 acknowledged the resignation from the Board of Jean-Claude Boucherat and Jacques Szmaragd and co-opted Isabelle Pastoret and Nadine Calves onto the Board. These co-optations are subject to ratification by the General Meeting. In accordance with the provisions of Article L.511-98 of the Monetary and Financial Code, the Board examined the candidature of Isabelle Pastoret and Nadine Calves.

The Board acknowledged the resignation of Jacques Szmaragd and decided to appoint Isabelle Pastoret as a member of the Risk Committee and the Audit and Accounts Committee.

Patricia Lewin joined 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 2015 by the second-level permanent control functions and took note of the planned controls and action plans for 2016.

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 2016 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.

In order to define the risk level that the entity is prepared to accept in the performance of its activities, the Board approved the risk appetite system presented by the CEO and the Risk Department. It was subsequently regularly informed about the monitoring of the system.

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 control assignments carried out by the supervisory authorities and by BPCE Group Audit, including the resultant action plans.

It approved the 2015 internal control report and took note of changes to internal control resources.

It was informed of the 2015 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 2015 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 of the Board of Directors as of 2015.

It reviewed the company and consolidated results for the first three quarters of 2016, the outlook for year end and approved the proposed budget for 2017.

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 that apply 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 2016

The Audit and Accounts Committee

This committee met four times in 2016.

It reviewed the process for preparing financial information, the findings of controls conducted in 2016 by Financial Audit and the 2017 control plan.

It took note of the new provisions under Order 2016-315 dated 17 March 2016 relating to statutory auditors.

It held discussions with the statutory auditors, covering the 2015 accounts, the independence and fees of the statutory auditors and their audit plan. A private meeting was also held with the statutory auditors prior to one meeting.

It continued to develop its self-assessment system and updated its operating charter.

It reviewed the company and consolidated financial statements of BRED.

It monitored the progress of the IFRS 9 implementation project within BRED.

The Risk Committee

The Risk Committee met seven times in 2016.

It was regularly informed about the findings of assignments conducted by BRED Group Audit, by BPCE and by supervisory authorities, including follow-up of the implementation of recommendations. It reviewed the 2016 audit plan and the multi-year audit plan. It also heard the report on the annual meeting between BRED and the Central European Bank and on the progress of the TRICP system for the computerised processing of private sector claims.

It took note of the regulatory report on internal control, the report by the head of the Investment Services Compliance Department, the questionnaire on compliance with the rules designed to protect customers and the BRED Group internal control charter.

It 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. It regularly took note of risk appetite indicators and the consolidated risk map.

It was informed about the updating of policies covering liquidity, cash flow, balance sheet management, credit, operational risk and investment.

It studied the business continuity plan, the strategy for securing IT systems and mechanisms to prevent cyber threats by receiving a report by an independent external firm specialising in intrusion testing.

It continued to develop its self-assessment system and updated its operating charter.

It was regularly informed about the main legislative developments and their implementation, including the main legal risks for the BRED Group.

At its own request it heard a presentation on BRED IT activities, on the progress of a significant litigation and regularly monitored the application of the so-called Eckert Law within BRED.

It reviewed the strategic development plan for the BRED Trading Desk and the market activities organisation charter.

It notably reviewed the anti-money laundering system, the cheque control plan, newly marketed products, external service providers and the system for preventing external and internal fraud.

It took note of procedures covering the management and supervision of subsidiaries and reviewed completed growth transactions and exceptional transactions, both ongoing and in development.

The Compensation Committee

The Committee met three times during the past year.

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 took note of developments to the standards issued by BPCE relating to risk-takers and the conclusions and implementation of audit recommendations.

It reported on its work to the supervisory body.

The Appointments Committee

The Committee met three times 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;
- its task in terms of gender equality among Board members;
- the collective age limit of the Board members;
- the laws and regulations related to its role and tasks;
- an information note presenting the draft guidelines from the European central Bank on the assessment of the repute, competence and experience of directors ("fit & proper" procedure).

The committee acknowledged the expiry of the term of office of Jean-Claude Boucherat and Jacques Szamaragd, effective since October 2016. Having examined the candidates put forward, it recommended to the Board:
- to replace Jean-Claude Boucherat by coopting Isabelle Pastoret, after examination of her candidature and suitability for carrying out the duties of director, when the Board met in October.
- to replace Jacques Szmaragd by coopting Nadine Calves, after examination of her candidature and suitability for carrying out the duties of director, when the Board met in December.

Finally, it continued with the process of assessing members of the Board of Directors.

2. THE CHIEF EXECUTIVE OFFICER

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 cover the Ordinary General Meeting and Extraordinary General Meeting held on the same day or within seven days or 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.

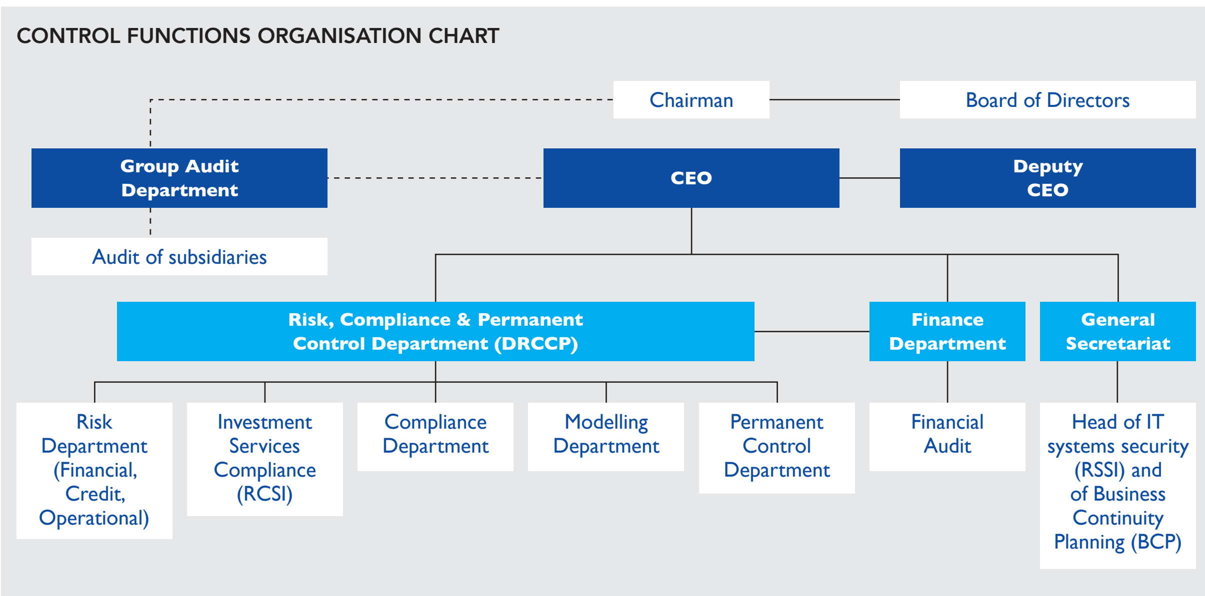
The permanent and periodic control functions are integrated into the BPCE Group's control structures.

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.

The Head of Permanent Control is responsible for permanent control within the meaning of Article 16 of the Decree on internal control dated 3 November 2014.

Organisation of BRED Group's internal control system at 31 December 2016



Strong functional authority link for second-level control functions vis-à-vis permanent controllers within the subsidiaries and decentralised permanent control staff in the BRED commercial network.

The Head of Audit is responsible for periodic control within the meaning of Article 17 of the Decree on internal control dated 3 November 2014.

The Head of Compliance is responsible for compliance control within the meaning of Article 28 of the Decree on internal control dated 3 November 2014.

The Head of Risk, Compliance & Permanent Control is responsible for risk management within the meaning of Article 74 of the Decree on internal control dated 3 November 2014.

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 control, carried out by BRED Group Audit or by the subsidiary's audit department, where applicable, in close collaboration with BRED Group Audit;
- 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 Participants in internal control

2.2.1. General Management

Under the supervision of the Board of Directors, General Management 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 and in applicable standards. 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. Such delegations notably reinforce the importance of the permanent control system and the obligations of each member of the Executive Committee regarding compliance with statutory and regulatory provisions. The delegations are regularly updated under the responsibility of the Company Secretary.

General Management also ensures that the Board of Directors receives the necessary reports.

2.2.2. Operational personnel (first level)

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. First-level controls are performed by line managers in order to verify the quality of their employees' work.

The operational departments are responsible for:
- drawing up and implementing procedures related to their activities, after obtaining the approval for 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.

2.2.3 Independent permanent control functions (second-level)

The main responsibilities of the functions in charge of risk, compliance and permanent control are:

- to support good governance vis-à-vis risk management, notably by contributing to the development of policies covering risk appetite and by ensuring that the supervisory body, accountable managers, the supervisory authorities and all employees are kept adequately informed (prevention);
- to assess risk (tools and indicators); to ensure the proper functioning of risk control systems via permanent risk monitoring (analysis, monitoring indicators and limits);

Permanent controls within the Risk, Compliance & Permanent Control Department, the participants in second-level permanent control are:

- the Risk Department, responsible for monitoring and managing credit risk, financial risk (including market risk) and operational risk. This department also deals with any instance of external fraud;
- the Permanent Control Department, responsible for organising and monitoring the second-level permanent control system with the support of decentralised permanent control staff in the commercial network and at subsidiaries;
- the Compliance Department, whose main role is to control the risk of legal, administrative or disciplinary sanction and the risk of significant financial or reputational loss resulting from any breach of the statutory and regulatory provisions that apply to banking and financial activities, or from professional or ethical standards, or from instructions issued by the executive body. The department is also responsible for dealing with any instance of internal fraud;
- the Investment Services Compliance Department, whose main objective is to ensure effective implementation of the General Regulations of the AMF.

Reporting to the Finance Department and exploiting mechanisms such as internal control, the Financial Audit unit coordinates and promotes among the Group's finance functions the production of reliable and high-quality financial and accounting information. It reports functionally to the Risk, Compliance & Permanent Control Department.

Within the General Secretariat, the IT Systems Security & Business Continuity Department is responsible for the relevant IT security and business continuity plans. It reports functionally to the Risk, Compliance & Permanent Control Department.

Decentralised second-level permanent control officers within the retail bank's regional departments (reporting to the regional manager) and in the subsidiaries (reporting to the subsidiary's CEO) are subject to strong functional reporting lines with the BRED second-level permanent control department in question.

These units and staff are responsible for preventing and controlling risk, essentially by verifying that pertinent first-level controls are carried out within the operational departments and 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 time frame. These units and staff are also responsible for updating the general risk management system and applying this charter. Regular reports on the permanent control system and the risks to which BRED Group is exposed are submitted to General Management, the Board of Directors and the Risk Committee.

If necessary, the Head of Risk, Compliance & Permanent Control, the Head of Risk, the Head of Compliance and the Investment Services Compliance Officer may consult the Board of Directors or any of its specialist committees without first seeking authorisation from the accountable managers.

2.2.4 2.4.4 Periodic controls (third-level)

Periodic control is exercised by the Group Audit Department, which covers all BRED Group's activities, including those which are outsourced. This also includes subsidiaries.

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

Within the context of the responsibilities set out in Article 17 of the Decree dated 3 November 2014 covering internal control, the main priorities of Group Audit are, for every unit audited, to assess and report on the quality of its financial situation, the level of risk actually incurred, the consistency, appropriateness and proper functioning of risk assessment and control systems, the reliability and integrity of accounting and management information and compliance with procedures and regulations. 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 Group Audit Department and the subsidiaries' internal audit managers (where subsidiaries have such managers), in compliance with the BPCE Group's internal audit charter.

If necessary, the Head of Group Audit may consult the Board of Directors or any of its specialist committees without first seeking authorisation from the accountable managers.

2.2.5 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.

2.2.6 Employees assigned to internal control

EMPLOYEES ASSIGNED TO INTERNAL CONTROL (FULL-TIME EQUIVALENT) AT 31 DECEMBER 2016

	Total	Parent Company	Subsidiaries
Risk domain	**51.7**	**37.35**	**14.35**
Operational Risks	13.06	7.85	5.21
Credit Risks	14.98	8.95	6.03
Financial Risks	23.66	20.55	3.11
Permanent Control domain	**66.48**	**50.62**	**15.86**
Compliance domain (inc. Investment Services Compliance)	35.18	18.35	16.83
Financial Audit	**10.52**	**6.21**	**4.31**
IT systems security managers	**5.31**	**2.46**	**2.85**
Emergency plan and business continuity managers	**4.45**	**2.37**	**2.08**
Audit	**32**	**26.5**	**5.5**
Total	**257.34**	**171.21**	**76.13**

2.3 Coordination of internal controls

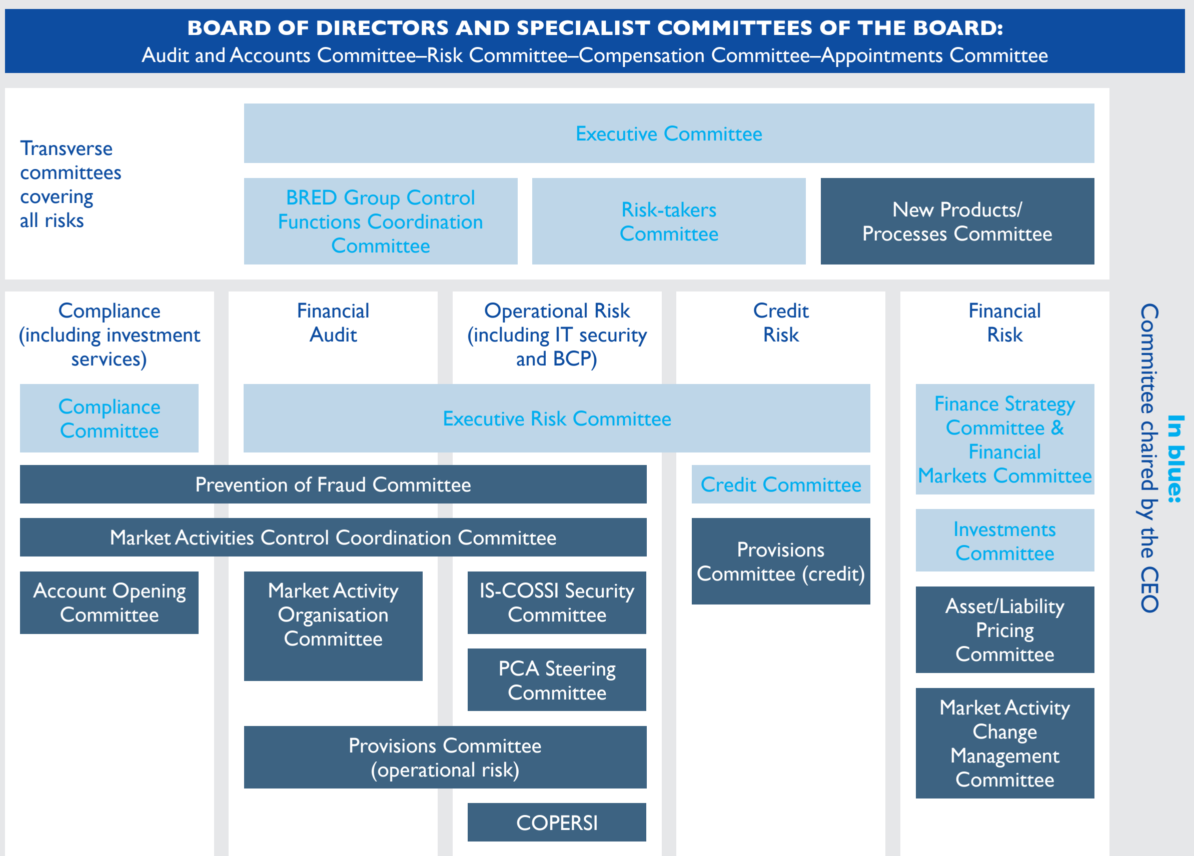
The transverse nature of the control functions is achieved through umbrella committees, notably the Control Functions Coordination Committee, and through the regular exchange of information between the various control functions.

In addition, the Risk, Compliance & Permanent Control Department, operating under the authority of the CEO, provides a global overview of the BRED Group's permanent control system.

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.

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 Company 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.

BRED GROUP–COMMITTEES LINKED WITH SECOND-LEVEL INTERNAL CONTROL



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 chart of accounts, 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.

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, verified by the second-level control officers;
- 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 this activity;
- a dedicated 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 specific to these activities. The Risk Department and Group Audit each have a permanent representative who attends these committee meetings as an observer.

3.1.2 Consolidated financial statements

The accounting information needed to prepare BRED Group's consolidated financial statements and to contribute to 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 consolidated entities in compliance with BPCE Group standards.

3.1.3 Regulatory and tax reports

The General Accounting Department is the main party responsible for producing regulatory and tax reports.
Certain regulatory reports on liquidity ratios or major risks are the responsibility of ALM and the Risk Department respectively.

3.1.4 Integrated reports

Integrated reports are forwarded to General Management and form the basis of the presentation of the accounts made by the CFO to the Board of Directors This presentation is forwarded to the Directors Committee, which brings together the highest-ranking executives of the bank and its subsidiaries.

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 and the Decree dated 3 November 2014 covering internal control.

3.2.1 Financial Audit

A second-level branch of permanent control, Financial Audit reports hierarchically to the CFO on its responsibilities for helping to ensure the production of reliable accounting and financial data. BRED Financial Audit reports functionally to the Head of Risk, Compliance & Permanent Control.

BRED Group Financial Audit applies the BPCE Group guidelines on the quality of accounting information validated by the Group Internal Control Coordination Committee (3CIG dated 9 June 2016). Financial Audit takes part in the control process of the following domains: company accounts, consolidated statements, regulatory reporting, tax returns and accounting fraud. The remit of Financial Audit covers BRED Group as a whole, i.e.

BRED SA and its subsidiaries. However, the monitoring of subsidiaries regarding Audit only covers those identified as falling within the coordinating remit of BRED Group Financial Audit in accordance with the criteria and thresholds defined by the BPCE Group.

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

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 and P&L analysis section) and the work carried out by the other risk domains when necessary.

The Financial Audit Department's central team is responsible for supervising the functional link with the permanent controllers of BRED 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, notably in line with the various BPCE Group requirements. The Financial Audit Department is also involved in the appointment and individual assessment of the permanent control officers concerned.

The Financial Audit Department is also responsible for internal communication with BRED Group's various control functions, including the Audit and Accounts Committee. It is also responsible for communication on accounting and financial control matters to BPCE, the statutory auditors and the supervisory authorities.

Financial Audit is also responsible for monitoring the appointment and renewal of the statutory auditors in accordance with the rules defined in BPCE standards.

Statutory auditors' report,

prepared in accordance with Article L.225-235 of the Commercial Code, on the report by the Chairman of the Board of Directors of BRED Banque Populaire

Period ended 31 December 2016

To the cooperative members

BRED Banque Populaire

18, quai de la Rapée, 75012 Paris

Ladies and Gentlemen,

In our capacity as statutory auditors of BRED Banque Populaire, and in accordance with Article L.225-235 of the Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the Commercial Code for the period ended 31 December 2016.

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 L.225-37 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 L.225-37 of the Commercial Code. It is not our responsibility to verify the fairness of this other information.

We have performed our work 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 verify 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. Such verifications mainly consist 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 prepare the information given in the report and the existing documentation;
- determining whether any material weaknesses in internal control 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 L.225-37 of the Commercial Code.

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

Paris La Défense and Neuilly-sur-Seine, 28 April 2017

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

1. DESCRIPTION OF THE COMPENSATION POLICY IN FORCE IN THE COMPANY

Generally speaking, within BRED Banque Populaire compensation is tailored to the level of qualification and experience required of each employee and reflects the attainment of targets associated with the post (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 should be noted that compensation is set 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 changes in French and European regulations. Since 2014, BRED has 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.

2. 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 four directors: Georges Tissié, Chairman; Isabelle Gratiant, Patricia Lewin and Raphaël Pochet, all of whom meet the following independence criteria, taken from the list featured in the Viénot and Bouton reports: they are not an employee of BRED; they do not own, nor are they directly or indirectly associated with a company owning, more than 10% of the capital of BRED or any of its subsidiaries; they are not directly or indirectly associated with a supplier that accounts for more than 5% of the purchases of goods or services of the company or for which the company accounts for more than 5% of its sales; they are not directly or indirectly associated with a client that accounts for more than 5% of the revenue of the company or for which the company accounts for more than 5% of the purchases; they do not have any close family ties with a corporate officer; and have not been an auditor of the company during the past five financial 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 three times in 2016, has at its disposal a file prepared under the control of General Management. This file notably contains 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 which are supervised by the ACPR. It also includes input from the Human Resources Department and the Compliance & 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 Head of Internal Audit, 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.

3. DESCRIPTION OF THE 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. Two further qualitative criteria were also added in 2016 by BPCE in accordance with the SRAB law covering the separation and regulation of banking activities and the Volker Rule. An employee is deemed to be a regulated staff member if at least one of the twenty criteria is satisfied.

Identification on the basis of qualitative criteria

1. Member of the management body in its executive 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 General 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: organisational unit or subsidiary (credit institution, financing company, investment company) to which an internal capital allocation of at least 2% has been made.
6. Staff member heading a "material business unit". In subsidiaries, this is the CEO or Chairman of the 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;
16. Staff member with responsibility for an internal unit identified under Law 2013-672 of 26 July 2013 on the separation and regulation of banking activities ("SRAB law");
17. Staff member with responsibility for a Volker Unit identified under the Volker Rule.

Identification on the basis of quantitative criteria

18. Staff member who was awarded total compensation of €500,000 or more in the preceding period;
19. Staff member who is one of the 0.3% of staff (rounded up to the next whole number) who were awarded the highest total compensation in the preceding period;
20. Staff member who in the preceding period was awarded total compensation equal to or greater than the lowest total compensation awarded in that period to a member of General Management or who meets any of the criteria in points 1., 3., 5., 6., 8., 11., 12., 13. or 14. of Article 3.

Application rules for identification criteria

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

As BRED has opted for separation of the Chairman and CEO functions, the Chairman receives compensation in accordance with the time spent on the governance of the cooperative bank.

The bank provides the Chairman with a company car.

He benefits from the complementary and supplementary social protection regime as enjoyed by all Chairmen of the BPCE Group.

3.2.2 Members of the Board of Directors

Members of the Board of Directors receive allowances in compensation of time spent on the governance of the cooperative bank.

3.2.3 CEO

The fixed compensation of the CEO remains unchanged. The variable portion of the CEO's compensation allocated in respect of 2016 continues to be calculated in accordance with the rules and procedures defined by BPCE that apply to all CEOs of Banques Populaires.

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, expressing 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 at 70% of the maximum amount in line with the development targets and performance of BRED.

20% of the "Company" component corresponds to the fulfilment of common national criteria defined at BPCE level and 50% corresponds to the fulfilment of local criteria at BRED level.

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 (2018, 2019 and 2020 for the allocation in 2017 of compensation for 2016), 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 3.3.1, as well as a continued presence in the company. Accordingly, in the event of voluntary departure the deferred non-vested amounts are lost; in the event of involuntary departure, retirement or death they are paid immediately.

Additionally, the deferred portions of variable remuneration are index-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 the variable compensation is awarded;

He benefits from a company car, housing allowance, pension scheme and end-of-career awards as enjoyed by other CEOs of the BPCE Group.

3.2.4 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.

3.2.5 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 for operational staff, with validation by General Management, of a maximum potential amount of variable compensation notably based on measuring the financial performance of the Trading Desk;
- proposals for individual bonuses from the Trading Desk line managers, based on a written assessment of their traders' contribution to profit and achievement of objectives (contribution to the development of new activities, professional conduct, etc.) 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-takers Committee concerning traders' adherence to compliance and risk policies;
- 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 and the maintenance of financial performance over time. Conditional compensation allocated in 2017 forms part of the "2017 long-term performance and loyalty plan";
- deferred payment 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;
- all bonuses subject to conditions of continuing performance and presence and allocated to members of regulated staff 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 presence within the Group six months before the potential payment date;
- index-linking of each instrument implemented in accordance with relevant guidelines issued by the European Banking Agency to reflect the change in the BRED share price. Such index-linking is capped at the interest rate applied to BRED shares over the deferment period considered;
- guaranteed variable compensation is forbidden, except temporarily in the case of a new recruitment, 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.

3.3 Policy on the payment of variable compensation for risk-takers

In accordance with Articles L.511-71 to L.511-85 of the Monetary and Financial Code, policy on the payment of variable compensation is as follows:

3.3.1 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 L.511-83 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 met, the said variable compensation will be cancelled.

Similarly, 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 of the BPCE Group's minimum regulatory ratio (CET 1 ratio) not being 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 causes the minimum threshold set at the start of the period concerned to be reached.

3.3.2 Harmful conduct mechanism

In accordance with Article L.511-84 of the Monetary and Financial Code, BRED has established reduction criteria for the variable portion of regulated staff members compensation in the event of any serious breach of the management of risk and compliance.

In 2016, the Board of Directors approved the creation of a Risk-takers Committee to oversee the harmful conduct mechanism and to rule each year on any proposed reductions to be presented to the Compensation Committee.

Chaired by the CEO, the committee is composed of managers from Human Resources and the Risk, Compliance & Permanent Control Department.

The responsibilities of the committee are as follows:
- To approve the policy on the remuneration of risk-takers, subsequently to be forwarded to the Board of Directors for approval having been reviewed by the Compensation Committee The policy notably specifies the criteria for identifying risk-takers.
- To ensure the implementation of regulatory BPCE Group standards regarding the identification and remuneration of risk-takers.
- Ruling on any proposals to reduce variable compensation at the request of the control functions.
- For traders, to classify the significance of any breaches identified and notified by the Risk, Compliance & Permanent Control Department.

AGGREGATED QUANTITATIVE INFORMATION ON COMPENSATION, BROKEN DOWN BY BUSINESS AREA

Article 450h) of EU Regulation 575/2013

	Management body–executive function	Management body–supervisory function	Investment bank	Retail bank	Asset management	Support functions	Independent control function	Other	Total
HEADCOUNT	2.0	18.0	52.7	36.9	3.0	45.1	19.1	5.0	181.9
Fixed compensation	€725,000	€730,000	€5,359,110	€4,710,856	€382,752	€5,638,953	€1,753,564	€645,298	€19,945,533
Variable compensation	€495,000	€0	€4,415,000	€931,029	€167,000	€895,548	€255,000	€135,000	€7,293,577
TOTAL COMPENSATION	**€1,220,000**	**€730,000**	**€9,774,110**	**€5,641,885**	**€549,752**	**€6,534,501**	**€2,008,564**	**€780,298**	**€27,239,110**

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

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

	Management body	Other	Total
HEADCOUNT	20.0	161.8	181.9
Total compensation	€1,950,000	€25,289,110	€27,239,110
• of which fixed compensation	€1,455,000	€18,490,533	€19,945,533
• of which variable compensation	€495,000	€6,798,577	€7,293,577
- of which non-deferred	€295,000	€5,783,897	€6,078,897
- of which cash	€295,000	€5,783,897	€6,078,897
- of which equities and equity-linked instruments	€0	€0	€0
- of which other instruments	€0	€0	€0
- of which deferred	€200,000	€1,014,680	€1,214,680
- of which cash	€0	€0	€0
- of which equities and equity-linked instruments	€200,000	€1,014,680	€1,214,680
- of which other instruments	€0	€0	€0
Outstanding variable compensation awarded for previous periods and not yet paid	€200,001	€912,667	€1,112,668
Amount of variable compensation awarded for previous periods and paid (after reductions)	€200,001	€919,667	€1,119,668
- Amount of reductions	€0	€0	€0
Severance pay awarded	€0	€143,557	€143,557
Number of beneficiaries of severance pay	0	2	2
Highest amount of severance pay awarded	€0	€128,872	€128,872
Amounts paid on hiring	€0	€257,000	€257,000
Number of beneficiaries of amounts paid on hiring	0	2	2

Activity report

ECONOMIC ENVIRONMENT

In 2016, GDP in France increased by 1.1% against 1.2% in 2015 in spite of a positive combination of factors: interest rates at historic lows, 15% to 20% depreciation in the nominal affective exchange rate of the euro and very low oil prices (although rises were seen from the second quarter). Productive investment held up better than in 2015, sustained by the favourable impact of the CICE tax credit and other aforementioned factors. Encouraged by near zero inflation, household purchasing power improved and investments stopped falling. However, foreign trade had a strong negative effect on the economic situation. Although posting a slight fall, unemployment remains high at an annual average of 9.7% (against 10% in 2015). The public deficit stood at 3.3% of GDP, bringing the public debt up to 97.5% of GDP, compared to just 68% in Germany.

In March 2016, the ECB expanded its quantitative easing programme (€80 billion in monthly purchases of public and private sector securities) and dropped its deposit facility rate to -0.40%. In December 2016 it also announced that the programme will be extended until the end of 2017, although monthly purchases will be reduced from April 2017 to €60 billion. German and French long-term rates remained significantly below historic levels, with low points reached in early summer followed by progressive rises towards year end in response to the modest hike in US rates. French long-term rates, close to zero or negative for maturities of less than 5-7 years, therefore remained significantly below nominal growth. 10-Year OAT fungible treasury bonds touched 0.80% in late December, against a low of 0.10% in July.

GDP growth in the eurozone stands at 1.7%. It was strong in Germany and Spain, yet more moderate in France and Italy. Households benefited from a marked yet highly unequal improvement in the labour market. Exceptional supporting factors such as oil, the euro and interest rates began to fade. The anticipated upsurge in productive investment remains modest and must accelerate if business levels are to be maintained. The UK constitutes an exception in Europe. Activity levels were much more solid, with Brexit yet to negatively affect domestic activity and even contributing to a slight rise in exports due to the depreciation of sterling.

As in 2015, global growth in 2016 remained at around 3% on the back of domestic demand and household consumption in both advanced and emerging economies. Inflation generally remained weak yet without leading to a deflationary process. Global trade fell slightly relative to GDP due to the lack of dynamism in China and the continued development of the services sector to the detriment of the production of industrial goods. However, the economic rebalancing observed since 2013 in favour of the advanced economies has stalled. Emerging economies rediscovered higher activity levels due to the weakening of the recession in Brazil and the stabilisation of the Russian economy. Although GDP in the USA rose by 1.6% on the year due to higher consumption, negative effects were felt from the previous rise in the effective dollar exchange rate and lower investment in shale oil and gas extraction.

After a difficult first half-year, marked by the collapse in oil prices and fears of an economic downturn in China and the US, global and European stock markets finally bounced back, in spite of the surprises of the UK Brexit referendum in June followed by the election of Donald Trump in November. The US stock market hit a record high at year end and the CAC 40 posted a rise of 4.9%.

Global growth in 2017 is forecast to be slightly higher than in 2016 (around 3.4%) in spite of the continued slowdown in China, driven by Russia and Brazil coming out of recession and the budgetary and fiscal stimulus programme in the US. Europe is expected to see growth of 1.4% over the year, while growth in France is set to continue its trend at the 1% mark.

The uncertainties likely to create the conditions for an economic downturn, whether economic, financial or political (notably the elections in France and Germany), are far from having disappeared.

Finally, the gradual and modest normalisation of long-term rates appears to have commenced and is set to be sustained by the inflationary effect of rising oil prices.

COMMERCIAL BANKING STRATEGY

In order to respond to increased regulatory, fiscal and pricing constraints in a context of low rates and ever-changing customer behaviour, BRED has fundamentally adapted its strategy and is making every effort to counter this unfavourable environment for the banking sector. The development strategy introduced four years ago consists of:

- strengthening the pivotal role of the advisor at the heart of the customer relationship by significantly improving responsiveness and added value in order to deepen the commercial relationship;
- supporting the development of employees' commercial skills by deploying and modernising work and management systems;
- enhancing the accessibility and convenience of the bank via a modern multi-channel approach that complements the branch network.

Our results support our decision to offer a bank that adapts to its customers' changing demands while the overall demand for banking services remains undiminished.

The multi-form concept of " banking without distance" deployed in 2016 is an illustration of this approach. It consists of presenting a bank that is close to its customers, not only in geographic terms but also, and above all, in terms of the relationship. A bank whose approachability, accessibility, customer focus and the responses it provides are testament to the respect it shows to its customers. A proactive and practical bank that always strives to add value for its customers' personal or corporate projects.

An accessible, convenient and connected bank

Customers are offered a multi-channel approach, combining the best of online banking with that of the high street branch.

The direct lines and e-mail addresses made available to our customers for the past three years enhance contact, as does the secure messaging service available on bred.fr or on the mobile app. Additionally, the Customer Relations Centre (CRC) creates wider accessibility outside branch opening hours to respond to customers' day-to-day enquiries.

In 2016, a new interaction mode was tested and subsequently adopted, namely chat, successfully implemented by the CRC and highly valued by customers.

Modernisation of the branch network continued in order to offer customers an optimum face-to-face service. To ensure that the relationship model remains compatible with evolving customer demands, a new branch concept has been developed that focusses on advice and optimises the in-branch experience. Following pilot projects carried out in 2014 and 2015, the concept was rolled out from early 2016. All branches will be gradually modernised.

In order to offer customers greater autonomy, a new generation of ATMs have been deployed at the branches, enabling cash and cheque deposits to be performed quickly and securely.

In the interests of ever greater convenience, the BredConnect online account management systems are regularly upgraded. A new mobile application was made available to professional and corporate customers in 2016 and new innovative services have also been offered, such as connected savings and the new payment service Apple Pay for direct purchases via mobile phone.

Enhancing the customer and employee experience

Focussing on dealing with customer enquiries, irrespective of the channel used, is of fundamental importance. Responsiveness and after-sales service are vital indicators of attention and consideration which are central to the perceived quality of service and to enhancing the customer experience.

In practice, every effort has been made to reassure customers: confirmation of requests being handled, keeping customers informed at each step of the process via SMS or e-mail, advising them of any delay, etc. Digital is a major medium in the process of improving the customer experience.

In 2016, BRED therefore accelerated digitalisation of its processes and deployed new systems in order to offer both its customers and relationship managers greater speed and efficiency.

This commences at the start of the relationship with the overhaul of the account opening process. Customers are now able to open an account online in just 8 minutes. They may also commence the process online and complete it with an advisor in person or by phone. Customers and advisors share the same system, which is more convenient for the customer and more effective and time-efficient for the advisor.

The property loan process, an important channel for gaining new customers, has been optimised via the digitalisation of application documentation and by implementing a guidance tool for advisors based on the benefits for both the network and customers. At each key stage of their loan, the customer now receives notification via SMS. These alerts provide customers with reassurance and enable advisors to concentrate on adding value.

A proactive bank that anticipates and supports its customers' life projects

Knowing customers, anticipating their life and business projects and providing lasting support are indispensable elements in providing the added value they expect in the relationship with their advisor.

In choosing BRED, it does not mean having specialist advisors for each product range, bearing in mind that personal projects may require savings, loans and insurance at the same time, but enabling advisors to take charge of the totality of their clients' needs with a level of expertise in keeping with the nature of the customer they are supporting.

In order to provide the level of added value demanded by its customers, BRED invests in ongoing vocational training for its advisors. Accordingly, the number of training hours has increased by more than 40% since 2011.

The quality of advice is also a function of having a qualified advisor who knows the history of their client. It remains the cornerstone of the system. By supporting their customers over time and developing a detailed knowledge of their environment and projects, advisors are trusted partners in both the private and professional sphere. Every effort is made to ensure the stability of the customer relationship.

Systems and methods are developed to enable advisors to enhance their understanding of customer needs and demands. We also encourage the joint development of bespoke solutions. In 2016, the CRM platform was enhanced and additional DATA personnel put in place. New mechanisms are being explored, such as intelligent systems, to further improve the effectiveness of advisor's tools. We are continually striving to optimise the combination of competence and the close relationship with the advisor, supported by the power of big data in order to meet customer demands in terms of advice and a personalised relationship.

A bank on the human scale, owned by its cooperative member customers and committed to its communities

For many years now BRED has been developing a responsible approach within its business lines. Consistent with the history of the Banques Populaires, it promotes cooperative and mutualist values focussing on its social and human bonds.

The human dimension within BRED reduces the distance perceived by citizens vis-à-vis their institutions in the context of a global economy. This requires its advisors to be approachable and its managers accessible, with short decision-making cycles.

As proof of the importance that customers place on these values, 164,800 of them are cooperative members, i.e. owners of BRED, sharing in its success and supporting its engagement at the heart of society in the interests of developing the communities within which it operates.

In order to report on BRED's activities and projects and to answer members' questions, meetings are regularly held at branch level (36 meetings in 2016). At these meetings, our members express the extent to which they value BRED's efforts to implement responsible development within its social practices and in its activities within the community. It is also an opportunity for BRED to explain its model as a cooperative bank and its related activities.

A cooperative bank must be an integral part of an economy based on society and solidarity. BRED's commitment is very real, first of all via the partnerships that bind it to numerous social organisations and local stakeholders active in civil society in a wide array of fields. BRED is therefore especially active in the creation of new businesses (notably through micro-finance projects) and promotes social inclusion and solidarity, actively supporting educational and research initiatives. It is also committed to equality of opportunity to enable emerging talent to fulfil their potential, irrespective of background. BRED promotes social mobility in multiple ways in support of social integration and cohesion. Its Institutional Customers Department covers some 26,000 client associations (educational associations, mutual funds, pension funds, insurers, sports & leisure associations and organisations from the world of arts and entertainment).

A cooperative bank is also a bank that supports its retail and professional customers experiencing difficulties, via departments dedicated to tackling overindebtedness and seeking amicable solutions to debt recovery, helping them to consolidate their financial situation and ease their path back to better fortunes. BRED is also committed to vulnerable and fragile clients, who are notably supported by a branch dedicated to public bodies and the local economy.

Another demonstration of our cooperative values is the creation of the Regulated Professions Department to support initially non-client companies covered by the ***Loi de Sauvegarde*** (company rescue law) of July 2005.

A cooperative bank is also a bank whose recruitment policy reflects its values. In 2016, BRED, a bank on the human scale, accelerated its recruitment programme with 275 new employees in the commercial network and 190 young people on work-study training programmes. Their integration and prospects of success are supported by a vocational training programme which provides recruits with an understanding of the general banking culture as well as the professional skills they require to fully develop and enhance their expertise.

The success of the recent capital increases is concrete proof of the confidence of our members in BRED and of their commitment to our cooperative model. Once again this year the capital increase was a great success, with the required €152 million being oversubscribed at €187.6 million, some 123% of the objective and 13,567 new cooperative members. The members encourage the development of a banking model that bases its financial performance on the real economy via a long-term management approach. The status of cooperative bank requires us to favour investments that create value in the interests of our customers and communities.

BRED Banque Privée: a culture of excellence

BRED Banque Privée places the highest demands on the quality of wealth management service it provides to its individual customers and company managers. It has been identified as a major growth channel and has enjoyed significant investment over the past three years.

In 2016, BRED Banque Privée continued to adopt an ever more upmarket positioning. The opening of a Wealth Management Unit in the Opéra district of Paris in 2015 and the gradual deployment of other such units on the ground floor create greater visibility, projecting an upmarket and contemporary image and providing clients with an optimum in-branch experience. In 2016, a Wealth Management Unit was opened in Meaux and the unit in Rouen was refurbished.

Favouring an open architecture model, the product range has also been extended. Through specialist subsidiaries and the Trading Desk, BRED Banque Privée is able to offer clients the best investments on the market and bespoke solutions. BRED Banque Privée also renewed all its existing partnerships and signed 5 new agreements in 2016. A new Wealth Management Unit in New Caledonia marks the beginning of the internationalisation of the services offered by BRED Banque Privée.

Synergies with the network continue to be strengthened. In order to offer high net worth clients an optimum level of service while maintaining a relationship based on proximity, the deployment of the dual relationship continued in 2016: a qualified advisor in branch for day-to-day banking services and a private banker in the Wealth Management Unit for private banking services.

A system was also implemented to exploit synergies between BRED Banque Privée and Corporate Banking/SME Commercial Department in order to continue to add value for our company manager clients.

We continually strive to enhance the expertise of our private banking and wealth management advisors, enabling them to cover all the fields required by this demanding clientele and offer them a bespoke service.

Working closely with corporate customers

The flexible organisational structure of BRED enables it to adapt to all company profiles and sizes. Professionals are managed at branch level, SMEs at the business centres, and midcaps, large companies and institutions by the Corporate Banking division.

Since its founding BRED has always been a partner for companies; it offers managers long-term advice and support for issues related to business and wealth.

Our business managers have the same spirit of enterprise as our clients. They are present at each stage in the life of the company and of its management, and call on all the different areas of expertise within the bank to help them implement their plans. BRED positions itself as a frontline Senior Banker, anticipating its clients' needs and offering solutions based on the entire range of services our Group has to offer, notably including financing, internal and external growth, private equity, wealth and financial engineering, leasing, international operations, etc.).

The development of private equity activities continued in 2016, supporting equity development projects, high-growth businesses transfers and bespoke financing solutions.

Corporate Banking deployed its strategy in line with the specific features of its three market sectors. Regarding institutional clients, the strategy consists of maintaining its edge in the processing of flows and selling the full range of BRED expertise. For commercial and industrial companies, BRED's objective is to become the first-choice senior banker for its clients and to continually enhance its market expertise. Finally, in the real estate market, activities have been developed while still maintaining rigorous risk management.

We also ensure that business managers receive ongoing vocational training to ensure that they remain fully able to respond to the issues faced by decision-makers. A excellence training programme has been implemented with modules based on selected subjects such as strategy and syndication.

The Trading Desk available to clients enables SMEs, large corporates and institutional investors to benefit from its operations, including foreign exchange, interest rate management, money market investments and bonds.

A bank with an international focus

BRED's international operations are mainly structured around its retail banking network and international trade financing. International growth focuses on the gradual expansion of the number of countries covered in the South Pacific, Southeast Asia and the Horn of Africa, alongside ensuring the continued profitability of existing investments. 2016 was a year of multiple projects. As part of the strategy to develop regional hubs, two new entities are about to come on stream: a commercial bank in Cambodia (BRED Bank Cambodia) and a BRED Vanuatu subsidiary in the Solomon Islands (BRED Bank Solomon) will open their doors in 2017. The creation of hubs enables technical expertise of the very highest standard to be pooled, enabling commercial collaboration to support regional groups and minimise the key-person risk within entities of modest size.

BRED continues to develop in regions where it already has a presence, notably via the modernisation of the branch network in New Caledonia and the launch of new products and services adapted to the specific needs of each market, such as consumer credit for SMEs released in under 72 hours in Laos and mobile banking in Djibouti.

The international trade financing activity is performed by BIC BRED Suisse, a subsidiary since August 2015. The recruitment of sector professionals enabled the bank to reach breakeven after just one year. The withdrawal of several major players from the market and the upsurge in raw material prices augur well for growth in the coming years.

BRED is also expanding its worldwide network of correspondent banks while at the same time extending its range of products and services to support the growth of the international trade financing business.

BRED Espace: a 100% online bank

BRED Espace is a 100% online bank for clients requiring a fully-remote relationship (people living abroad, students, highly mobile executives, overseas people working in metropolitan France, etc.). It has the special feature of offering a bespoke service via a qualified advisor. BRED Espace constitutes a vehicle for growth for BRED's overall activity; it alone saw 4,000 new accounts opened in 2016.

In 2016, BRED Espace continued to optimise its organisational structure and expanded its activities with the creation of BRED Espace Private Bank, the launch of a new service BRED Espace Etudiants in addition to BRED Espace GrandZé (***Grande École*** universities) and the recruitment of an advisor specialsed in professionals to develop this market.

CONSOLIDATED INCOME STATEMENT: KEY FIGURES

MANAGEMENT PRESENTATION, IFRS

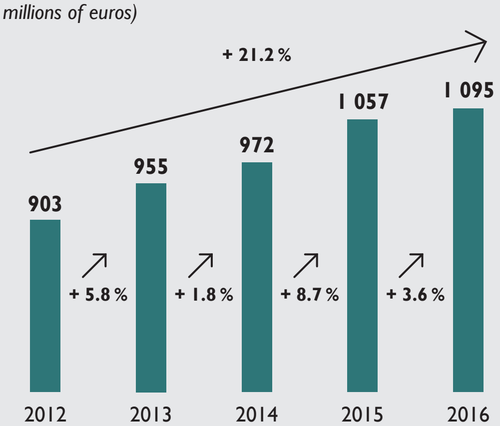
in € millions	2015	2016	2016 - 2015	2015	2016	2016 - 2015
				Excluding non-recurring items and on a like-for-like tax basis		
Net interest margin and similar income	674.7	698.6	3.5%			
Fee income	382.5	396.4	3.6%			
Net banking income	**1,057.2**	**1,095.0**	**3.6%**	**1,016.3**	**1,086.3**	**6.9%**
Personnel costs excluding incentive schemes and profit-sharing	-328.2	-336.7	2.6%			
Incentive schemes and profit-sharing	-43.4	-47.0	8.4%			
External services	-193.5	-203.2	5.0%			
Taxes and duties	**-33.7**	**-40.8**	21.2%			
Depreciation and impairment of non-current assets	-39.2	-39.5	0.8%			
Total operating expenses	**-637.9**	**-667.2**	**4.6%**	**-639.1**	**-660.8**	**3.4%**
Gross operating profit	**419.3**	**427.8**	**2.0%**	**377.1**	**425.6**	**12.8%**
cost-to-income ratio	60.3%	60.9%	+0.6 pt	62.9%	60.8%	-2.1 pts
Cost of risk	-83.7	-73.5	-12.1%			
Operating profit	**335.6**	**354.3**	**5.5%**	**298.9**	**352.0**	**17.7%**
Share of profits of associates	26.8	26.2	-2.0%			
Net gains or losses on other assets	0.3	21.8	NA			
Change in value of produit	-11.0	-0.9	NA			
Pre-tax profit	**351.7**	**401.4**	**14.1%**	**326.0**	**382.9**	**17.4%**
Corporate income tax	-114.4	-133.6	16.8%			
Net profit	**237.3**	**267.8**	**12.9%**	**235.0**	**265.8**	**13.1%**
Minority interests	0.7	-1.4	NA			
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	**238.1**	**266.4**	**11.9%**	**235.7**	**264.5**	**12.2%**

In 2016 BRED posted the best results in its history. For the second consecutive year, BRED's consolidated net banking income (NBI) exceeded one billion euros: €1,095 million in 2016, a new record. Excluding non-recurring items, NBI growth reached 6.9% (+3.6% in accounting presentation). This record activity level despite the unfavourable economic environment (flat rate curve and stricter regulatory constraints) confirms the success of the " banking without distance" strategy implemented by BRED in recent years.

The NBI attributable to non-recurring items fell significantly compared to 2015. In 2016 it stands at €8.7 million, of which €7.6 million is associated with the method for calculating the home savings provision. The growth in BRED Group NBI is therefore mainly driven by its core business lines associated with commercial banking.

GROWTH IN BRED CONSOLIDATED ACCOUNTING NET BANKING INCOME

(in millions of euros)



NBI growth was posted by all business lines, notably Commercial Banking France (including ALM), which continues to enjoy sustained growth and recorded NBI growth excluding non-recurring items of 4.3%, thanks to the efforts to gain new customers and to adapt to ever-changing customer behaviour and demands, all this in spite of an environment of low rates and heightened competition. This growth was enjoyed by the commercial network (branches, wealth management units and business centres: +2.7%), and even more so by Corporate Banking (+15.9%).

NBI excluding non-recurring items of the other business divisions is also very healthy. The development of international subsidiaries and those in French overseas territories achieved NBI growth of 9.2%, notably thanks to the performance of BRED Bank Fiji and Banque Franco-Lao. International trade financing doubled its contribution as a result of growth achieved by BIC BRED Suisse. The Capital Markets Department continued to post increases, recording NBI growth of 19.8%. NBI generated by consolidated management of investments rose by 3.9%

The increase in operating expenses of 3.4% excluding non-recurring items (+4.6% in accounting presentation) reflects BRED's desire to pursue growth by improving customer service.

Personnel costs excluding incentive schemes and profit-sharing rose by 2.6%. Incentive scheme payments and profit-sharing rose by 8.4%.

Taxes and duties increased by over €7 million due to the effects of regulatory constraints such as the increase of €4.2 million in the contribution to the Single Resolution Fund and the €1.7 million called by the Deposit Guarantee Fund. Charges associated with these two funds amounted to over €10 million for BRED in 2016, against less than €5 million in 2015.

Other operating costs (including amortisation) rose by 4.3%. BRED continues to implement structural digital projects focussed on customers and employees, while investing in human capital with the number of training hours growing by over 40% since 2011. It also launched a programme to improve and develop the organisation of its branch network in order to better meet the demands of its customers, and also refurbished its head office located at Quai de la Rapée in Paris. Finally, IT projects associated with regulatory developments also increased these costs.

Gross operating profit, up by 12.8% excluding non-recurring items, benefited from the sharp rise in NBI and relatively lower cost increases.

BRED posted an cost to income ratio of 60.8% excluding non-recurring items (60.9% in accounting presentation), a highly competitive level in the world of French banking.

The cost of risk fell by over €10 million (-12.1%). Adjusted for the significant impact of a transaction in the oil & gas sector, now provisioned at 100%, the cost of risk fell by over 30% thanks to the significant improvement in the economic situation of Corporate clients in France.

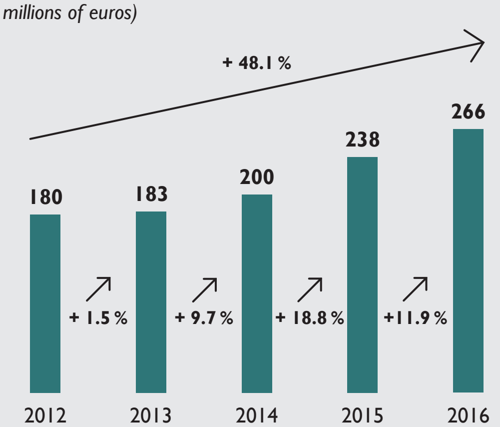
Income from companies accounted for under the equity method stands at €26.2 million.

The sale of operating premises generated a capital gain of nearly €22 million, recorded as a non-recurring item.

Corporate income tax of €133.6 million against €114.4 million in 2015 benefited from the non-application in 2016 of a 10.7% exceptional contribution on profit and from tax income related to a rebate for tax paid in a previous year. However, these favourable effects are offset by the requirement to devalue the net deferred tax position recorded on the balance sheet by €14 million resulting from the lowering in the 2017 Finance Act of the tax rate applicable to BRED from 2020.

All these elements resulted in a net profit attributable to equity holders of the parent company of €266.4 million, a rise of 11.9%. Non-recurring items (notably incorporating the impact of the revised method for calculating the home savings provision, the higher contribution to the Single Resolution Fund, the real estate capital gain and the devaluation of the net deferred tax position) only make a marginal contribution to this result which, after adjustment for the said items, stands at €264.5 million, a rise of 12.2%.

GROWTH IN BRED CONSOLIDATED NET ACCOUNTING INCOME
(in millions of euros)



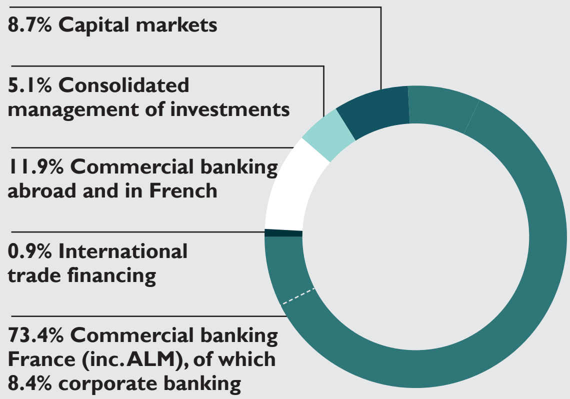
ANALYSIS OF RESULTS

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

- Commercial Banking France, which includes all the activities of the branches, wealth management centres, business centres, corporate banking and associated subsidiaries and Asset/Liability Management (ALM);
- International and overseas territories commercial banking;
- International trade financing (BIC BRED);
- 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 (the NBI of the subsidiaries and of international banking holdings is treated in accordance with the percentage of the holding independently of the accounting treatment method).

BREAKDOWN OF NBI EXCLUDING EXTRAORDINARY ITEMS BY DIVISION



COMMERCIAL BANKING FRANCE

At the end of 2016, BRED's network comprised 344 local branches (including 81 in French overseas departments and territories), 16 business centres (including 5 overseas), 12 asset expertise centres (including 3 overseas) and a wealth management division. This division also includes corporate banking and subsidiaries whose businesses are connected to commercial banking (insurance, personal protection funds, asset management, etc.).

The division of Commercial Banking France as presented incorporates ALM. The Asset/Liability Management division is responsible for the refinancing requirements of the BRED Group and its subsidiaries and ensures financial equilibrium, particularly with regard to solvency and liquidity. It protects the Group's net banking income against interest rate and foreign exchange risks.

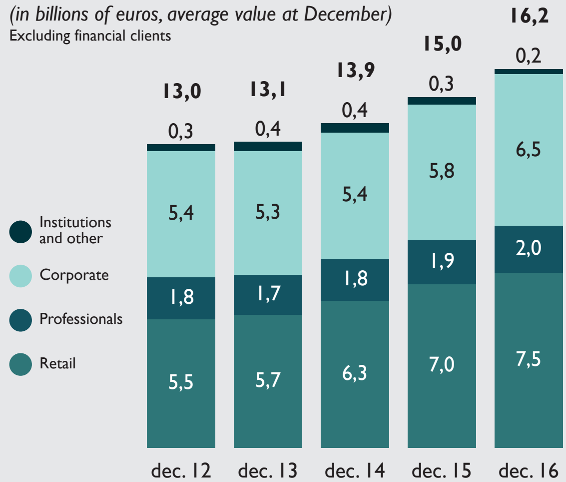
Average outstanding loans saw an increase of €1.2 billion versus December 2015, a rise of 8.4% to €16.2 billion. The higher level of outstanding loans was greater in Retail (+€0.5 billion with an increase in the BRED portfolio excluding subsidiaries of 7% for home loans and 13% for consumer loans) and Corporate (+€0.7 billion).

Average cash deposits received from Commercial Banking France customers came to €16.4 billion, a rise of 3%. Sight deposits by BRED customers, which account for some two-thirds of total deposits, rose by 15%. Regulated savings products rose by 1.5% while market deposits fell due to their yield rates being aligned with those of the market.

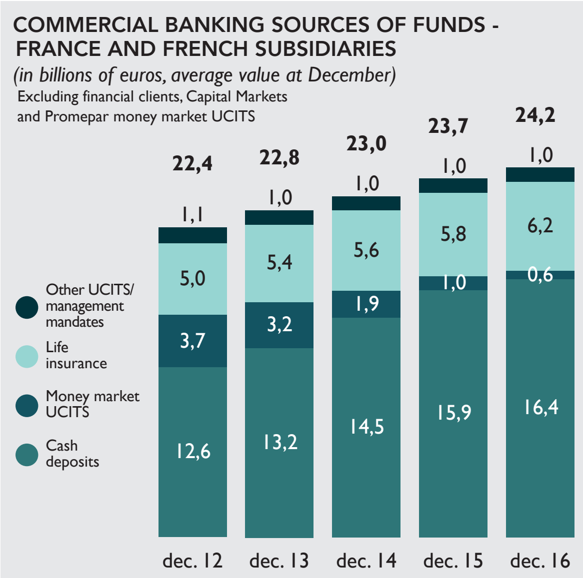
COMMERCIAL BANKING APPLICATION OF FUNDS - FRANCE AND FRENCH SUBSIDIARIES

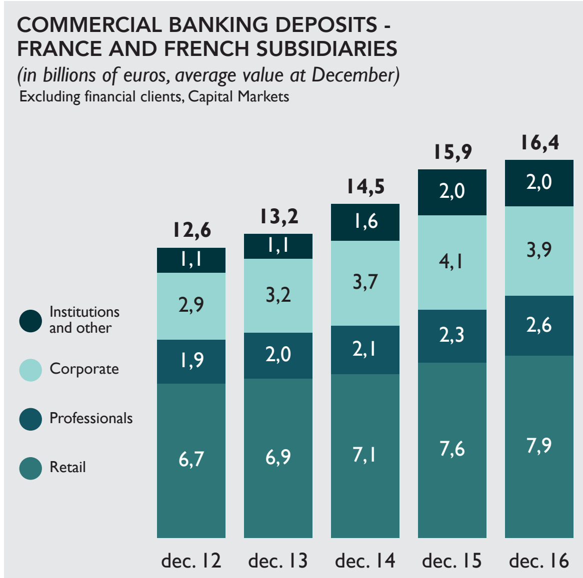
(in billions of euros, average value at December)

Excluding financial clients



Average savings invested in life insurance stands at €6.2 billion in December 2016, up 6% on December 2015. Average money market UCITS funds fell to €0.6 billion due to the level of market rates.





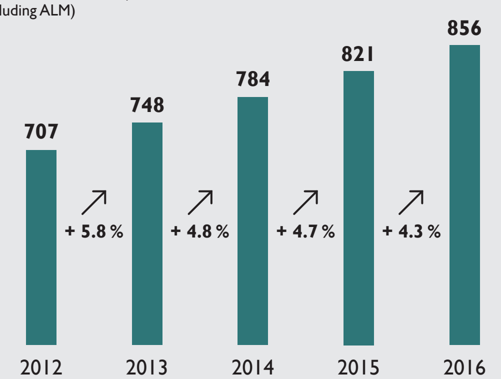
INCOME STATEMENT: MANAGEMENT OVERVIEW INCLUDING ALM, EXCLUDING NON-RECURRING ITEMS, IFRS

in € millions	2015	2016	2016 - 2015
Net interest margin and similar income	451.8	475.6	
Fee income	369.1	380.7	
Net banking income	**820.9**	**856.3**	**4.3%**
Operating expenses	550.8	573.7	
Gross operating profit	**270.1**	**282.7**	**4.7%**
Cost of risk (excluding collective impairment)	-57.8	-50.2	
Net operating income	**212.3**	**232.4**	**9.5%**
Share of profit (loss) of companies accounted for under the equity method	1.1	1.2	
PROFIT ON ORDINARY ACTIVITIES (excluding collective impairment)	**213.5**	**233.6**	**9.4%**

Commercial Banking France NBI rose once again in 2016, driven by commercial proactiveness focussing on both existing business and new customers. NBI stands at €856.3 million, a rise of 4.3%.

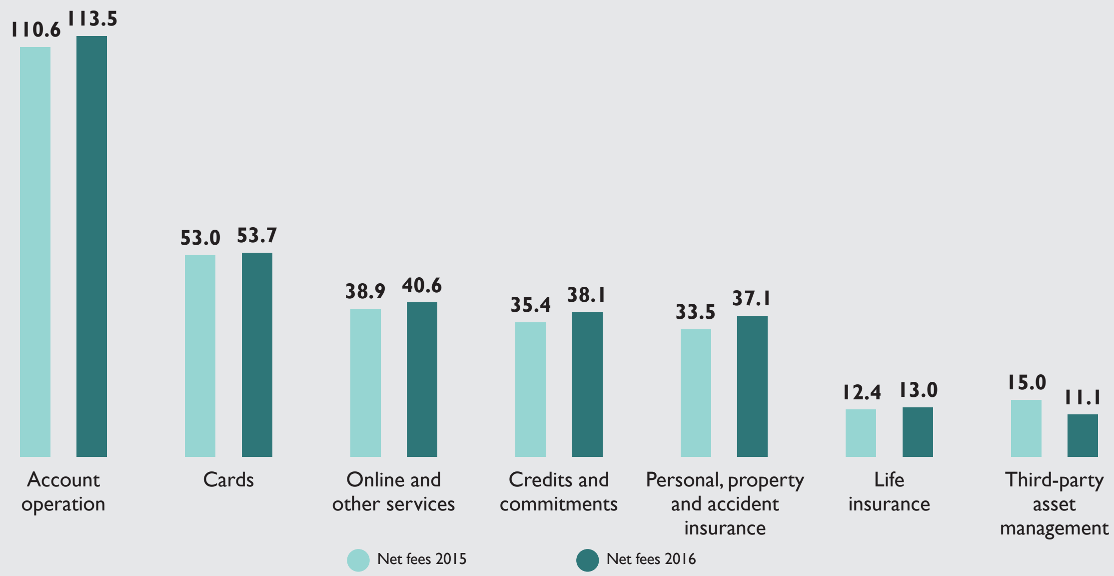
The commercial network saw its NBI increase by 2.7%, while Corporate Banking NBI recorded an increase of 15.9%.

GROWTH IN CONSOLIDATED COMMERCIAL BANKING FRANCE NBI EXCLUDING NO RECURING ITEMS
(in millions of euros)
(including ALM)



In an environment of unfavourable interest rates (customer loan rates fell by 25 bps whereas customer deposit rates fell by only 11 bps) and of heightened competition, net interest margin by Commercial Banking France improved by 5.3% thanks to efforts to gain new customers and the strategy based on adapting to new customer behaviour. The rates effect truncated the net interest margin of BRED (excluding subsidiaries) by €24 million in 2016 (before income generated by the rates hedging portfolio managed by ALM) but commercial momentum created a favourable volume effect of €32 million, enabling the net interest margin to continue its upward trend (+€8 million and +€11 million taking into account the income generated by the rates hedging portfolio managed by ALM).

NET FEES - BRED
(in millions of euros)
Excluding subsidiaries, securitisation and no recuring items



Net fee income increased by 3.1% for Commercial Banking France. The proactiveness of the network saw net fees generated by BRED (excluding subsidiaries) rise by 2.8%, notably with +8% for fees associated with credit activities, +11% for the distribution of personal protection and non-life insurance and +5% for fees on life assurance investments.

Operating costs for Commercial Banking France rose by 4.1%, reflecting BRED's desire to pursue its development, including at subsidiaries, by continuing to offer added value to its customers (investment in digital, training and improvements and developments to the branch network).

The cost of risk stands at €50.2 million, a fall of 13% mainly due to the upturn experienced by corporate clients benefiting from a more favourable economic environment.The provision rate on the BRED portfolio stands at 33% for bad debts and has been prudently set at 69% for disputed debts.

Pre-tax profit on ordinary activities stands at €233.6 million, a rise of 9.4%.

The summary income statements (not adjusted for non-recurring items) of Commercial Banking France subsidiaries are presented below:

PREPAR VIE (wholly-owned subsidiary)

Life insurance and personal protection

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS

in € millions	2015	2016	2016 - 2015
Net banking income	**41.2**	**45.1**	**9.6%**
Operating expenses	16.7	17.9	
Gross operating profit	**24.5**	**27.2**	**11.2%**
Corporate income tax	-8.7	-12.3	
NET PROFIT	**15.8**	**14.9**	**-5.5%**

In a life insurance market recording a slight fall (-1%), in 2016 Prepar Vie posted a record level of premium receipts.

Prepar Vie had some 550,000 policies on its books at the end of December 2016, a rise of 2% over December 2015, mainly due to borrower's insurance. Savings deposits reached €6.2 billion at 31 December 2016, an increase of 6%.

Premiums collected by Prepar Vie for its Savings products jumped by 34% due to the proactive commercial approach adopted by the subsidiary. Premiums for the ***Grand Public*** range rose by 32%, and by 20% for the ***Patrimoniale*** range.

These favourable sales indicators and a positive level of claims translate into a rise in NBI of some 10%.

The growth in the business called on additional resources, notably human resources. Accordingly, operating costs at Prepar Vie rose by €1.2 million.

Penalised by the requirement to devalue the net deferred tax position recorded on the balance sheet by €2 million resulting from the lowering in the 2017 Finance Act of the tax rate applicable from 2020, tax expense at Prepar Vie stands at €12.3 million.

Prepar Vie posted net income of €14.9 million.

PREPAR IARD (wholly owned subsidiary)

Non-life insurance

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS

in € millions	2015	2016	2016 - 2015
Net banking income	**7.2**	**8.1**	**13.1%**
Operating expenses	0.6	0.7	
Gross operating profit	**6.6**	**7.4**	**13.2%**
Corporate income tax	-2.2	-2.5	
NET PROFIT	**4.3**	**5.0**	**14.5%**

Prepar IARD held a portfolio of nearly one million policies at the end of December 2016 (+5% versus December 2015), mainly covering financial loss and accidental death. Its diversification into health products is yet to bear significant fruit.

NBI at Prepar IARD grew by 13.1% in 2016 to €8.1 million, driven by the 9% increase in gross premiums and stable claim rate.

Having contained expenditure at €0.7 million, gross operating profit rose by 13.2%.

Net income at Prepar IARD stands at €5 million, an increase of 14.5%.

PROMEPAR ASSET MANAGEMENT (wholly-owned subsidiary)

Asset management

INCOME STATEMENT: MANAGEMENT PRESENTATION, IFRS

in € millions	2015	2016	2016 - 2015
Net banking income	**14.5**	**14.0**	**-3.6%**
Operating expenses	6.0	6.8	
Gross operating profit	**8.5**	**7.1**	**-15.7%**
Corporate income tax	-2.9	-2.4	
NET PROFIT	**5.6**	**4.7**	**-15.5%**

2015 data has been adjusted for comparison purposes with 2016 (modification to accounting of management fees).

Promepar Asset Management (Promepar AM), the BRED Group asset management expertise division, provides services to financial advisors and over 4,000 institutional clients, companies, associations and private clients.

Promepar AM adapted to market conditions and client expectations by reducing its range of money market funds in 2016. Adjusted for the effects of this strategy, assets under management grew by 24% to over €1.7 billion at 31 December 2016. Net inflows reached €140 million in 2016.

Promepar AM posted NBI of €14 million in 2016. The €0.5 million reduction in NBI over 2015 is the result of lower receipts of outperformance fees €1 million. Adjusted for this effect, NBI at Promepar AM rose by 6.2%.

Operating costs at Promepar AM rose by €0.8 million. In order to offer its clients ever greater added value, Promepar AM enhanced the expertise of its personnel and implemented new business tracking and management software. Promepar AM also introduced new information circulars for its existing and potential clients and issued customised dashboards. Together, these investments will enable Promepar AM to develop its business over the coming years.

Promepar AM posted net profit of €4.7 million.

SOFIDER (wholly-owned subsidiary)

Financing for private individuals, professionals and social housing in La Réunion

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS

in € millions	2015	2016	2016 - 2015
Net banking income	**20.3**	**19.4**	**-4.5%**
Operating expenses	5.8	6.1	
Gross operating profit	**14.5**	**13.3**	**-8.5%**
Cost of risk	-3.0	0.6	
Net operating income	**11.5**	**13.8**	**20.2%**
Corporate income tax	-4.0	-5.2	
NET PROFIT	**7.5**	**8.6**	**14.2%**

La Réunion enjoyed a healthy economic environment in 2016. Household consumption accelerated, home loans grew by 5% and business investment lending increased by some 2%.

Boosted by its commercial dynamism, Sofider was able to benefit from the favourable economic environment in spite of strong competition and the fall in margin rates.

The volume of new loans stands at over €170 million in 2016, an increase of 24%, mainly driven by property lending. Sofider also enjoyed a fine year in 2016 in the consumer credit market, set to be a strong driver of growth over the coming years.

Sofider recorded NBI of €19.4 million. It should be noted that 2015 saw a capital gain of €1.4 million on a sale of securities. Adjusted for this effect, NBI at Sofider rose by 2.4%.

Business growth was sustained by an increase in operating costs of €0.3 million.

The cost of risk fell by €0.6 million, with 2016 marked by the settlement of certain significant interests and the general improvement of the economic situation on the island.

Accordingly, Sofider posted net income of €8.6 million, a rise of 14.2%.

BRED COFILEASE (wholly-owned subsidiary)

Overseas leasing

INCOME STATEMENT: ACCOUNTING PRESENTATION, IFRS

in € millions	2015	2016	2016 - 2015
Net banking income	**7.4**	**8.9**	**20.1%**
Operating expenses	1.5	1.9	
Gross operating profit	**5.9**	**7.0**	**17.6%**
Cost of risk	0.4	0.6	
Net operating income	**6.4**	**7.6**	**18.6%**
Corporate income tax	-2.2	-2.7	
NET PROFIT	**4.2**	**4.9**	**16.1%**

BRED Cofilease enjoyed a very fine year in 2016, posting production of €85 million (+12.5% over 2015 production).

This commercial performance generated NBI of €8.9 million, an increase of 20.1%.

Given the low increase in operating costs (+€0.4 million) and net provision reversals for credit risk of €0.6 million, net profit at BRED Cofilease grew by 16.1% to €4.9 million.

INTERNATIONAL AND OVERSEAS COMMERCIAL BANKING

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

in € millions	2015	2016	2016 - 2015
Net banking income	**51.6**	**56.4**	**9.2%**
Operating expenses	39.0	41.9	
Gross operating profit	**12.7**	**14.5**	**14.1%**
Cost of risk (excluding collective impairment)	-8.7	-10.6	
Net operating income	**3.9**	**3.8**	**-2.5%**
Share of profit (loss) of companies accounted for under the equity method	25.6	29.6	
PROFIT ON ORDINARY ACTIVITIES (excluding collective impairment)	**29.6**	**33.4**	**12.9%**

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 seek new business opportunities.

This division includes:

- BCI Mer Rouge, BRED Vanuatu, BRED Bank 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 from ordinary activities;
- A correspondent banking activity on behalf of foreign banking institutions.

As a result of the equity accounting method applied to 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.

Customer deposits of subsidiaries consolidated by global integration rose sharply by almost 20% (at constant exchange rates), mainly through the contributions from BCI Mer Rouge (+€96 million) and BRED Bank Fiji (+€58 million). Customer loans grew by 13% (at constant exchange rates), reaching €636 million at the end of the period. Their growth was mainly driven by BRED Bank Fiji (+€52 million) and Banque Franco-Lao (+€12 million).

NBI excluding non-recurring items at International and French Overseas Territories Commercial Banking rose by 9.2% to €56.4 million. This increase reflects the successful strategy to establish and develop the international subsidiaries, notably BRED Bank Fiji and Banque Franco Lao, whose NBI[1] grew by 33.7% and 29.8% respectively.

Supporting the development of the subsidiaries, the division posted an increase in operating expenses, but to a lesser extent than in previous years and less rapidly than NBI, leading to gross operating profit rising by 14.1% in 2016.

With cost of risk being contained at €10.6 million (growth mainly due to an old deal in correspondent banking) and profit from equity method interests growing strongly at €29.6 million, pre-tax profit on ordinary activities stands at €33.4 million against €29.6 million in 2015 (+12.9%).

2017 will see the fruition of BRED's projects to pursue its activities abroad with the opening of a commercial bank in Cambodia and a branch office of BRED Vanuatu in the Solomon Islands. These new establishments emanate from the development strategy based on geographical divisions in order to capitalise on established expertise and to create synergies in terms of income and costs.

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 in local accounting standards at constant exchange rates.

(1) Local accounting standards, constant exchange rates

Oceania

Banque Calédonienne d'Investissement (49.9% owned subsidiary)

INCOME STATEMENT: ACCOUNTING PRESENTATION, LOCAL GAAP

in € millions	2015	2016	2016 - 2015
Net banking income	**86.3**	**89.4**	**3.6%**
Operating expenses	37.9	39.8	
Gross operating profit	**48.3**	**49.6**	**2.6%**
Cost of risk	-5.0	-6.4	
Net operating income	**43.4**	**43.2**	**-0.4%**
Other items	-0.6	-0.4	
Corporate income tax	-18.7	-18.1	
NET PROFIT	**24.2**	**24.7**	**2.1%**

In 2016 New Caledonia produced mixed economic indicators. The number of jobseekers increased, household consumption fell and company investment lending stabilised. Home loans, on the other hand, present a healthy picture.

In this contrasting environment, Banque Calédonienne d'Investissement, the leading banking network in New Caledonia with market share of 31% in deposits and 33% in lending, continued to expand its penetration. It opened more than 15,000 accounts in 2016 and its number of clients rose by 3%. Customer lending passed the €2 billion mark (+6%) while customer deposits increased by 13%, in spite of the heightened competition.

NBI at Banque Calédonienne d'Investissement rose by 3.6%, driven by both net interest margin (+2.4%) and fees (+6.2%).

Operating expenses grew to a lesser extent (+€1.9 million), notably due to the recruitments required to support business growth and the opening of an additional branch, leading to an increase in gross operating profit of 2.6%.

Net profit at Banque Calédonienne d'Investissement increased once again this year. It reached the historic level of €24.7 million.

BRED Vanuatu (85 % owned subsidiary)

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

in € millions	2015	2016	2016 - 2015
Net banking income	**10.9**	**11.4**	**4.3%**
Operating expenses	5.6	6.6	
Gross operating profit	**5.3**	**4.7**	**-10.1%**
Cost of risk	-0.8	-1.1	
Net operating income	**4.5**	**3.6**	**-19.3%**
Corporate income tax	-0.4	-0.4	
NET PROFIT	**4.0**	**3.3**	**-18.9%**

The accounts as presented include the costs related to establishing the branch office in the Solomon Islands.

Following 2015, a year characterised by the impact of cyclone PAM and economic recession (-0.8%), Vanuatu embarked on a phase of reconstruction.

BRED Vanuatu consolidated its positioning with a market share of 33% in the loans sector. Its dynamic customer portfolio (number of customers up by 3% compared to 31 December 2015) enabled it to post a 2% increase in lending.

With the benefits of its success in Vanuatu and its understanding of the Pacific region, BRED decided to extend its geographic coverage by establishing a branch office of BRED Vanuatu in the Solomon Islands. The Solomon Islands offer a favourable environment for the deployment of this branch office: geographic proximity to Vanuatu, highest population in the South Pacific after Fiji, high level of unbanked, market structured around just two major operators, political stability and high economic growth. The branch office is due to open in the spring of 2017.

BRED Vanuatu posted net banking income of €11.4 million, a rise of 4.3%.

Due to the resources deployed for the opening of the branch office in the Solomon Islands and the growth in business activity in Vanuatu, operating expenses at BRED Vanuatu rose by €1 million.

The bank recorded gross operating profit of €4.7 million.

The cost of risk increased by €0.3 million but remains modest in the light of recent climatic events.

With net profit of €3.3 million, BRED Vanuatu posted excellent results in 2016, a year marked by continued development in Vanuatu and investments associated with the establishment of the branch office in the Solomon Islands.

BRED Bank Fiji (wholly-owned subsidiary)

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

in € millions	2015	2016	2016 - 2015
Net banking income	**4.2**	**5.6**	**33.7%**
Operating expenses	5.4	6.1	
Gross operating profit	**-1.3**	**-0.5**	**60.0%**
Cost of risk	-0.1	-0.2	
Net operating income	**-1.4**	**-0.8**	**46.1%**
Corporate income tax	0.0	0.0	
NET PROFIT	**-1.4**	**-0.8**	**46.1%**

Occupying a central location in the Pacific, Fiji posted NBI growth of some 4% over 2015, with its economy mainly based on tourism, sugar and fishing.

BRED Bank Fiji's development efforts saw a sharp increase in its portfolio during 2016: customer lending grew by 75% to €121 million and customer deposits rose by 85%. It had more than 30,000 customers on its books as of 31 December 2016 (+10% over the year).

The commercial dynamism of BRED Bank Fiji generated a rise in NBI of €1.4 million (+33.7%).

Operating expenses rose by €0.7 million in support of growth.

The highly positive differential between NBI growth and operating expenses growth results in BRED Bank Fiji posting gross operating profit at near breakeven after just four years in operation, and net monthly profit at breakeven since the autumn of 2016. The cost of risk remains low at -€0.2 million. Accordingly, the bank has once again significantly reduced its losses to just -€0.8 million, remaining in line with its development plan.

BRED Bank Fiji will continue its positive momentum in 2017, notably via the full effect of the opening of a sixth branch in December 2016 in Valelevu, a town with great potential in terms of both retail and corporate customers, and which strengthens the geographic coverage of the bank.

Southeast Asia

Banque Franco-Lao (54% owned subsidiary)

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

in € millions	2015	2016	2016 - 2015
Net banking income	**6.9**	**8.9**	**29.8%**
Operating expenses	5.9	6.9	
Gross operating profit	**0.9**	**2.0**	**113.2%**
Cost of risk	-0.3	-0.5	
Net operating income	**0.7**	**1.5**	**122.2%**
Other items		-0.1	
Corporate income tax	-0.2	-0.3	
NET PROFIT	**0.5**	**1.1**	**106.0%**

With strong economic ties with its powerful neighbours (China, Thailand and Vietnam), Laos benefits from the dynamism of the Southeast Asia region, posting a GDP growth rate over recent years of around 7%. Its economy is mainly based on energy, mining, agriculture and tourism.

The only European bank in the country, Banque Franco Lao has a network of 22 branches in 10 towns. It offers a wide range of services to professional and retail clients, launching new products such as the SME loan that can be released in under 72 hours. Its number of clients has grown by 24% since 31 December 2015 and it opened almost 7,000 accounts in 2016.

In 2016 Banque Franco Lao increased lending by 13.6%, passing the €100 million mark towards year end. Customer deposits grew by 20%.

Driven by the growth in its customer base, NBI at Banque Franco Lao increased by nearly 30%, to €8.9 million. This growth is due to both net interest margin (+24%) and fees (+49%).

Operating expenses at Banque Franco Lao reached €6.9 million, a rise of €1 million due to higher activity levels and reinforced manpower.

The bank's grow operating profit doubled to some €2 million, while its cost of risk remains low at €0.5 million.

Banque Franco Lao therefore enjoyed a fine year, posting net profit of €1.1 million.

Horn of Africa

BCI Mer Rouge (51% owned subsidiary)

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

in € millions	2015	2016	2016 - 2015
Net banking income	**24.9**	**24.3**	**-2.4%**
Operating expenses	16.3	15.1	
Gross operating profit	**8.6**	**9.2**	**7.3%**
Cost of risk	-8.3	-8.0	
Net operating income	**0.2**	**1.2**	**NA**
Non-recurring items	0.5	-0.5	
Pre-tax profit on ordinary activities	**0.7**	**0.7**	**2.3%**
Corporate income tax	-0.3	-0.3	
NET PROFIT	**0.4**	**0.5**	**6.8%**

Growth in the Djibouti economy remained robust in 2016 at around 6.5%, driven by numerous structural projects and the dynamism of the transport sector: laying of an undersea communications cable, launch of construction of a solar centre, upturn in air passenger transport for Air Djibouti, opening of a railway line between Djibouti and Addis Ababa, signing of a partnership between the ports of Djibouti and Qingdao (China), and many more.

With 10 branches, two business centres and two representative offices (one in Ethiopia and the other in Somaliland), the commercial network of BCI Mer Rouge is the most extensive in the territory. It provides support for retail and corporate clients and also participates in the financing of the country's major projects. BCI Mer Rouge has nearly 18,500 customers and increased lending by 2.5%, reaching €250 million by the end of December 2016.

Affected by the decision to no longer value interest and fees on bad and disputed debts, BCI Mer Rouge posted NBI of €24.3 million, a fall of 2.4%. However, NBI from financially healthy customers grew by more than 3%, a reflection of the commercial vitality at BCI Mer Rouge.

The 7.5% drop in operating expenses is the result of rigorous cost control and the final amortisation of an IT project.

The bank therefore recorded gross operating profit of €9.2 million, a rise of 7.3%.

After a year in 2015 marked by a policy of portfolio cleansing, the bank's cost of risk fell by 4.1% in spite of the decision to raise the doubtful loan cover rate in the interests of prudence.

Net income generated by BCI Mer Rouge stands at €0.5 million.

INTERNATIONAL TRADE FINANCING

INCOME STATEMENT: MANAGEMENT OVERVIEW EXCLUDING NON-RECURRING ITEMS, IFRS

in € millions	2015	2016	2016 - 2015
Net banking income	**5.0**	**10.7**	**114.4%**
Operating expenses	8.9	8.4	
Gross operating profit	**-3.9**	**2.4**	**NA**
Cost of risk	-11.1	-18.1	
PROFIT ON ORDINARY ACTIVITIES	**-15.1**	**-15.7**	**-4.5%**

International Trade Financing specialises in commercial transactions in goods and supports the growth of trading companies active in energy commodities, agriculture and metals. The division consists of BIC BRED and BIC BRED Suisse, which became a full-function banking establishment in 2015.

BIC BRED saw a sharp rise in its client lending activities in 2016, reaching €95 million, a 20% rise against 31 December 2015. BIC BRED Suisse also continued to expand, with outstanding loans after its second year under its new status amounting to €216 million, a rise of 56% versus 31 December 2015. Overall, the division's trade financing loans rose by 43%.

Driven by the growth of BIC BRED Suisse, NBI at International outstanding doubled to €10.7 million.

Operating expenses stood at €8.4 million in 2016, a fall of €0.5 million over 2015. The reduction is the result of two contrasting effects: 2015 had been marked by costs associated with the change of status of BIC BRED Suisse, while current expenses rose in 2016 in support of the higher activity levels.

Gross operating profit stood at €2.4 million, a rise of €6.3 million over 2015.

The cost of risk of €18.1 million is a function of an additional provision for an oil & gas credit agreed after BIC BRED Suisse became a subsidiary, which is now fully provisioned.

The division therefore generated a loss on ordinary activities of €15.7 million.

International Trade Financing will continue to increase its activity levels in 2017. Structured to achieve its objectives and benefiting from a streamlined client portfolio, the division is set to return to profitability in 2017.

CAPITAL MARKETS DEPARTMENT

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

in € millions	2015	2016	2016 - 2015
Net banking income	**85.0**	**101.9**	**19.8%**
Operating expenses	33.2	32.7	
Gross operating profit	**51.9**	**69.1**	**33.3%**
Cost of risk	0.0	0.0	
PROFIT ON ORDINARY ACTIVITIES	**51.9**	**69.1**	**33.3%**

After an already outstanding year in 2015, the Capital Markets Department continued to grow in 2016 through a strategy of favouring the establishment of long-term commercial relationships.

The average volume of money market investments grew by over 9 billion euros over the year.

At the same time, the Capital Markets Department accelerated the diversification of its portfolio of issuers and institutional investors by reducing the weighting given over to:

- the Paris and London markets, in favour of the rest of the world;
- third-party account management, in favour of corporate and public investors;
- the euro, with an enhanced distribution between different currency zones making the business less sensitive to changes in monetary policy.

The fixed-income brokerage business also saw excellent growth, with NBI increasing by 35%, mainly in the secondary credit market and private equity investments.

In support of its development, large public agency clients are now served by a dedicated "SSA" team covering supras, sovereigns and similar products.

NBI from transactions conducted with branch network clients also increased by 15% over the year, driven by transactions with institutional counterparties.

These favourable indicators generated NBI of €101.9 million, an increase of 19.8%.

CONSOLIDATED MANAGEMENT OF INVESTMENTS

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

in € millions	2015	2016	2016 - 2015
Net banking income	**57.6**	**59.9**	**3.9%**
Operating expenses	7.3	4.1	
Gross operating profit	**50.4**	**55.8**	**10.7%**
Cost of risk	1.3	1.7	
Net operating income	**51.7**	**57.5**	**11.3%**
Gain or loss on other assets	0.3	0.2	
PROFIT ON ORDINARY ACTIVITIES	**52.0**	**57.7**	**11.0%**

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

Profit from ordinary activities stands at €57.7 million (+11%). The main components of its NBI consists of a dividend of €16.8 million from BPCE securities, capital gains of €32 million generated by the portfolio of BRED securities and the contribution of NJR (see presentation of this subsidiary below).

The capital gain of nearly €22 million realised from the sale of operating premises is treated as an exceptional event and is therefore not included in the above table.

NJR (wholly-owned subsidiary)

INCOME STATEMENT: ACCOUNTING PRESENTATION, LOCAL GAAP

in € millions	2015	2016	2016 - 2015
Net banking income	**13.0**	**13.1**	**1.1%**
Operating expenses	1.0	1.0	
Gross operating profit	**12.0**	**12.1**	**1.2%**
Corporate income tax	-1.9	-2.4	
NET PROFIT	**10.0**	**9.7**	**-2.8%**

The Asset Backed Securities market experienced a tightening of spreads in spite of Brexit, notably in peripheral areas (excluding Portugal) and the UK. Investors sought collateral eligible for the LCR liquidity ratio and assets offering higher yield than the ECB deposit rate (-0.40%). The primary market was marked by higher available volumes (although this was insufficient to affect spread levels) and weakness of supply in the secondary market was accentuated by ECB buyback operations.

NJR's fixed-income securities portfolio of some €1.1 billion is mainly invested in ABS. NJR continued its ABS investments (€546 million, mainly in ECB eligible ABS) at a faster pace than the redemption of its portfolio (€249 million). The average spread (80 bps) and average duration (2.7 years) fell compared to 2015 due to the purchase of ECB eligible securities.

The stability of NJR's NBI (€13.1 million) in spite of lower rates demonstrates the effectiveness of the strategy deployed.

NJR posted net profit of €9.7 million, a fall of €0.3 million due to higher taxes.

RETURN ON EQUITY OF THE BUSINESS DIVISIONS

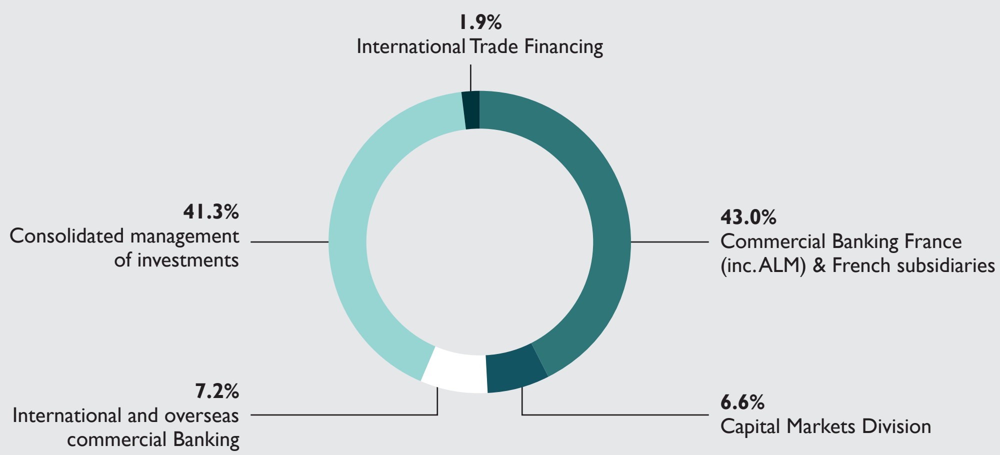
BRED Group posted return on regulated equity of 11.4% (excluding non-recurrent items). As a proportion of equity as a whole, net income excluding non-recurring items realised by BRED Group generated a return of 7.1%. Excluding Consolidated Management of Investments, which generated a return of 4.5% due to the carry cost of BPCE securities, and International Trade Financing, which was affected by an additional provision for a now fully-provisioned loan, all divisions generated a return in excess of 15%.

in € millions	2016 Net income (1)	Equity	Return on equity (2)
Commercial Banking France (including ALM) & related subsidiaries	156.5	998.5	15.7%
International and overseas commercial banking	31.5	167.6	18.8%
Capital markets department	45.3	154.1	29.4%
Consolidated management of investments	43.6	960.2	4.5%
International trade financing	-12.5	43.3	NA
TOTAL (allocated equity)	**264.5**	**2,323.9**	**11.4%**
Unused equity		1,376.0	
TOTAL BRED	**264.5**	**3,699.8**	**7.1%**

(1) Net profit attributable to equity holders of the parent company excluding non-recurring items
(2) Return on equity calculated as at 31/12/2016

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

BREAKDOWN OF EQUITY UTILISATION



Excluding the carrying of BPCE securities, the proportion of equity consumption by Commercial Banking France and Consolidated Management of Investments was 57% and 22% respectively.

CONSOLIDATED BALANCE SHEET

Assets

in billions of euros	2015	2016
Cash and amounts due from central banks	4.9	8.5
Financial assets at fair value through profit or loss	7.4	9.8
Hedging derivatives	0.2	0.2
Available-for-sale financial assets	13.8	13.5
Loans and receivables due from credit institutions	9.0	10.8
Loans and receivables due from customers	16.0	18.6
Held to maturity financial assets	0.9	0.8
Current and deferred tax assets	0.2	0.1
Accrued income and other assets	1.6	2.2
Investments in associates	0.3	0.3
Investment property	0.2	0.2
Tangible and intangible assets	0.3	0.3
TOTAL ASSETS	**54.7**	**65.3**

Liabilities

in billions of euros	2015	2016
Financial liabilities at fair value through profit or loss	3.1	3.9
Hedging derivatives	0.4	0.4
Amounts due to credit institutions	7.8	10.5
Amounts due to customers	28.0	31.8
Debt securities	3.6	5.9
Current and deferred tax liabilities	0.0	0.0
Accrued expenses and other liabilities	1.6	1.6
Technical reserves of insurance companies	6.5	7.0
Provisions	0.2	0.2
Subordinated debt	0.3	0.3
Shareholder's equity	3.2	3.8
TOTAL LIABILITIES	**54.7**	**65.3**

At 31 December 2016, the BRED Group's consolidated balance sheet total stands at €65.3 billion, a rise of €10.6 billion versus 31 December 2015. The main components of the balance sheet are covered below.

Cash and amounts due from central banks stands at €8.5 billion at 31 December 2016, due to the effect of customer deposits being temporarily higher at year end, and were placed with the ECB.

Financial assets at fair value through profit or loss include fixed-income securities (€4.3 billion), variable-income securities (€2.9 billion) and derivatives (€2.5 billion).

The €2.4 billion increase in financial assets at fair value through profit or loss consists of €1.7 billion in fixed-income securities and €0.7 billion in variable-income securities.

Financial liabilities at fair value through profit or loss consist of derivatives (€3.2 billion) and securities sold short (€0.7 billion).

Available-for-sale financial assets amount to €13.5 billion at 31 December 2016. Their relative stability results from the maturity of BTANi at €2.8 billion being offset by the purchase of gilts, bonds and equities. They include €2.7 billion in equities and other variable-income securities.

Loans and receivables due from credit institutions rose by €1.8 billion, of which €1.2 billion is associated with the centralisation of Livret A and LDD savings accounts and €0.7 billion with repurchase agreements. Amounts due to credit institutions stand at €10.5 billion, an increase of €2.7 billion due to the combined effect of a €3.6 billion increase in term deposits and loans (including the €1.2 billion participation in the ECB TLTRO II medium to long-term financing operations via BPCE) and a €1.2 billion reduction in repurchase agreements.

Loans and receivables due from customers mainly consist of loans to customers (including €7.4 billion in home loans, €4.7 billion in equipment loans and €3 billion in cash facilities), overdrafts on current accounts (€1.4 billion) and repurchase agreements (€0.8 billion). They have grown by €2.6 billion, driven by the expansion of the credit portfolio (notably +€1.5 billion in cash facilities) and repurchase agreements (+€0.7 billion).

Amounts due to customers mainly consist of credit balances on ordinary accounts (€12.6 billion), other on-demand deposits (€6.5 billion), term deposits (€5.7 billion), customer savings accounts (including €1 billion in Livret A and €1.8 billion in home savings products) and repurchase agreements (€2 billion). They increased by €3.8 billion of which €2.1 billion in term deposits.

Debt securities mainly consisting of certificates of deposit stand at some €6 billion.

The €0.5 billion rise in technical reserves of insurance policies is mainly due to technical life assurance provisions which mainly equate to policy redemption values.

Equity stands at €3,752 million, of which €3,711 million equity group share and €41 million minority interests. Equity attributable to equity holders of the parent company rose by €505 million due to the earnings for the period of €266 million, the €156 million of capital and associated premiums strengthening (of which €152 million in share issuance and €4 million incorporation of reserves), the increase in unrealised gains and other reserves of €94 million and the recognition of the distribution of €11 million in interest for the year 2015.

Given consolidated income for 2016 of €266.4 million and a balance sheet total of €65.3 billion, the return on assets came to 0.41%.

SOLVENCY AND LIQUIDITY

Equity and capital adequacy ratios

The solvency ratios are presented in accordance with Basel III regulations.

Credit institutions subject to the CRD are accordingly 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.

Added to the above are capital buffers at the discretion of the national regulator. These include:
- a capital conservation buffer;
- a counter-cyclical buffer;
- a buffer for institutions of systemic significance.

The first two buffers concern all institutions on an individual or consolidated basis.

The ratios are determined by dividing regulatory capital and by 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 institution to deal with the risks generated by its activities. They relate the various levels of capital to a measurement of its risks.

To facilitate the credit institutions' ability to comply with Basel III regulations, lower requirements are permitted for a transitional period:
- Capital ratios: since 2015, the minimum CET1 requirement has been 4.5%. Similarly, the minimum Tier 1 requirement is 6%. Finally, the total capital ratio must be at least 8%.
- Capital buffers: to be applied progressively on an annual basis from 2016 until 2019.
  - By 2019, the capital conservation buffer of Tier 1 core capital will be 2.5% of the total amount of risk exposure (0.625% from 1 January 2016 increased by 0.625% p.a. until 2019).

- The counter-cyclical buffer equates to the weighted average of exposures at default (EAD) of the buffers defined at the level of each of the countries in which the institution operates. The ***Haut Conseil de Stabilité Financière*** (financial stability board) has set this level for France at 0%. With the majority of exposures being in countries with a counter-cyclical rate set at 0%, the overall counter-cyclical buffer is close to 0.

Regulatory capital

In accordance with regulatory definitions, total capital is established in three categories: Tier 1 core capital (CET1), additional Tier 1 capital (AT1) and Tier 2 capital (T2), from which are deducted holdings in other banking institutions (essentially the equity interest in BPCE SA).

in € millions	2015 B3 prosed in	**2016 B3 prosed in**
Capital	683.8	839.8
Retained earnings and issue premiums	2,162.6	2,386.7
IAS/IFRS impact on retained earnings	121.4	218.2
Net profit for the year	238.1	266.4
Proposed distribution of dividends	-7.4	-11.4
Consolidated equity	**3,198.5**	**3,699.8**
Intangible fixed assets and other deductions	-18.9	-25.8
Equity instruments held in financial sector entities to be deducted from CET1	-425.4	-479.4
Difference between provisions and expected losses as per Basel III prudential calculations	-58.4	-77.8
Additional value adjustments in respect of prudent measurement of the trading portfolio's positions	-6.8	-11.5
Transitional CET1 adjustments on capital gains and losses on equity and debt instruments (1)	-64.9	-88.4
Transitional CET1 adjustments linked to minority interests (2)	23.3	16.2
Other transitional CET1 adjustments	105.4	75.4
Items deducted from Tier 2 exceeding Tier 2 capital	-47.8	-95.7
Deferred tax assets on temporary differences not covered by the allowance (3)	-6.3	0.0
Other adjustments to deductions	-30.6	-31.1
Common Equity Tier I (CET1)	**2,668.0**	**2,981.7**
Additional Tier 1 (AT1) instruments	**0.0**	**0.0**
Tier 2 capital before deductions	**118.2**	**62.8**
Equity instruments held in financial sector entities to be deducted from Tier 2	-97.6	-106.0
Other transitional Tier 2 adjustments	-72.0	-55.7
Items deducted from Tier 2 exceeding Tier 2 capital	47.8	95.7
Other adjustments (4)	3.6	3.1
Tier 2 capital	**0.0**	**0.0**
TOTAL REGULATORY CAPITAL	**2,668.0**	**2,981.7**

(1) The new regulation has eliminated most of the prudential filters and in particular those relating to capital gains and losses on equity instruments and available-for-sale debt securities. Since 2015, unrealised capital gains have been 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% have been gradually deducted in 20% increments since 2014. In 2016, the remaining 40% is still accounted for in accordance with CRD III. Furthermore, items covered by the allowance are weighted at 250%.

(4) The grandfather clause: certain instruments no longer qualify as regulatory capital due to the introduction of the new regulation. In accordance with the grandfather clause, these instruments will be gradually excluded over a 8-year period at a rate of 10% p.a.

Tier 1 core capital (CET1)

Common Equity Tier 1 (CET1) mainly equates to share capital, shareholders' issue premiums, reserves and retained earnings. It takes certain deductions into account, notably related to intangible assets, deferred taxes dependent on future profits, prudential filters, negative amounts resulting from insufficient provisions with regard to the expected losses and participations in eligible banking, financial and insurance institutions in accordance with the rules covering allowances and the transitional period.

At the close of 2016, CET1 capital after deductions stood at €2,981.7 million:

in € millions

31/12/2015	**2,668.0**
Issue of shares and incorporation of reserves	156.0
Net profit after proposed distribution of dividends	255.1
Other items	-97.4
31/12/2016	**2,981.7**

- Share capital stands at €839.8 million, a rise of €156 million over the year due to the capital increase,
- reserves and premiums stand at €2,386.7 million before appropriation of 2016 earnings, an increase of €224 million over 2015,
- unrealised capital gains and other recyclable reserves increased by €97 million,
- deductions stood at €718 million at the end of 2016. The deduction net of allowance on equity interests stands at €479 million. On particular as BRED is a shareholder of BPCE SA, the amount of securities held is deducted from its capital due to the same euro being unable to cover risks in two different institutions.
  Insurance investments are treated in accordance with the Danish compromise and are therefore no longer deducted from core capital but risk weighted at 370%.

Additional Tier 1 (AT1) capital

The additional Tier 1 (AT1) capital is composed of subordinated instruments issued in accordance with strict eligibility criteria, issue premiums related to AT1 elements and deductions of equity interests in eligible banking, financial and insurance institutions in strict accordance with the rules covering allowances and the transitional period.

BRED did not have any AT1 capital at the end of 2016.

Tier 2 (T2) capital

Tier 2 capital equates to subordinated debt instruments of a minimum duration of five years. At the end of 2016, BRED held Tier 2 capital consisting of subordinated debt amounting to 63 million euros. This capital is fully consumed by regulatory deductions. Tier 2 capital deductions amount to €66 million.

Capital requirements

For the purposes of regulatory solvency calculations, three types of risk must be measured: credit risk, market risk and operational risk. These risks are respectively calculated from the amount of outstanding loans, the trading portfolio and the institution's net banking income.

Weighted risks are calculated according to regulatory methods. Total capital must account for at least 8% of such weighted risks.

At the close of 2016, BRED Group weighted risks stood at €20,071.9 million under Basel III regulations (i.e. Capital requirement of €1,605.7 million), an increase of €1,378 million. This rise is the result of the continued dynamism of the credit business in 2016 and by the further growth of the BRED Group in France and abroad.

Basel III regulations also introduced an additional capital requirement, notably including:

- €6.2 million in respect of the credit value adjustment (CVA): the CVA is an accounting correction of the mark-to-market value of derivatives to integrate the costs of counterparty risk that varies with changes 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.
- €83 million in respect of allowances related to deferred tax assets depending on future taxable income linked to temporary differences and financial investments greater than 10%. As previously mentioned, items covered by the allowance are weighted at 250%.

Capital adequacy ratio

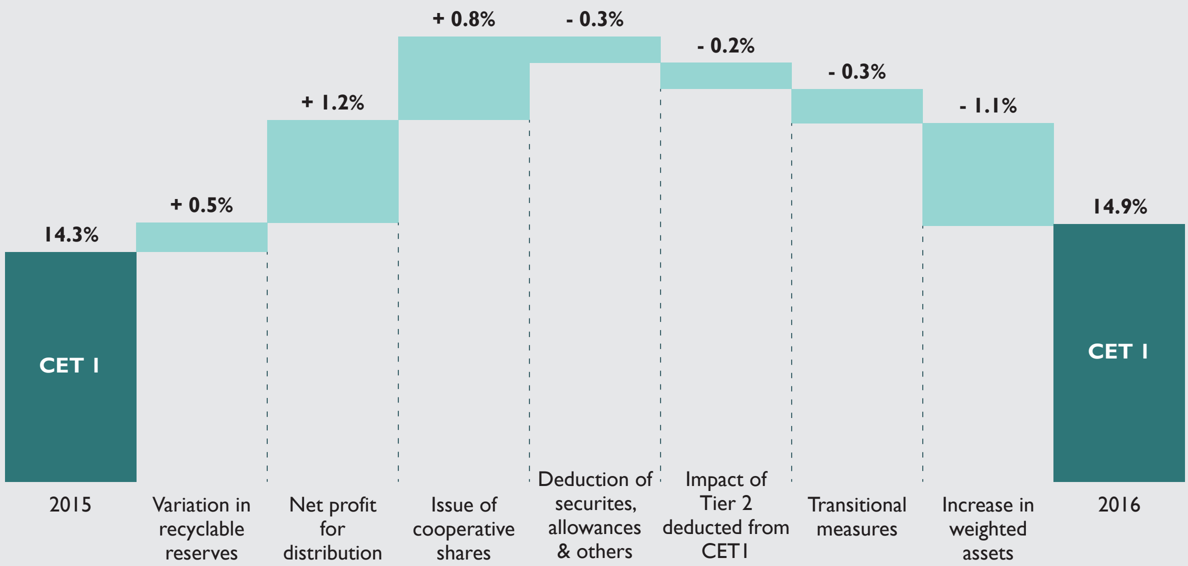
As BRED Group's prudential capital is composed solely of CET1 core capital, its overall capital adequacy ratio is strictly identical to its CET1 capital adequacy ratio.

It stood at the healthy level of 14.86% at the end of the period (higher than the regulatory minimum for 2019), a rise of 0.59 points over the year.

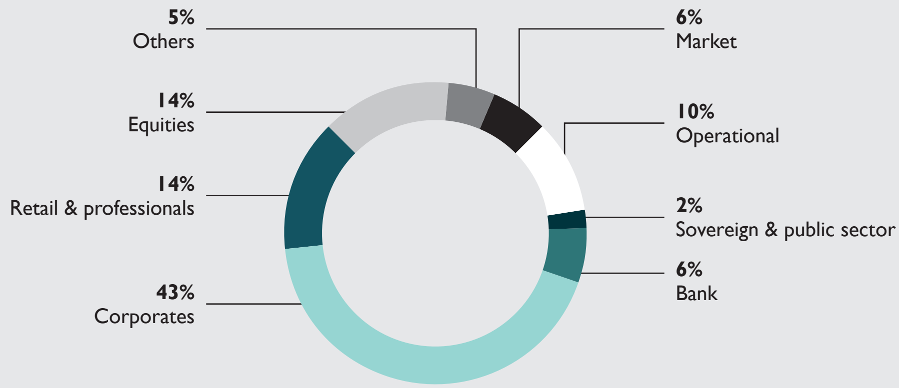
in € millions	2015 B3 prosed in	2016 B3 prosed in
Common Equity Tier 1 (CET 1) capital	2,668.0	2,981.7
Additional Tier 1 (AT1) instruments	0.0	0.0
Tier 2 capital after deductions	0.0	0.0
REGULATORY CAPITAL	**2,668.0**	**2,981.7**
Credit and counterparty risk	1,281.0	1,373.3
Market risk	80.1	87.4
Operational risk	134.5	145.0
Total requirements	**1,495.5**	**1,605.7**
OVERALL RATIO	**14.27%**	**14.86%**
of which, Common Equity Tier 1 ratio	14.27%	14.86%

The higher ratio demonstrates BRED's great capacity to create capital by allocating earnings to reserves and by issuing shares to its members.

SOLVENCY RATIO 2015-2016



WEIGHTED RISKS EXCLUDING ALLOWANCES - BASEL III CAPITAL ADEQUACY



Total RWA €20.1bn including €2.4bn allowances

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 1 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 ratio to be achieved is 3%.This ratio has been subject to mandatory publication since 1 January 2015. It is planned to be applied as a Pillar 1 requirement from 1 January 2018.

At the close of 2016, BRED Group's leverage ratio taking into account transitional provisions stood at 5.30% against 5.11% at 31 December 2015. The increase of 0.2 points results from the capital strengthening in 2016 and an increase in exposures.

in € millions	2015 B3 prosed in	**2016 B3 prosed in**
Tier 1 core capital	2,668.0	2,981.7
Leverage exposures	52,204.3	56,254.8
LEVERAGE RATIO	**5.11%**	**5.30%**

Liquidity

2016 was marked by a sharp rise in customer loans (December average outstandings up 8%).The loans/deposits ratio excluding financial customers benefited from the good performance of mobilisations of funds and stood at 84.2% at the end of December, i.e. surplus funds of €3.6 billion.

In 2016, the BRED Group also reinforced its medium to long-term liquidity structure by taking advantage of the opportunity offered by the ECB TLTRO II (Targeted Longer-Term Refinancing Operations.) This approach is in line with that of the BPCE Group which decided to take part in these refinancing operations. This mechanism offers attractive conditions provided that institutions take part in the financing of the real economy by increasing the amount of their lending eligible to TLTRO II. With a value date of 29 June 2016, BPCE SA repaid all of its TLTRO I funds received from the ECB (€10 billion) and borrowed €10 billion in TLTRO II from the ECB with maturity in June 2020. The additional financing for BRED amounts to €626 million.

BRED's LCR stood at 110% at 31 December 2016 for a minimum regulatory requirement of 70%, raised to 80% with effect from 1 January 2017.

POST-CLOSING EVENTS

None.

OUTLOOK

French banks should once again experience changes in a market characterised by low interest rates generating lower yields on lending, heightened competitive pressures and strict regulatory demands.

Strengthened by its successful capital increase of €152 million, a reflection of the confidence among its members, BRED has opted to focus on sustainable and controlled development in 2017, in compliance with its cherished cooperative values that combine ethics and effectiveness in the collective interest.

By offering existing and potential customers Banking Without Distance with an advisor at the heart of the relationship, providing advice with greater added value, combining the human and the digital, all in a proactive and respectful manner, will enable BRED to achieve sustainable growth. To this end, particular attention will be paid to controlled development in three strategic areas: controlled credit risk in all markets, both in France and abroad, controlled liquidity and controlled operating costs.

International development will be pursued by growing existing commercial banks and via a growth strategy based on regional hubs with the creation of a commercial bank in Cambodia and a BRED Vanuatu branch office in the Solomon Islands, which will open their doors in H1 2017.

SITE-SPECIFIC INFORMATION

Information related to operations by countries pursuant to Article L.511-45 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 iv and v 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 2016, the accounting department did not hold any invoices awaiting payment.

INFORMATION ABOUT INACTIVE ACCOUNTS ON OUR BOOKS

In accordance with Articles L.312-19, L.312-20 and R.312-21 of the Monetary and Financial Code, information relating to the inactive accounts on our books is as follows:

	At 31 December 2016
Number of inactive accounts open in the institution's books	52,239
Total outstandings recorded in the said inactive accounts	€43,255,479.16
Number of accounts whose credit balances have been deposited with *Caisse des Dépôts et Consignations*	5,703
Total amount of funds deposited with *Caisse des Dépôts et Consignations*	€9,485,655.25

Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated balance sheet

Assets

In thousands of euros	Notes	31/12/2016	31/12/2015
Cash and amounts due from central banks	5.1	**8,503,533**	4,867,397
Financial assets at fair value through profit or loss	5.2.1	**9,770,204**	7,374,355
Hedging derivatives	5.3	**160,375**	247,794
Available-for-sale financial assets	5.4	**13,482,724**	13,751,032
Loans and receivables due from credit institutions	5.6.1	**10,810,377**	8,962,064
Loans and receivables due from customers	5.6.2	**18,568,811**	15,996,520
Re-measurement adjustments on interest-rate risk hedged portfolio		**6,626**	0
Held to maturity financial assets	5.7	**824,164**	880,925
Current tax assets		**1,367**	13,195
Deferred tax assets	5.9	**130,392**	147,888
Accrual accounts and other assets	5.10	**2,196,683**	1,646,741
Non-current assets held for sale	5.11	**0**	0
Deferred profit-sharing	5.12	**0**	0
Investments in companies accounted for under the equity method	8.1.1	**329,861**	306,241
Investment property	5.13	**237,448**	218,990
Property, plant and equipment - Land and buildings	5.14	**258,254**	261,858
Intangible assets	5.14	**20,616**	13,906
Goodwill	5.15	**0**	0
TOTAL ASSETS		**65,301,435**	**54,688,906**

Liabilities

In thousands of euros	Notes	31/12/2016	31/12/2015
Amounts due from central banks		0	0
Financial liabilities at fair value through profit or loss	5.2.2	3,916,041	3,089,330
Hedging derivatives	5.3	350,989	351,672
Amounts due to credit institutions	5.16.1	10,471,047	7,770,105
Amounts due to customers	5.16.2	31,761,810	28,009,340
Debt securities	5.17	5,899,861	3,596,879
Re-measurement adjustments on interest-rate risk hedged portfolio		60,750	0
Current tax liabilities		4,850	1,355
Deferred tax liabilities	5.9	18,391	15,378
Accrued expenses and other liabilities	5.18	1,609,760	1,562,504
Liabilities directly linked to non-current assets held for sale		0	0
Technical reserves of insurance companies	5.19	6,971,555	6,540,342
Provisions	5.20	210,448	200,263
Subordinated debt	5.21	273,793	306,775
Shareholders' equity		**3,752,140**	**3,244,963**
Equity attributable to equity holders of the parent company		**3,711,171**	**3,205,866**
Capital and share premium account		847,321	691,290
Retained earnings		2,379,255	2,155,134
Gains and losses posted directly in other comprehensive income		218,170	121,376
Profit and loss for the period		266,425	238,066
Non-controlling interests	5.23	40,969	39,097
TOTAL LIABILITIES AND NET EQUITY		**65,301,435**	**54,688,906**

1.2 Consolidated income statement

In thousands of euros	Notes	**2016 financial year**	2015 financial year
Interest and similar income	6.1	859,071	918,428
Interest and similar expense	6.1	-251,609	-307,305
Fee and commission income	6.2	417,723	410,101
Fee and commission expense	6.2	-119,444	-120,326
Net gains or losses on financial instruments at fair value through profit or loss	6.3	200,427	177,243
Net gains or losses on available for sale financial assets	6.4	70,912	76,894
Income from other activities	6.5	821,601	637,852
Expenses from other activities	6.5	-903,670	-735,655
Net banking income		**1,095,011**	**1,057,232**
Operating expenses	6.6	-627,756	-598,774
Depreciation, amortisation and impairment for property, plant and equipment and intangible assets		-39,477	-39,151
Gross operating profit		**427,778**	**419,307**
Cost of risk	6.7	-73,525	-83,672
Operating profit		**354,253**	**335,635**
Share of net profit of companies accounted for under the equity method	8.2	26,230	26,768
Net gains or losses on other assets	6.8	21,800	331
Net profit of activities discontinued or being sold		0	0
Change in the value of goodwill	6.9	-875	-11,034
Profit before tax		**401,408**	**351,700**
Total income tax expense	6.10	-133,592	-114,380
Net profit		**267,816**	**237,320**
Non-controlling interests	5.23	-1,391	746
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**266,425**	**238,066**

1.3 Comprehensive income

In thousands of euros	**2016 financial year**	2015 financial year
Net profit	**267,816**	**237,320**
Revaluation differences on defined-benefit pension schemes	-14,650	18,116
Tax effect of revaluation differences on defined-benefit pension schemes	3,908	-6,237
Share of gains or losses recognised directly in other items of the comprehensive income of associates that cannot be reclassified in income	-27	10
Items that cannot be reclassified in income	**-10,769**	**11,889**
Translation differences	-3,168	2,173
Change in the value of available-for-sale financial assets	116,656	53,056
Change in the value of hedging derivatives	-2,560	-21,557
Taxes	-1,771	-2,017
Share of gains or losses recognised directly in other items of the comprehensive income of associates that can be reclassified in income	-855	-4,211
Items that can be recycled in income	**108,302**	**27,444**
Gains and losses posted directly in other items of comprehensive income (net of taxes)	**97,533**	**39,333**
COMPREHENSIVE INCOME	**365,349**	**276,653**
Attributable to equity holders of the parent company	363,218	275,317
Non-controlling interests	2,131	1,336

1.4 Statement of changes in members' equity

In thousands of euros	Capital and share premium account: Capital (1)	Capital and share premium account: Premiums (1)	Retained earnings	Translation reserves
EQUITY AT 1 JANUARY 2015	**627,181**	**4,604**	**2,157,978**	**6,459**
Movements linked to relations with members				
Capital increase	54,355		-3,999	
Reclassification				
Change of accounting method			2,220	
Impact of business combinations	2,272	2,878	-1,115	
Impact of movements 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**
Appropriation of 2015 profit			226,711	
EQUITY AT 1 JANUARY 2016	**683,808**	**7,482**	**2,381,844**	**5,040**
Changes in capital linked to relations with members				
Capital increase	156,031		-4,073	
Reclassification				
Change of accounting method				
Impacts of business combinations				
Impact of movements on minority interests				
Reduction of capital				
Sub-total	*156,031*	*0*	*-4,073*	*0*
Gains or losses recognised directly in equity				
Change in gains or losses recognised directly in equity, taken to income				
Other changes				**-3,755**
Sub-total	*0*	*0*	*0*	*-3,755*
Other changes				
Profit for the year				
Other changes			1,484	
Sub-total	*0*	*0*	*1,484*	*0*
EQUITY AT 31 DECEMBER 2016	**839,839**	**7,482**	**2,379,255**	**1,285**

2016: BRED completed a capital increase, which is described in the "Significant events" section (see note 1)
The amount of other changes for €1,484 K is essentially an adjustment on non-controlling interests

Gains or losses recognised directly in equity						
Change in the fair value of instruments						
Revaluation reserve on social liabilities	Available-for-sale financial assets	Hedging derivatives	Net profit attributable to equity holders of the parent company	Total shareholders' equity (Group share)	Equity attributable to non-controlling interests	Total consolidated capital
-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**
			-238,066	-11,355	-282	-11,637
-5,779	**108,742**	**13,373**	**0**	**3,194,511**	**38,815**	**3,233,326**
				151,958	0	151,958
				0		0
				0		
				0		
				0	24	24
				0		0
0	*0*	*0*	*0*	*151,958*	*24*	*151,982*
-10,769	112,295	-977		100,549	18	100,568
				-3,755	**720**	**-3,035**
-10,769	*112,295*	*-977*	*0*	*96,794*	*738*	*97,533*
			266,425	266,425	1,392	267,816
				1,484	0	1,484
0	*0*	*0*	*266,425*	*267,909*	*1,392*	*269,300*
-16,548	**221,038**	**12,396**	**266,425**	**3,711,171**	**40,969**	**3,752,140**

1.5 Statement of cash flows

In thousands of euros	**2016 financial year**	2015 financial year
Profit before tax	**401,408**	**351,700**
Depreciation and amortisation of property, plant, equipment and intangible assets	39,352	38,882
Goodwill impairment	875	11,034
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	403,450	245,127
Share of profit of companies accounted for under the equity method	-15,632	-17,766
Share of net profit (loss) of associates	-70,102	-58,202
Net loss (gain) on investing activities	0	0
Other movements	-92,337	231,503
Total non-cash items included in profit before tax	**265,606**	**450,578**
Cash flows arising from transactions with credit institutions	402,384	336,361
Cash flows arising from transactions with customers	1,237,672	1,083,418
Cash flows arising from other transactions involving financial assets or financial liabilities	1,371,131	1,042,319
Cash flows arising from other transactions involving non-financial assets or non-financial liabilities	-559,347	-105,413
Tax paid	-95,445	-127,635
Net increase/(decrease) in operating assets and liabilities	**2,356,395**	**2,229,050**
Net cash from (used in) operating activities (A)	**3,023,409**	**3,031,328**
Cash flows related to financial assets and equity interests	76,730	76,842
Cash flows related to investment property	-15,834	-46,508
Cash flows related to property, plant, equipment and intangible assets	-20,290	-24,503
Net cash from (used in) investing activities (B)	**40,606**	**5,831**
Cash flows from (to) the equity holders	140,345	43,153
Cash flows from financing activities	-32,839	-25,654
Net cash from (used in) financing activities (C)	**107,506**	**17,499**
Effect of changes in foreign exchange rates (D)	**1,287**	**11,453**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**3,172,808**	**3,066,111**
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**	**184,134**
Overdrafts on current accounts [1]	647,877	666,542
Demand accounts and loans	1,973	1,203
Demand accounts in credit	-594,177	-483,611
Demand repurchase agreements	0	
Cash and cash equivalents at the start of the year	**4,923,070**	**1,856,959**
Cash in hand and at central banks	**8,503,532**	**4,867,397**
Cash in hand and at central banks (assets)	8,503,532	4,867,397
Due to central banks (liabilities)	0	0
Net balance of demand transactions with credit institutions	**-407,654**	**55,673**
Overdrafts on current accounts [1]	442,924	647,877
Demand accounts and loans	1,029	1,973
Demand accounts in credit	-851,607	-594,177
Demand repurchase agreements	0	
Cash and cash equivalents at year-end	**8,095,878**	**4,923,070**
CHANGE IN NET CASH AND CASH EQUIVALENTS	**3,172,808**	**3,066,111**

(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

Creation of BRED Cambodia

BRED Banque Populaire set up a subsidiary in Cambodia on 13 May 2016. The capital consists of 30,000 shares worth $30 million (€27 million), fully held by BRED Banque Populaire. The banking licence was obtained in January 2017.

Creation of Perspectives Entreprises

BRED Banque Populaire established Perspectives Entreprises SAS – dedicated to acquiring and managing equity interests in all businesses – to which it has transferred the assets of Perspectives et Participations. The corporate object of Perspectives et Participations has changed to become "portfolio management on behalf of AMF-approved third parties".

Merger by acquisition of SOCAMA Normandie by SOCAM BRED

The merger was approved by the Extraordinary General Meeting of Socama Bred of 31 May 2016, with retroactive effect from 1 January 2016.

Increase in the capital of BRED Banque Populaire

In December 2016 BRED Banque Populaire raised its share capital to €839,838,568.09 through a cash capital increase and the capitalisation of reserves.

The cash capital increase took the form of the issue of 14,810,661 shares worth €10.26 each, for a total amount of €151,957,381.86.

The capitalisation of reserves amounted to €4,072,931.95 through the increase from €10.26 to €10.31 of the par value of the shares.

Purchase of BPCE securities

On 22 December 2016, BRED Banque Populaire purchased 44,708 Class B shares in the Company BPCE with CASDEN Banque Populaire at the price of € 24,999,819.44.

Reduced rate of taxation

The 2017 Finance Law published in the Official Journal of 30 December 2016, instituted a tax rate reduction from 34.43% to 28.92% as of 2019, for institutions with a turnover of below €1 billion, and as of 2020 for institutions with a turnover of greater than €1 billion. This provision led the BRED Banque Populaire Group to revalue its position net of deferred tax on its balance sheet and to record a deferred tax expense of €22.7 million in 2016.

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. Network deposits amounted to € 181.3 million as at 31 December 2016.

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 drew up its consolidated financial statements for the financial year ended 31 December 2016 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].

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

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 2016.

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

New standards published but not yet applicable

New accounting standard IFRS 9

The new standard IFRS 9 "Financial Instruments" was adopted by the European Commission on 22 November 2016 and will apply retrospectively as of 1 January 2018, except for the provisions relating to financial liabilities at fair value through profit or loss, applied early in the BPCE Group statements from 1 January 2016.

The IFRS 9 standard establishes the new rules for classifying and valuing financial assets and liabilities, the new method of impairment for credit risk of financial assets, as well as the treatment of hedging transactions, with the exception of macro-hedge transactions, for which a separate standard is being examined by the IASB.

The following treatments will be applicable for financial years beginning on or after 1 January 2018, substituting the currently applied accounting policies for recording financial instruments.

Classification and valuation:

Financial assets will be classified into three categories (amortised cost, fair value through profit or loss and fair value through equity) based on the characteristics of their contractual flows and on the way in which the entity manages its financial instruments (its business model).

By default, financial assets will be classified at fair value through profit or loss.

Debt instruments (loans, receivables or debt securities) may be recorded at the amortised cost, provided that they are held for the purpose of collecting their contractual cash flows and that these cash flows only represent principal repayments and interest on the principal. Debt instruments may also be recorded at fair value through equity with further reclassification in profit or loss, provided that they are managed both for the purpose of contractual cash flow collection and resale, and that these cash flows only represent principal repayments and interest on the principal.

Equity instruments will be recorded at fair value through profit or loss except in the case of an irrevocable option for a fair value valuation through equity (provided that these instruments are not held for trading and classified as such in financial assets at fair value through profit or loss) with no subsequent reclassification in profit and loss.

Embedded derivatives will no longer be recorded separately from host contracts where these are financial assets; as such the whole hybrid instrument must be recorded at fair value through profit or loss.

The rules for classifying and valuing financial liabilities in standard IAS 39 are included in standard IFRS 9 with no amendments, except for financial liabilities that the entity chooses to value at fair value through profit and loss (fair value option), for which revaluation variances relating to changes to own credit risk will be recorded in the gains and losses recognised directly in equity with no subsequent reclassification in profit and loss.

The provisions of standard IAS 39 relating to the derecognition of financial assets and liabilities are included in IFRS 9 with no amendments.

Impairment:

An impairment or provision for expected credit loss will be systematically recognised for debt instruments classified as financial assets at the amortised cost or as financial assets at fair value through equity, lease receivables, as well as financing commitments and financial guarantees.

Therefore, the relevant financial assets will be divided into three categories based on the gradual increase in the credit risk since their initial recognition, and an impairment will be recorded on the amounts of each of these categories as follows:

- Stage 1: An impairment for credit risk will be recorded to the amount of expected losses at one year. Interest income will be recorded in profit or loss using the effective interest rate method applied to the gross carrying amount of the asset before impairment.
- Stage 2: In the event of a major increase in credit risk after the financial asset is recorded on the balance sheet, the financial asset will be transferred to this category. The impairment for credit risk will be increased to the amount of the expected losses over the remaining term of the instrument (expected losses on completion). Interest income will be recorded in profit or loss using the effective interest rate method applied to the gross carrying amount of the asset before impairment.
- Stage 3: The impairment for credit risk will be calculated at the amount of the expected losses over the remaining term of the instrument (expected losses on completion) and its amount will be adjusted where necessary to account for an additional increase in credit risk. Interest income will therefore be recorded in profit or loss using the effective interest rate method applied to the carrying amount of the asset before impairment.

Hedge accounting:

Standard IFRS 9 introduces a modified hedge accounting model that is more in line with risk management activities.

Given the importance of the changes brought about by standard IFRS 9, the BPCE Group carries out its implementation work as part of a project involving all of the business lines and support functions concerned.

The analysis, design and IT development work that started in the first half of 2015 continued through the financial year 2016 and will continue during the first half of 2017. The second half of the year will focus mainly on generating revenues, completing model calibration, completing documentation and adapting processes as part of change management.

Classification and valuation:

The "Classification and Valuation" work carried out at this stage shows that most financial assets - valued at the amortised cost under IAS 39 - would continue to meet the conditions for a valuation at amortised cost according to IFRS 9. Similarly, most financial assets valued at fair value under IAS 39 (assets classified under financial assets available for sale or under financial assets at fair value through profit or loss) will continue to be valued at fair value under IFRS 9.

Taking into account the work carried out at this stage, the reclassifications identified are as follows:

- Impacts on commercial bank loan portfolios are expected to remain limited, and mainly involve certain instruments that were valued at amortised cost and classified as loans and receivables according to IAS 39, which will be valued according to IFRS 9 at fair value through net profit or loss, since the contractual cash flows do not only represent principal repayments and interest on the principal;
- For other financing portfolios:
  - Repurchase agreements classified as financial assets at fair value through profit or loss under IAS 39 in line with overall management at fair value, arising from an economic trading model based on IFRS 9, will be reclassified as financial assets held for trading at fair value through profit or loss;
  - Repurchase agreements classified as loans and receivables and valued at the amortised cost under IAS 39 arising from an economic trading model based on IFRS 9, will be reclassified as financial assets held for trading at fair value through profit or loss.

By and large, financing and lease receivables will continue to be classified and valued at amortised cost. Nevertheless, the BPCE Group holds several fixed-rate loans in its portfolio with symmetrical repayment clauses, a key topic that was addressed in December by the IASB Board, which is expected to decide in 2017 on whether these instruments can be recorded at amortised cost.

- For securities portfolios:
  - Based on IAS 39, liquidity reserve securities were either valued at amortised cost having been classified under loans and receivables or under financial assets held to maturity, or valued at fair value having been classified as available for sale based on their characteristics, on how they were managed and on whether they were hedged against the interest rate risk. The distribution of these debt securities may vary under IFRS 9 with a choice between classification at amortised cost or at fair value through other items of comprehensive income, which will be managed with an economic model of cash flow collection or with an economic model for cash flow collection and sale.
  - Shares or units of UCITS or FCPRs classified as equity instruments under financial assets available for sale according to IAS 39 will be valued based on IFRS 9 at fair value through profit and loss given their nature as a debt instrument and the characteristics of their contractual cash flow, which do not only represent principal repayments and interest on the principal.
  - By default, equity securities classified as financial assets available for sale based on IAS 39 will be valued at fair value through profit and loss according to IFRS 9. However, where individually and irrevocably decided by BPCE Group companies, future changes in the fair value of the securities may be presented under other items of comprehensive income.
  - Securitisation units valued at amortised cost and classified under loans and receivables according to IAS 39 will be valued at fair value through net profit or loss based on IFRS 9 if their contractual flows do not only represent principal repayments and interest on the principal, and will be valued at fair value under other items of comprehensive income where managed with an economic model of cash flow collection and sale.

Reclassifications into categories of financial assets valued at amortised cost and fair value will have a net impact on the BPCE Group's consolidated equity due to the different method used to value these assets. However, given the small number of such reclassifications, they are not expected to have a significant impact, in terms of amount, on the opening equity of the BPCE Group at 1 January 2018.

Since the treatment of liabilities is similar to the current one under IAS 39, liabilities are relatively unaffected.

Impairment:

The Group will use the internal risk management system, which underpins the regulatory calculations for capital requirements when setting up portfolios and calculating impairments. A dedicated system is being created for calculating and recording impairments on performing loans, which requires major IT developments.

The models to be implemented for calculating impairment are developed in accordance with the governance of models to ensure consistency in the methods used within the Group based on the nature of the assets and intended use of the models. They will be primarily based on existing internal risk measurement models and on external information where internal measures are unavailable. These models will be adapted so as to measure the probability of default of the receivables at loan maturity. The impairments calculated will take account of current conditions as well as expected economic and financial projections. In some cases therefore, these measures may vary widely from those used when calculating regulatory capital requirements, given their conservative nature.

The implementation of impairment calculation models will be centralised to ensure the consistency of the methods used within the BPCE Group, based on the nature of the assets.

Significant deterioration will be measured through the combination of quantitative and qualitative indicators currently being calibrated. Quantitative criteria will be based on rating systems to compare the risk associated with the current rating to the risk measured at the time of granting the loan. Qualitative criteria include indicators that complement the rating system, focusing more on measuring the current risk than comparing it to past values, such as payments overdue by more than 30 days or the counterparty's status in Watch List (including their forbearance status).

Numerical impact simulations performed to date still currently involve simplifying options, where the estimate cannot reasonably be considered reliable enough to be published. Information may be released in 2017 depending on the progress of the work and quality of the estimates.

Hedge accounting:

The BPCE group chose the option provided by standard IFRS 9 not to apply the hedge accounting provisions, but to remain fully subject to IAS 39 for the accounting of such transactions. Given the limited number of asset reclassifications, the bulk of the transactions documented in hedge accounting under IAS 39 will remain documented as such from 1 January 2018.

However, the information in the appendices will comply with the provisions of standard IFRS 7 as amended by IFRS 9.

Transitional provisions:

Applying the option provided by standard IFRS 9, the Group does not plan to release any comparative information for its financial statements.

New accounting standard IFRS 15

Standard IFRS 15 "Revenue accounting" will replace the current interpretations and standards for income accounting. Standard IFRS 15 was adopted by the European Union and published in the OJEU on 29 October 2016. It will be applicable from 1 January 2018 retrospectively.

Under IFRS 15, income from ordinary activities must be recorded to reflect the transfer of goods and services promised to customers for the amount that the entity expects to receive in return for said goods and services.

Standard IFRS 15 applies to the contracts an entity enters into with its customers, except in particular for lease contracts (covered by standard IAS 17), insurance contracts (covered by standard IFRS 4) and financial instruments (covered by standard IFRS 9). Where specific provisions on income or contract costs are covered by another standard, these shall be the main provisions applicable.

Impact analyses on the application of this new standard have been carried out by the BPCE Group since the second half of 2016 and will be completed in the financial year 2017.

New accounting standard IFRS 16

Standard IFRS 16 "Leases" will replace standard IAS 17 "Lease agreements" as well as the interpretations relating to the recognition of such agreements. It will apply retrospectively as of 1 January 2019, subject to its adoption by the European Union.

Under IFRS 16, the definition of a lease is if it conveys the right to control the use of an identified asset by the lessee.

From the lessor's point of view, the expected impact should be small given that the provisions chosen remain essentially unchanged from the current standard IAS 17.

For the lessee, the standard will require all lease contracts to be recorded in the balance sheet in the form of a right of use for the leased assets, under fixed assets, whilst financial debt for rents and other payments to be made over the term of the lease must be recorded under liabilities. The right of use will be amortised on a straight-line basis and the financial debt on an actuarial basis over the term of the lease agreement. Interest expenses for financial debt will be shown in the interest expenses item, while the amortisation of the right of use will be brought to "Expenses from other activities". However, under the current standard IAS 17, the so-called simple or operational leases do not give rise to an entry in the balance sheet, and the respective rents are recorded under "Expenses from other activities".

The BPCE Group has begun analysing the impact of applying this new standard since its publication in early 2016. The estimated amount of the rights of use to be recorded in the balance sheet is currently being evaluated. There is expected to be a significant impact on the "Fixed assets" item in the balance sheet.

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 2016, 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 5.15).

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 2016. The consolidated financial statements of the Group for the year ending 31 December 2016 were authorised by the Board of Directors' meeting on 20 February 2017. They will be submitted for the approval of the General Assembly on 30 May 2017.

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.

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.

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 euros.

Balance sheet items of foreign subsidiaries and branches whose functional currency is not the euro are translated using the exchange rate in force at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, 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

In application of revised standards IFRS 3 and 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 the 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 are 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.

Business combinations carried out prior to the revision of standards IFRS 3 and IAS 27 are accounted for using the purchase method, except those involving mutual entities or entities under joint control, which are explicitly excluded from the scope.

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;
- 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.

Transactions involving temporary sales of securities are also recorded at the settlement-delivery date. For repurchase agreements and securities lending transactions, a financing commitment – given or received – is recorded between the trade date and the settlement-delivery date where these transactions are entered under "Loans and receivables" and "Debts" respectively. Where repurchase agreements and securities lending transactions are recorded under "Assets and liabilities at fair value through profit or loss", the repurchase agreement commitment is accounted for as a fixed-rate derivative instrument.

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".

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;
- 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).

From now on the assessment of these valuation adjustments will be based on market parameters.

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

Fair value on first recognition

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

Fair value hierarchy

LEVEL 1 FAIR VALUE AND NOTION OF ACTIVE MARKET

For financial instruments, the most reliable indication of fair value is a quoted price in an active market (level 1 fair value). When this information is available, it should be used without adjustment to determine the fair value.

An active market is a market in which trading in the asset or liability takes place with sufficient frequency and volume.

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

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

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

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

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

LEVEL 2 FAIR VALUE

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

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

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

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

Level 2 derivative instruments

This category includes in particular:

- plain vanilla interest rate swaps or 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 NAY 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 NAY is indicative (illiquid, liquidation, etc.) and for which there is no price to support the valuation;
- venture capital funds, whose NAY 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 BPCE SECURITIES
The value of the central institution's securities, classified as equity securities available for sale, was determined by calculating revalued net assets including the revaluation of the main BPCE subsidiaries.

The main BPCE subsidiaries are valued using the discounted multi-year forecasts of expected dividend flows (Dividend Discount Model). The forecasts of expected dividend flows are based on the business and strategic plans of the entities concerned, as well as on the technical data on the risk level, operating margin and growth rate deemed reasonable. The valuation took into account the individual prudential constraints that apply to the activities in question.

BPCE's revalued net assets incorporate the intangible assets held by BPCE, which have been valued by an independent expert, as well as the structural expenses of the central institution.

This fair value is classified at level 3 of the hierarchy.

At 31 December 2016, the fair value for BPCE securities amounted to €861.5 million

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 characterise counterparty risk occurring after initial recognition of the loans in question. On an individual level, credit risk is ascertained as a result of the default events set out under Article 178 of the European Regulation 575-2013 of 26 June 2013 regarding the prudential requirements applicable to credit institutions. Payments overdue by at least 3 months; difficulties seen from the counterparty – regardless of any overdue payments – leading to the belief that all or part of the sums due will not be recovered; or the implementation of litigation proceedings shall provide an objective impairment indicator.
- 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.

4.1.10 Netting financial assets and liabilities

In accordance with standard IAS 32, the Group can offset a financial asset and financial liability, entering a net balance into the balance sheet, on the double condition that it has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Repurchase agreements and derivatives processed by a clearing house, with principles of operation that meet the two criteria mentioned above, are subject to netting in the balance sheet (see note 5.25).

4.2 Investment property

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

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

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

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

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

4.3 Non-current assets

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

In accordance with IAS 16 and IAS 38, property, plant and equipment and intangible assets are recognised when:
- it is probable that the future economic benefits associated with the asset will accrue to the enterprise; and
- the cost of the asset can be measured reliably.

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

The component-based asset recognition approach is applied to all buildings.

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

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

The depreciation and amortisation periods used by the Group are as follows:
- facades, roofing and waterproofing: 20 to 40 years;
- foundations and framework: 30 to 60 years;
- renovations: 10 to 20 years;
- technical equipment and installations: 10 to 20 years;
- fixtures and fittings: 8 to 15 years.

The useful life of other items of property, plant and equipment generally ranges from 5 to 10 years.

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

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

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

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

4.4 Assets held for sale and associated liabilities

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

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.

Defined contribution plans

The employer is only committed to pay contributions fixed in advance to an insurer or to an entity external to the company. The resulting benefits for employees depend on the contributions paid and on the performance of the investments made with these contributions. The employer has no obligation to finance any complements if there are insufficient funds to provide the benefits expected by employees. The actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

Defined contribution plans for employee benefits are recorded as short-term benefits. The expense is equal to the contribution due for the year. There is no commitment to be valued.

Defined benefit plans

In defined benefit plans, the actuarial risk and investment risk lie with the company. The company's obligation is not limited to the amount of the contributions it is committed to pay. This is particularly the case when the amount of benefits to be received by employees is defined by a calculation formula and not by the amount of funds available for such benefits. This is also the case when the company directly or indirectly guarantees a specific performance for the contributions, or where it has an explicit or implicit commitment to revalue the benefits provided.

The company's resulting cost and obligation must be approached on a discounted basis as the benefits can be paid several years after the employees have performed the respective services.

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).

Actuarial gains or losses (e.g. linked to the variation in the financial assumption of interest rates) and the cost of past service are instantly recorded in profit or loss and included in the provision.

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.

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

The deposit and resolution guarantee fund methods were amended by an Order of 27 October 2015. In 2016, the French regulator 'Autorité de Contrôle Prudentiel et de Résolution' (ACPR), through decision No. 2016-C-51 of 10 October 2016, approved a stock contribution calculation method for the deposit mechanism. For the deposit guarantee fund, the cumulative amount of the contributions paid into the fund via the deposits, guarantees and securities mechanism was €30 million. Non-reimbursable contributions in the event of voluntary licence withdrawal amounted to €8.4 million. Contributions paid in the form of associate or association certificates and cash guarantee deposits, guarantees or securities, recorded on the assets side of the balance sheet stood at €21.8 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 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 (Single Resolution Board). The resolution authority may call on the fund in connection with the implementation of resolution procedures.

In 2016, pursuant to Delegated Regulation 2015/63 and implementing regulation 2015/81, supplementing the BRRD Directive with regard to ***ex-ante*** contributions to resolution financing arrangements, the Single Resolution Board has determined the contributions to the single resolution fund. For 2016, the amount of contributions paid available in the fund was €10.5 million, of which €8.9 million was recognised as an expense and €1.6 million took the form of cash guarantee deposits recorded on the assets side of the balance sheet (15% in the form of cash guarantee deposits). The accumulation of contributions recorded on the assets side of the balance sheet amounted to €3.6 million.

NOTE 5

NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 Cash and amounts due from central banks

in thousands of euros	31/12/2016	31/12/2015
Cash	189,403	200,196
Amounts due from central banks	8,314,130	4,667,201
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**8,503,533**	**4,867,397**

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.

	31/12/2016			31/12/2015		
in thousands of euros	Trading	Fair value option	Total Trading	Trading	Fair value option	Total Trading
Treasury bills and similar securities	2,625,497	0	2,625,497	1,401,479	0	1,401,479
Bonds and other fixed income securities	1,655,615	33,172	1,688,787	1,196,743	39,162	1,235,905
Fixed-income securities	**4,281,112**	**33,172**	**4,314,284**	**2,598,222**	**39,162**	**2,637,384**
Shares and other variable-income securities	**1,548,828**	**1,396,397**	**2,945,225**	**938,991**	**1,259,970**	**2,198,961**
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	**2,510,695**		**2,510,695**	**2,538,010**		**2,538,010**
TOTAL FINANCIAL ASSETS AT FAIRVALUE THROUGH PROFIT OR LOSS	**8,340,635**	**1,429,569**	**9,770,204**	**6,075,223**	**1,299,132**	**7,374,355**

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	0	33,172	0	**33,172**
Shares and other variable-income securities	0	1,396,397	0	**1,396,397**
Loans and repurchase agreements	0	0	0	**0**
TOTAL	**0**	**1,429,569**	**0**	**1,429,569**

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

in thousands of euros	31/12/2016 Credit risk exposure	31/12/2016 Changes in fair value attributable to credit risk	31/12/2015 Credit risk exposure	31/12/2015 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	31/12/2016	31/12/2015
Securities sold short	683,297	179,055
Other financial assets	0	0
Financial assets held for trading	**683,297**	**179,055**
Trading derivatives	**3,232,744**	**2,910,275**
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 assets	0	0
Financial liabilities at fair value by option	**0**	**0**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**3,916,041**	**3,089,330**

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.

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	31/12/2016 Notional amount	31/12/2016 Positive fair value	31/12/2016 Negative fair value	31/12/2015 Notional amount	31/12/2015 Positive fair value	31/12/2015 Negative fair value
Interest rate instruments	103,368,782	1,793,450	2,078,770	124,966,242	2,090,572	2,312,324
Equity instruments	1,010,158	4,152	34,589	766,113	19,015	14,641
Currency instruments	20,710,003	318,228	514,948	25,241,891	373,972	537,635
Other instruments	1,250	212	205	3,664	5,019	4,991
Firm transactions	**125,090,193**	**2,116,042**	**2,628,512**	**150,977,910**	**2,488,578**	**2,869,591**
Interest rate instruments	9,657,777	326,414	549,239	4,312,208	37,352	22,124
Equity instruments	870,709	62,346	45,550	76,002	7,829	11,071
Currency instruments	1,141,633	5,116	8,225	576,093	2,620	6,040
Other instruments	0	0	0	0	0	0
Options	**11,670,119**	**393,876**	**603,014**	**4,964,303**	**47,801**	**39,235**
Credit derivatives	**242,682**	**777**	**1,218**	**225,039**	**1,631**	**1,449**
TOTAL TRADING DERIVATIVES	**137,002,994**	**2,510,695**	**3,232,744**	**156,167,252**	**2,538,010**	**2,910,275**

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.

	31/12/2016			31/12/2015		
In thousands of euros	**Notional amount**	**Positive fair value**	**Negative fair value**	Notional amount	Positive fair value	Negative fair value
Interest rate instruments	14,395,046	114,261	335,275	17,043,886	194,115	330,490
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	**14,395,046**	**114,261**	**335,275**	**17,043,886**	**194,115**	**330,490**
Interest rate instruments	1,664	0	0	1,664	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**	**1,664**	**0**	**0**
Fair value hedges	**14,396,710**	**114,261**	**335,275**	**17,045,550**	**194,115**	**330,490**
Interest rate instruments	486,000	46,114	15,714	521,000	53,679	21,182
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	**486,000**	**46,114**	**15,714**	**521,000**	**53,679**	**21,182**
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	**486,000**	**46,114**	**15,714**	**521,000**	**53,679**	**21,182**
Credit derivatives	**32,851**	**0**	**0**	**46,473**	**0**	**0**
TOTAL HEDGING DERIVATIVES	**14,915,561**	**160,375**	**350,989**	**17,613,023**	**247,794**	**351,672**

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	**31/12/2016**	31/12/2015
Treasury bills and similar securities	4,495,157	5,914,185
Bonds and other fixed income securities	6,313,782	5,450,127
Impaired securities	4,872	11,208
Fixed-income securities	**10,813,811**	**11,375,520**
Shares and other variable-income securities	**2,738,010**	**2,458,921**
Loans to credit institutions	0	0
Loans to customers	0	0
Loans	**0**	**0**
Available for sale financial assets, gross	13,551,821	13,834,441
Impairment of fixed-income securities and loans	-700	-2,442
Permanent impairment of equities and other variable-income securities	-68,397	-80,967
AVAILABLE FOR SALE FINANCIAL ASSETS, NET	**13,482,724**	**13,751,032**
Gains or losses recognised directly in equity on available for sale financial assets (before tax)	736,422	577,421

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 2016, 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.

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 on an active market (level 1)	Measurement techniques using observable data (level 2)
FINANCIAL ASSETS		
Securities	5,012,469	817,471
Fixed-income securities	*3,463,780*	*817,332*
Variable-income securities	*1,548,689*	*139*
Derivatives	304,127	2,138,657
Interest rate derivatives	*304,127*	*1,748,011*
Equity derivatives	*0*	*66,313*
Currency derivatives	*0*	*323,344*
Credit derivatives	*0*	*777*
Other derivatives	*0*	*212*
Other financial assets	0	0
Financial liabilities held for trading	**5,316,596**	**2,956,128**
Securities	1,427,018	2,101
Fixed-income securities	*32,133*	*1,039*
Variable-income securities	*1,394,885*	*1,062*
Other financial assets	0	0
Financial assets designated at fair value through profit or loss by option	**1,427,018**	**2,101**
Interest rate derivatives	*0*	*160,375*
Equity derivatives	*0*	*0*
Currency derivatives	*0*	*0*
Credit derivatives	*0*	*0*
Other derivatives	*0*	*0*
Hedging derivatives	**0**	**160,375**
Equity interests	0	1,167
Other securities	9,993,245	1,682,319
Fixed-income securities	*9,088,665*	*1,178,878*
Variable-income securities	*904,580*	*503,441*
Other financial assets	0	0
Available-for-sale financial assets	**9,993,245**	**1,683,486**
FINANCIAL LIABILITIES		
Securities	683,277	20
Derivatives	**530,412**	**2,631,765**
Interest rate derivatives	*530,412*	*2,030,042*
Equity derivatives	*0*	*77,127*
Currency derivatives	*0*	*523,173*
Credit derivatives	*0*	*1,218*
Other derivatives	*0*	*205*
Other financial assets	0	0
Financial assets held for trading	**1,213,689**	**2,631,785**
Securities	0	0
Other financial assets	0	0
Financial assets designated at fair value through profit or loss by option	**0**	**0**
Interest rate derivatives	*0*	*350,989*
Equity derivatives	*0*	*0*
Currency derivatives	*0*	*0*
Credit derivatives	*0*	*0*
Other derivatives	*0*	*0*
Hedging derivatives	**0**	**350,989**

31/12/2016		31/12/2015			
Measurement techniques using non-observable data (level 3)	Total Trading	Price quoted on an active market (level 1)	Measurement techniques using observable data (level 2)	Measurement techniques using non-observable data (level 3)	**Total Trading**
0	5,829,940	3,015,121	521,725	367	3,537,213
0	*4,281,112*	*2,076,250*	*521,605*	*367*	*2,598,222*
0	*1,548,828*	*938,871*	*120*	*0*	*938,991*
67,911	2,510,695	11,477	2,440,908	85,625	2,538,010
67,726	*2,119,864*	*11,477*	*2,031,003*	*85,444*	*2,127,924*
185	*66,498*	*0*	*26,663*	*181*	*26,844*
0	*323,344*	*0*	*376,592*	*0*	*376,592*
0	*777*	*0*	*1,631*	*0*	*1,631*
0	*212*	*0*	*5,019*	*0*	*5,019*
0	0	0	0	0	0
67,911	**8,340,635**	**3,026,598**	**2,962,633**	**85,992**	**6,075,223**
450	1,429,569	1,296,594	2,538	0	1,299,132
0	*33,172*	*39,162*	*0*	*0*	*39,162*
450	*1,396,397*	*1,257,432*	*2,538*	*0*	*1,259,970*
0	0	0	0	0	0
450	**1,429,569**	**1,296,594**	**2,538**	**0**	**1,299,132**
0	*160,375*	*0*	*247,794*	*0*	*247,794*
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	**160,375**	**0**	**247,794**	**0**	**247,794**
942,032	943,199	0	874	776,999	777,873
863,961	12,539,525	11,094,961	1,369,754	508,444	12,973,159
545,568	*10,813,111*	*10,243,364*	*873,267*	*256,447*	*11,373,078*
318,393	*1,726,414*	*851,597*	*496,487*	*251,997*	*1,600,081*
0	0	0	0	0	0
1,805,993	**13,482,724**	**11,094,961**	**1,370,628**	**1,285,443**	**13,751,032**
0	683,297	179,055	0	0	179,055
70,567	**3,232,744**	**0**	**2,827,108**	**83,167**	**2,910,275**
67,555	*2,628,009*	*0*	*2,251,405*	*83,043*	*2,334,448*
3,012	*80,139*	*0*	*25,588*	*124*	*25,712*
0	*523,173*	*0*	*543,675*	*0*	*543,675*
0	*1,218*	*0*	*1,449*	*0*	*1,449*
0	*205*	*0*	*4,991*	*0*	*4,991*
0	0	0	0	0	0
70,567	**3,916,041**	**179,055**	**2,827,108**	**83,167**	**3,089,330**
0	0	0	0	0	0
0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**
0	*350,989*	*0*	*351,672*	*0*	*351,672*
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	**350,989**	**0**	**351,672**	**0**	**351,672**

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

in thousands of euros	01/01/2016	Gains and losses recognised during the period – In the income statement – Reclassifications	On transactions in progress at the balance sheet date	On transactions that matured or were redeemed at the balance sheet date
FINANCIAL ASSETS				
Securities	367	0	0	1
Fixed-income securities	*367*	*0*	*0*	*1*
Variable-income securities	*0*	*0*	*0*	*0*
Derivatives	85,625	0	-14,937	-2,777
Interest rate derivatives	*85,444*	*0*	*-15,039*	*-2,679*
Equity derivatives	*181*	*0*	*102*	*-98*
Currency derivatives	*0*	*0*	*0*	*0*
Credit derivatives	*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*
Other financial assets	0	0	0	0
Financial liabilities held for trading	**85,992**	**0**	**-14,937**	**-2,776**
Securities	0	0	0	0
Fixed-income securities	*0*	*0*	*0*	*0*
Variable-income securities	*0*	*0*	*0*	*0*
Other financial assets	0	0	0	0
Financial assets designated at fair value through profit or loss by option	**0**	**0**	**0**	**0**
Interest rate derivatives	*0*	*0*	*0*	*0*
Equity derivatives	*0*	*0*	*0*	*0*
Currency derivatives	*0*	*0*	*0*	*0*
Credit derivatives	*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*
Hedging derivatives	**0**	**0**	**0**	**0**
Equity interests	776,999	0	0	0
Other securities	508,444	0	2	-2,081
Fixed-income securities	*256,447*	*0*	*2*	*-2,060*
Variable-income securities	*251,997*	*0*	*0*	*-21*
Other financial assets	0	0	0	0
Available-for-sale financial assets	**1,285,443**	**0**	**2**	**-2,081**
FINANCIAL LIABILITIES				
Securities	0	0	0	0
Derivatives	**83,167**	**0**	**-4,652**	**-7,948**
Interest rate derivatives	*83,043*	*0*	*-7,653*	*-7,835*
Equity derivatives	*124*	*0*	*3,001*	*-113*
Currency derivatives	*0*	*0*	*0*	*0*
Credit derivatives	*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*
Other financial assets	0	0	0	0
Financial assets held for trading	**83,167**	**0**	**-4,652**	**-7,948**
Securities	0	0	0	0
Other financial assets	0	0	0	0
Financial assets designated at fair value through profit or loss by option	**0**	**0**	**0**	**0**
Interest rate derivatives	*0*	*0*	*0*	*0*
Equity derivatives	*0*	*0*	*0*	*0*
Currency derivatives	*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			
In equity	Purchases/Issues	Sales/ Redemptions	to another reporting category	From and to another level	Other changes	31/12/2016
0	0	-368	0	0	0	0
0	*0*	*-368*	*0*	*0*	*0*	*0*
0	*0*	*0*	*0*	*0*	*0*	*0*
0	0	0	0	0	0	67,911
0	*0*	*0*	*0*	*0*	*0*	*67,726*
0	*0*	*0*	*0*	*0*	*0*	*185*
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**	**-368**	**0**	**0**	**0**	**67,911**
0	450	0	0	0	0	450
0	*0*	*0*	*0*	*0*	*0*	*0*
0	*450*	*0*	*0*	*0*	*0*	*450*
0	0	0	0	0	0	0
0	**450**	**0**	**0**	**0**	**0**	**450**
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**
143,024	36,704	-16,150	0	0	1,455	942,032
10,090	852,606	-512,440	0	0	7,340	863,961
1,435	*664,553*	*-374,809*	*0*	*0*	*0*	*545,568*
8,655	*188,053*	*-137,631*	*0*	*0*	*7,340*	*318,393*
0	0	0	0	0	0	0
153,114	**889,310**	**-528,590**	**0**	**0**	**8,795**	**1,805,993**
0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**70,567**
0	*0*	*0*	*0*	*0*	*0*	*67,555*
0	*0*	*0*	*0*	*0*	*0*	*3,012*
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**	**70,567**
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*	*0*	*0*	*0*
0	**0**	**0**	**0**	**0**	**0**	**0**

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At 31 December 2016, the financial instruments valued with a technique using unobservable data include:
- unlisted shares, usually corresponding to equity interests;
- some UCITS whose NAY is indicative (illiquid, liquidation, etc.) and for which there is no price to support the valuation;
- venture capital funds, whose NAY 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 2016.

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 €788,000.

The cumulative impact of the sensitivity of level 3 derivatives to the main factors (interest rates, inflation, equities, etc.) would be a decrease of €485,000 in the event of a 100 basis point rise in the underlying factors, and an increase of €303,000 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	**31/12/2016**	31/12/2015
Loans and receivables due from credit institutions	10,811,568	8,962,246
Individual impairment	-1,191	-182
Impairment on a portfolio basis	0	0
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**10,810,377**	**8,962,064**

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	**31/12/2016**	31/12/2015
Customer accounts in debit	444,806	649,125
Repurchase agreements	7,530,344	6,817,474
Loans and advances (1)	2,826,912	1,495,465
Securities classified as loans and receivables	0	0
Other loans and receivables due from credit institutions	0	0
Impaired loans and receivables	9,506	0
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**10,811,568**	**8,962,064**

(1) At 31 December 2016, 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 €1,896.5 million (versus €670.0 million at 31 December 2015).

5.6.2 Loans and receivables due from credit institutions

in thousands of euros	31/12/2016	31/12/2015
Loans and receivables due from customers	19,267,899	16,673,720
Individual impairment	-604,119	-578,121
Impairment on a portfolio basis	-94,969	-99,079
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**18,568,811**	**15,996,520**

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

BREAKDOWN OF LOANS AND RECEIVABLES DUE FROM CUSTOMERS

in thousands of euros	31/12/2016	31/12/2015
Customer accounts in debit	1,378,753	1,158,999
Loans to financial sector customers	15,504	22,774
Short-term credit facilities	3,033,395	1,547,151
Equipment loans	4,743,350	5,181,092
Home loans	7,388,330	6,963,367
Repurchase agreements	118,026	94,587
Repurchase agreements	766,510	30,847
Finance leases	167,721	147,228
Subordinated loans	0	0
Other credits	**631,541**	**498,363**
Other loans to customers	**16,864,377**	**14,485,409**
Securities classified as loans and receivables	**18,582**	**56,508**
Other loans and receivables due from customers	**0**	**0**
Impaired loans and receivables	**1,006,187**	**972,804**
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**19,267,899**	**16,673,720**

DETAILED PRESENTATION OF FINANCE LEASES

	31/12/2016			31/12/2015		
In thousands of euros	Property	Movable property	Total Trading	Property	Movable property	Total Trading
Performing loans	0	167,721	167,721	0	147,228	147,228
Net impaired loans	0	1,354	1,354	0	985	985
- Loans before impairments	*0*	*5,238*	*5,238*	*0*	*4,616*	*4,616*
- Impairments	*0*	*-3,884*	*-3,884*	*0*	*-3,631*	*-3,631*
TOTAL FINANCE LEASES	**0**	**169,075**	**169,075**	**0**	**148,213**	**148,213**

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	31/12/2016	31/12/2015
Treasury bills and similar securities	0	0
Bonds and other fixed income securities	824,164	880,925
Gross amount of held to maturity financial assets	824,164	880,925
Impairment	0	0
TOTAL HELD TO MATURITY FINANCIAL ASSETS	**824,164**	**880,925**

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 2016**	Carrying amount at 31 December 2015	**Fair value at 31 December 2016**	Fair value at 31 December 2015
Reclassified assets at 31 December 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	521,227	**18,582**	56,547	**18,582**	57,032
Total securities reclassified at 31 December 2015	**521,227**	**18,582**	**56,547**	**18,582**	**57,032**
Assets reclassified in 2016					
Trading financial assets reclassified as available for sale financial assets					
0 Trading financial assets reclassified as loans and receivables					
Available for sale financial assets reclassified as loans and receivables					
Total securities reclassified in 2016	**0**	**0**	**0**	**0**	**0**
TOTAL SECURITIES RECLASSIFIED	**521,227**	**18,582**	**56,547**	**18,582**	**57,032**

PROFIT OR LOSS ARISING FROM RECLASSIFIED FINANCIAL ASSETS IN 2016

in thousands of euros	Net banking income	Cost of risk	**Total (before Tax)**
Trading financial assets reclassified as available for sale financial assets			**0**
0 Trading financial assets reclassified as loans and receivables			**0**
Available for sale financial assets reclassified as loans and receivables	981		**981**
TOTAL	**981**	**0**	**981**

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

in thousands of euros	**31/12/2016**	31/12/2015
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	*0*	*485*
TOTAL TRADING	**0**	**485**

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	**31/12/2016**	31/12/2015
Unrealised capital gains on UCITS	12,316	21,439
Tax EIGs		
Provisions for employee-related liabilities	23,430	27,440
Provisions for home savings products	5,323	9,046
Non-deductible customer-related provisions	12,171	12,836
Provisions for employee profit-sharing	10,677	9,272
Provisions for business goodwill and leasing rights	11,109	13,081
Provisions for sector risk	29,049	31,192
Other non-deductible provisions	10,710	12,452
Other sources of timing differences	-1,168	-799
Deferred tax resulting from timing differences	**113,617**	**135,959**
Deferred tax resulting from the capitalisation of tax losses carried forward	1,813	0
Fair value of financial instruments	-36,466	-34,871
Provisions on a portfolio basis		
Insurance provisions	10,471	13,753
IAS 19 – Post-employment benefits	5,513	1,638
Other balance sheet valuation adjustments	3,694	3,245
Deferred tax resulting from application of IFRS valuation methods	**-14,975**	**-16,235**
Deferred tax on interest-free loans	**13,359**	**12,786**
NET DEFERRED TAX	**112,001**	**132,510**
Recognised		
As assets on the balance sheet	130,392	147,888
As liabilities on the balance sheet	-18,391	-15,378

5.10 Accrued income and other assets

In thousands of euros	**31/12/2016**	31/12/2015
Collection accounts	87,577	80,889
Prepaid expenses	31,426	32,282
Accrued income	24,636	21,468
Other accruals	37,783	37,250
Accruals - Active	**181,422**	**171,889**
Guarantee deposits paid	4,217	1,880
Securities settlement accounts – debit balances	0	0
Reinsurers' share of technical reserves	10,241	10,419
Other debtors	2,000,803	1,462,553
Other assets	**2,015,261**	**1,474,852**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**2,196,683**	**1,646,741**

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

None

5.12 Deferred profit-sharing

In thousands of euros	31/12/2016	31/12/2015
Deferred profit-sharing – assets		
Deferred profit-sharing – liabilities	444,420	391,457
DEFERRED PROFIT-SHARING (1)	**444,420**	**391,457**

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

5.13 Investment property

In thousands of euros	31/12/2016			31/12/2015		
	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Investment property measured at fair value	234,494		234,494	215,606		215,606
Investment property measured at historical cost	5,012	-2,058	2,954	6,302	-2,918	3,384
TOTAL INVESTMENT PROPERTY	**239,506**	**-2,058**	**237,448**	**221,908**	**-2,918**	**218,990**

5.14 Property, plant and equipment and intangible assets

In thousands of euros	31/12/2016			31/12/2015		
	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						
- Land and buildings	*225,644*	*-77,014*	*148,630*	*256,579*	*-98,650*	*157,929*
Movable property made available under finance leases	*0*	*0*	*0*	*0*	*0*	*0*
Equipment, furniture and other property, plant and equipment	*259,680*	*-150,056*	*109,624*	*266,045*	*-162,116*	*103,929*
TOTAL PROPERTY, PLANT AND EQUIPMENT	**485,324**	**-227,070**	**258,254**	**522,624**	**-260,766**	**261,858**
Intangible assets						
- Leasehold rights	*47,480*	*-42,262*	*5,218*	*28,154*	*-27,043*	*1,111*
Software	*46,321*	*-42,128*	*4,193*	*47,000*	*-40,781*	*6,219*
Other intangible assets	*17,007*	*-5,802*	*11,205*	*27,762*	*-21,186*	*6,576*
TOTAL INTANGIBLE ASSETS	**110,808**	**-90,192**	**20,616**	**102,916**	**-89,010**	**13,906**

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	31/12/2016	31/12/2015
Opening net value	0	4,576
Acquisitions	0	0
Disposals	0	0
Impairment	-875	-11,034
Reclassifications	0	0
Translation differences	0	0
Other changes	875	6,458
CLOSING NET VALUE	**0**	**0**
Others	0	0
TOTAL GOODWILL	**0**	**0**

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.

3

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	31/12/2016	31/12/2015
Demand deposits	882,400	616,249
Repurchase agreements	0	0
Related liabilities	0	4
Amounts due to credit institutions – repayable on demand	**882,400**	**616,253**
Term loans and deposits	7,279,614	3,678,403
Repurchase agreements	2,297,881	3,461,470
Related liabilities	11,152	13,979
Amounts due to credit institutions – repayable at agreed maturity dates	**9,588,647**	**7,153,852**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**10,471,047**	**7,770,105**

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 €2,440.4 million at 31 December 2016 versus €907.0 million at 31 December 2015.

5.16.2 Amounts due to customers

In thousands of euros	31/12/2016	31/12/2015
Credit balances on ordinary accounts	**12,638,617**	**11,787,991**
A booklet	1,048,703	988,685
Regulated home savings plans (PEL) and regulated home savings accounts (CEL)	1,780,264	1,697,623
Other regulated savings accounts	2,197,315	2,171,051
Related liabilities	3	0
Regulated savings accounts	**5,026,285**	**4,857,359**
Demand deposits and loans	6,457,368	6,720,993
Term deposits and loans	5,651,207	3,519,445
Related liabilities	33,504	39,229
Other customer accounts	**12,142,079**	**10,279,667**
Demand	300,000	992,506
Term	1,655,084	91,734
Related liabilities	-255	83
Repurchase agreements	**1,954,829**	**1,084,323**
Other amounts due to customers	**0**	**0**
TOTAL AMOUNTS DUE TO CUSTOMERS	**31,761,810**	**28,009,340**

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

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	31/12/2016	31/12/2015
Bonds	196,400	196,400
Interbank instruments and negotiable debt securities	5,701,287	3,398,037
Other debt securities	0	0
Total Trading	**5,897,687**	**3,594,437**
Related liabilities	2,174	2,442
TOTAL DEBT SECURITIES	**5,899,861**	**3,596,879**

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

5.18 Accrued expenses and other liabilities

In thousands of euros	31/12/2016	31/12/2015
Collection accounts	330,966	327,732
Prepaid income	167,557	148,296
Accounts payable	95,974	82,282
Other accruals	59,680	43,415
Accrual accounts – liabilities	**654,177**	**601,725**
Securities settlement accounts – credit balances	7	6,094
Guarantee deposits received	398	398
Sundry creditors	923,422	940,757
Other insurance-related liabilities	31,756	13,530
Other liabilities	**955,583**	**960,779**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**1,609,760**	**1,562,504**

5.19 Technical reserves of insurance contracts

In thousands of euros	31/12/2016	31/12/2015
Non-life insurance technical reserves	5,754	5,490
Technical reserves of life insurance contracts in euro	5,588,235	5,236,964
Technical reserves of life insurance contracts in unit-linked accounts	933,146	906,431
Life insurance technical reserves	6,521,381	6,143,395
Technical reserves of financial contracts	0	0
Deferred profit-sharing	**444,420**	**391,457**
TOTAL INSURANCE TECHNICAL RESERVES	**6,971,555**	**6,540,342**

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. 3

5.20 Provisions

The detailed provisions are shown in the statement of changes below.

in thousands of euros	01/01/2016	Increase	Provisions used	Reversals of provisions not used	Other movements	31/12/2016
Provisions for employee benefit obligations	89,086	2,675	0	-2,783	14,696	103,674
Provisions for restructuring	0	0	0	0	0	0
Legal and tax risks	20,427	9,662	-2,006	-6,355	15,789	37,517
Loan and guarantee commitments	48,209	10,798	-3,896	-1,459	-14,183	39,469
Provisions for home savings products	26,275	0	0	-8,736	0	17,539
Other operating provisions	16,266	1,280	-3,039	-2,780	522	12,249
TOTAL PROVISIONS	**200,263**	**24,415**	**-8,941**	**-22,113**	**16,824**	**210,448**

5.20.1 Deposits held in regulated home savings products

In thousands of euros	31/12/2016	31/12/2015
Deposits held in regulated home savings plans (PEL)		
less than 4 years	842,528	696,414
more than 4 years and less than 10 years	350,642	371,746
more than 10 years	406,555	425,799
Deposits held in regulated home savings plans	**1,599,725**	**1,493,959**
Deposits held in regulated home savings accounts	145,092	146,753
TOTAL DEPOSITS HELD IN REGULATED HOME SAVINGS PRODUCTS	**1,744,817**	**1,640,712**

5.20.2 Loans granted in connection with regulated home savings products

In thousands of euros	31/12/2016	31/12/2015
Loans granted under PEL regulated home savings plans	2,184	3,123
Loans granted under CEL regulated home savings accounts	3,786	4,985
TOTAL LOANS GRANTED IN CONNECTION WITH REGULATED HOME SAVINGS PRODUCTS	**5,970**	**8,108**

5.20.3 Provisions for regulated home savings products

in thousands of euros	31/12/2015	Charges/ Reversals	Others	31/12/2016
Provisions for regulated home savings plans				
less than 4 years	7,338	1,641		8,979
more than 4 years and less than 10 years	2,091	-588		1,503
more than 10 years	6,288	-372		5,916
Provisions for regulated home savings plans	**15,717**	**681**	**0**	16,398
Provisions for regulated home savings accounts	**10,558**	**-9,417**		1,141
Provisions for PEL regulated home savings loans				0
Provisions for CEL regulated home savings loans				0
Provisions for regulated home savings loans	0	0	0	0
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**26,275**	**-8,736**	**0**	**17,539**

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	31/12/2016	31/12/2015
Term subordinated debt	259,844	292,663
Undated subordinated debt	0	0
Undated deeply subordinated debt	0	0
Preferred shares	0	0
Mutual guarantee deposits	5,355	4,869
Subordinated and similar debt	**265,199**	**297,532**
Related liabilities	8,594	9,243
Revaluation of the hedged component	0	0
TOTAL SUBORDINATED DEBT	**273,793**	**306,775**

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

CHANGES IN SUBORDINATED AND SIMILAR DEBT DURING THE YEAR

in thousands of euros	31/12/2015	Issued	Repaid	Other movements	31/12/2016
Term subordinated debt	292,663	0	-32,819	0	259,844
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	4,869	486	0	0	5,355
SUBORDINATED AND SIMILAR DEBT	**297,532**	**486**	**-32,819**	**0**	**265,199**

5.22 Ordinary shares and other equity instruments issued

5.22.1 Cooperative shares

In thousands of euros	31/12/2016 Number	31/12/2016 Par value	31/12/2016 Capital	31/12/2015 Number	31/12/2015 Par value	31/12/2015 Capital
Cooperative shares						
Opening value	66,647,978	10.26	683,808	61,488,311	10.20	627,181
Capital increase	14,810,661	10.26	151,957	4,936,887	10.20	50,356
Capital decrease			0			0
Other changes		0.05	4,073	222,780	0.26	6,271
CLOSING VALUE	**81,458,639**	**10.31**	**839,839**	**66,647,978**	**10.26**	**683,808**

5.22.2 Undated deeply subordinated notes classified as equity

None

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 30/12/2016.				**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	Comprehensive income
BRED Vanuatu	Vanuatu	15.00%	15.00%	-458	5,404	282	194,826	174,101	3,050	6,479
BCI Mer Rouge	Djibouti	49.00%	49.00%	-414	13,327		282,135	269,590	845	2,796
Banque Franco Lao	Laos	46.00%	46.00%	-467	16,607		135,177	114,925	1,015	4,285
Other entities				-54	5,631					
TOTAL				**-1,392**	**40,969**	**282**	**612,139**	**558,616**	**4,909**	**13,560**

Data at 30/12/2015				**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	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**	**34,594**	**190**	**638,808**	**591,373**	**444**	**8,375**

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

In thousands of euros	31/12/2016	31/12/2015
Revaluation differences on defined-benefit pension schemes	-14,650	18,116
Tax effect of revaluation differences on defined-benefit pension schemes	3,908	-6,237
Share of gains or losses recognised directly in other items of the comprehensive income of associates that cannot be reclassified in income	-27	10
Items that cannot be reclassified in income	**-10,769**	**11,889**
Translation differences	**-3,168**	**2,173**
Change in the value of available-for-sale financial assets	**116,656**	**53,056**
Change in the value of the period affecting equity	107,947	41,833
Change in the value of the period recognised in profit or loss	8,709	11,223
Change in the value of hedging derivatives	**-2,560**	**-21,557**
Change in the value of the period affecting equity	-2,667	-27,187
Change in the value of the period recognised in profit or loss	107	5,630
Taxes	**-1,771**	**-2,017**
Share of gains or losses recognised directly in other items of the comprehensive income of associates that can be reclassified in income	-855	-4,211
Items that can be reclassified in income	**108,302**	**27,444**
GAINS AND LOSSES RECOGNISED DIRECTLY IN OTHER ITEMS OF COMPREHENSIVE INCOME (NET OF INCOME TAX)	**97,533**	**39,333**

5.24.2 Total gains and losses recognised directly in equity

	31/12/2016			31/12/2015		
In thousands of euros	Gross	Income tax	Net	Gross	Income tax	Net
Revaluation differences on defined-benefit pension schemes	-14,650	3,908	-10,742	18,116	(6,237)	11,879
Share of gains or losses recognised directly in other items of the comprehensive income of associates that cannot be reclassified in income			-27			10
Items that cannot be reclassified in income			**-10,769**			**11,889**
Translation differences			-3,168			2,173
Change in the value of available-for-sale financial assets	116,656	-3,286	113,370	53,056	(9,438)	43,618
Change in the value of hedging derivatives	-2,560	1,515	-1,045	-21,557	7,421	-14,136
Share of gains or losses recognised directly in other items of the comprehensive income of associates that can be reclassified in income			-855			-4,211
Items that can be reclassified in income			**108,302**			**27,444**
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN OTHER ITEMS OF COMPREHENSIVE INCOME (NET OF INCOME TAX)			**97,533**			**39,333**
Attributable to equity holders of the parent company			96,794			37,251
Non-controlling interests			739			2,082

5.25 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.

5.25.1 Financial assets

FINANCIAL ASSETS UNDER NETTING AGREEMENTS NOT OFFSET IN THE BALANCE SHEET

	31/12/2016				31/12/2015			
In thousands of euros	Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives	2,296	1,883	252	161	2,785	2,220	264	301
Repurchase agreements	6,981	6,976	6	0	5,539	5,530	0	8
Other assets	0	0	0	0			0	
TOTAL	**9,277**	**8,858**	**258**	**161**	**8,324**	**7,750**	**264**	**310**

5.25.2 Financial liabilities

FINANCIAL LIABILITIES UNDER NETTING AGREEMENTS NOT OFFSET IN THE BALANCE SHEET

	31/12/2016				31/12/2015			
In thousands of euros	Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives	2,939	1,883	934	129	3,137	2,220	853	64
Repurchase agreements	3,902	3,901	0	1	3,225	3,215		10
Other liabilities	0	0	0	0				
TOTAL	**6,842**	**5,784**	**934**	**129**	**6,361**	**5,435**	**853**	**74**

NOTE 6
NOTES TO THE INCOME STATEMENT

6.1 Interest and similar income and expense

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

	31/12/2016			31/12/2015		
in thousands of euros	**Income**	**Charges**	**Net**	Income	Charges	Net
Loans and receivables – customers	555,905	-90,116	465,789	541,207	-93,683	447,524
Loans and receivables – credit institutions	29,901	-31,883	-1,982	52,585	-41,064	11,521
Finance leases	8,996		8,996	14,094		14,094
Debt securities and subordinated debt		-27,812	-27,812		-34,584	-34,584
Hedging derivatives	72,043	-122,622	-50,579	134,341	-148,041	-13,700
Available-for-sale financial assets	163,757		163,757	145,414		145,414
Held to maturity financial assets	28,469		28,469	30,787		30,787
Impaired financial assets	0		0	0		0
Other interest income and expenses	0	20,824	20,824	0	10,067	10,067
TOTAL INTEREST INCOME AND EXPENSES	**859,071**	**-251,609**	**607,462**	**918,428**	**-307,305**	**611,123**

The interest income from loans and receivables with credit institutions totals €9.610 billion (€8.273 billion in 2015) 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 reversal/income of €8.736 million consisting of the net charge to the provision for regulated home savings products (charge/expense of €3.975 million in 2015).

6.2 Fee and commission income and expenses

	31/12/2016			31/12/2015		
in thousands of euros	**Income**	**Charges**	**Net**	Income	Charges	Net
Interbank and cash transactions	10,712	-973	9,739	2,580	-580	2,000
Amounts due from customers	150,716	-603	150,113	149,931	-688	149,243
Financial services	30,407	-7,016	23,391	30,906	-7,389	23,517
Sales of life insurance products	2,572		2,572	1,651		1,651
Payment services	178,438	-100,173	78,265	176,415	-101,763	74,652
Securities transactions	9,981	0	9,981	13,459	0	13,459
Fiduciary services	1,561	0	1,561	1,645	0	1,645
Financial instrument and off-balance sheet transactions	27,934	-4,472	23,462	25,975	-3,762	22,213
Other	5,402	-6,207	-805	7,539	-6,144	1,395
TOTAL FEES AND COMMISSIONS	**417,723**	**-119,444**	**298,279**	**410,101**	**-120,326**	**289,775**

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.

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	**2016 financial year**	2015 financial year
Gains or losses on financial instruments at fair value through profit or loss (excluding hedging derivatives)	**114,751**	**131,554**
Gains or losses on financial instruments held for trading	89,203	110,210
Gains or losses on financial instruments designated at fair value through profit or loss by option	25,548	21,344
Gains or losses on hedging transactions	**-1,454**	**4,496**
• Ineffective portion of fair value hedges	-1,561	-1,134
• *Changes in the fair value of the hedging instrument*	*-30,692*	*-46,740*
• *Changes in fair value of the hedged items attributable to the risks hedged*	*29,131*	*45,606*
• *Ineffective portion of cash flow hedges*	*107*	*5,630*
• *Ineffective portion of hedges of net investments in foreign operations*	*0*	*0*
Gains or losses on foreign exchange transactions	**87,130**	**41,193**
TOTAL GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**200,427**	**177,243**

DAY ONE PROFIT

in thousands of euros	**2016 financial year**	2015 financial year
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	**2016 financial year**	2015 financial year
Gains on disposal	48,751	57,115
Dividends received	22,276	20,754
Impairment in value of variable-income securities	-115	-975
TOTAL NET GAINS OR LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS	**70,912**	**76,894**

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).

	31/12/2016			31/12/2015		
in thousands of euros	**Income**	**Charges**	**Net**	Income	Charges	Net
Earned premiums	790,000	0	790,000	599,129	0	599,129
Paid benefits and claims	0	-511,318	-511,318	0	-484,343	-484,343
Change in provisions for profit-sharing	0	-32,644	-32,644	0	-58,930	-58,930
Change in other provisions	0	-356,400	-356,400	0	-182,941	-182,941
Other technical income and expenses	12,920	-800	12,120	11,432	-363	11,069
Income and expenses from insurance activities	**802,920**	**-901,162**	**-98,242**	**610,561**	**-726,577**	**-116,016**
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 disposal	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	2		2	-1		-1
Investment property depreciation and impairment loss charges and reversals	1,761	-211	1,550	4,265	-249	4,016
Income and expenses from investment property	1,974	-558	1,416	2,127	-613	1,514
Income and expenses from investment property	**3,737**	**-769**	**2,968**	**6,391**	**-862**	**5,529**
Share of joint ventures	2,731	0	2,731	2,765	0	2,765
Transfers of expenses and income	1,477	-36	1,441	1,357	-56	1,301
Other operating income and expenses	10,736	-4,943	5,793	16,778	-8,148	8,630
Charges to and reversals from provisions booked to other operating income and expenses	0	3,240	3,240	0	-12	-12
Other operating banking income and expenses	**14,944**	**-1,739**	**13,205**	**20,900**	**-8,216**	**12,684**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**821,601**	**-903,670**	**-82,069**	**637,852**	**-735,655**	**-97,803**

Since 2016, the Group has recorded flows on fraud and litigation under GNP - in cost of risk up until 2015. In 2016, net charges amounted to €7.9 million. The amount recorded in the cost of risk for 2015 was €6.1 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.

	31/12/2016					31/12/2015
in thousands of euros	**Net banking income**	**Operating expenses**	**Gross operating profit**	Other	Insurance presentation 2016	Insurance presentation 2015
Earned premiums	811,680	0	811,680	0	811,680	618,887
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	204,765	-2,872	201,893	0	201,893	210,348
TOTAL INCOME FROM ORDINARY ACTIVITIES	**1,016,445**	**-2,872**	**1,013,573**	**0**	**1,013,573**	**829,235**
Claims and benefits	-534,265	-2,788	-537,053	0	-537,053	-508,046
Expenses from other activities	-382,159	0	-382,159	0	-382,159	-233,930
Net income and expenses from outward reinsurance	-2,654	0	-2,654	0	-2,654	-3,621
Policy acquisition costs	**-19,234**	**-3,117**	**-22,351**	**0**	**-22,351**	**-22,044**
Administrative expenses	-24,222	-3,896	-28,118	0	-28,118	-25,180
Other recurring operating income and expenses	-661	-5,915	-6,576	0	-6,576	-5,359
OTHER OPERATING INCOME AND EXPENSES	**-963,195**	**-15,716**	**-978,911**	**0**	**-978,911**	**-798,180**
OPERATING PROFIT (LOSS)	**53,250**	**-18,588**	**34,662**	**0**	**34,662**	**31,055**

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.

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	**2016 financial year**	2015 financial year
Personnel costs	**-383,719**	**-371,635**
Taxes and duties (1)	-40,833	-33,682
External services and other operating expenses	-203,204	-193,457
Other administrative expenses	**-244,037**	**-227,139**
TOTAL OPERATING EXPENSES	**-627,756**	**-598,774**

(1) Taxes and duties include the contributions required by regulators: contribution to the SRF (Single Resolution Fund) for an annual amount of €8.9 million (as against €4.6 million in 2015) and the systemic banking risk tax (TSB) for an annual amount of €4.5 million (as against €4.5 million in 2015).

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	2016 financial year	2015 financial year
Net charges to provisions and provisions for impairment	-70,094	-77,462
Recoveries of bad debts written off	1,297	1,614
Irrecoverable loans not covered by provisions for impairment	-4,728	-7,824
TOTAL COST OF RISK	**-73,525**	**-83,672**

Since 2016, the Group has recorded flows on fraud and litigation under GNP - in cost of risk up until 2015. In 2016, net charges amounted to €7.9 million. The amount recorded in the cost of risk for 2015 was €6.1 million.

COST OF RISK FOR THE PERIOD BY TYPE OF ASSET

in thousands of euros	2016 financial year	2015 financial year
Interbank transactions	-1,252	-827
Amounts due from customers	-73,434	-82,375
Other financial assets	1,161	-470
TOTAL COST OF RISK	**-73,525**	**-83,672**

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	2016 financial year	2015 financial year
Gains or losses on the disposal of property, plant and equipment and intangible assets used in operations	21,800	331
Gains or losses on the disposal of consolidated investments	0	0
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**21,800**	**331**

6.9 Change in the value of goodwill

in thousands of euros	2016 financial year	2015 financial year
Impairment	-875	-11,034
TOTAL CHANGE IN THE VALUE OF GOODWILL	**-875**	**-11,034**

6.10 Income tax expense

in thousands of euros	2016 financial year	2015 financial year
Current tax	-110,863	-121,362
Deferred tax	-22,729	6,982
TOTAL INCOME TAX EXPENSE	**-133,592**	**-114,380**

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

in thousands of euros	2016 financial year		2015 financial year	
	in thousands of euros	Tax rate	in thousands of euros	Tax rate
Net profit attributable to equity holders of the parent company	266,424		238,066	
Change in the value of goodwill	875		11,034	
Non-controlling interests	1,392		-746	
Share of net profit or loss of associates	-26,230		-26,768	
Taxes	133,592		114,380	
PROFIT BEFORE TAX AND CHANGES IN VALUE OF GOODWILL (A)	**376,053**		**335,966**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical tax expense (income) at the tax rate in force in France (AxB)	**-129,475**		**-115,673**	
Impact of permanent differences and other taxes (1)	-4,117		1,293	
Income tax expense (credit)	**-133,592**		**-114,380**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**35.52%**		**34.05%**

(1) Note: the Group tax rate is 34.43%.

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 and counterparty risk exposure of all the Group's financial assets. This credit and counterparty 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	Performing loans	Non-performing loans	Impairment and provisions	**Net outstandings at 31/12/2016**	Net outstandings at 31/12/2015
Financial assets at fair value through profit or loss (excluding variable-income securities)	6,791,098			6,791,098	**5,135,292**
Hedging derivatives	160,375			160,375	**247,794**
Available for sale financial assets (excluding variable-income securities)	7,417,267	4,872	-700	7,421,439	**8,149,960**
Loans and receivables due from credit institutions	10,830,018	9,506	-1,190	10,838,335	**8,974,620**
Loans and receivables due from customers	18,607,916	1,013,137	-700,888	18,920,165	**16,307,661**
Held to maturity financial assets				0	
Other debtors	145,840	8,984	-5,524	149,300	
Balance sheet exposure	**43,952,515**	**1,036,499**	**-708,302**	**44,280,712**	**38,815,327**
Financial guarantees given	1,784,362	44,123	0	1,828,485	**1,875,415**
Off-balance sheet commitments	3,720,486	26,562	-39,439	3,707,609	**3,473,247**
Off-balance sheet exposures	**5,504,848**	**70,685**	**-39,439**	**5,536,095**	**5,348,662**
OVERALL EXPOSURE TO CREDIT RISK AND COUNTERPARTY RISK	**49,457,363**	**1,107,184**	**-747,741**	**49,816,807**	**44,163,988**

Information based on prudential perimeter

7.1.3 Impairment and provisions for credit risk

in thousands of euros	01/01/2016	Provisions made	Provisions written back	Other changes	31/12/2016
Available-for-sale financial assets	2,442	0	-1,742	0	700
Interbank transactions	182	1,180	-181	9	1,190
Amounts due from customers	678,970	133,427	-110,628	-880	700,888
Held to maturity financial assets		0	0	0	0
Other financial assets	6,240	325	-1,763	722	5,524
Impairment losses deducted from assets	**687,833**	**134,932**	**-114,314**	**-150**	**708,302**
Provisions for off-balance sheet commitments	**48,259**	**10,256**	**-3,946**	**-15,130**	39,439
TOTAL IMPAIRMENT AND PROVISIONS FOR CREDIT RISK	**736,092**	**145,188**	**-118,260**	**-15,280**	**747,741**

Information based on prudential perimeter

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:

	Non-impaired loans and receivables with past due payments					
in thousands of euros	< or = 90 days	> 90 days and <= 180 days	> 180 days and <= 1 year	> 1 year	Impaired loans and receivables (net value)	Total loans and receivables
Debt instruments	0	0	0	0	4,172	4,172
Loans and advances	255,988	1,609	0	0	415,813	673,410
Other financial assets	0	0	0	0		0
TOTAL AT 31/12/2016	**255,988**	**1,609**	**0**	**0**	**419,985**	**677,582**

Information based on prudential perimeter

	Non-impaired loans and receivables with past due payments					
in thousands of euros	< or = 90 days	> 90 days and <= 180 days	> 180 days and <= 1 year	> 1 year	Impaired loans and receivables (net value)	Total loans and receivables
Debt instruments	0	0	0	0	8,766	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**

Information based on prudential perimeter

7.1.5 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	2016 financial year	2015 financial year
Non-current assets held for sale	0	0
Property, plant and equipment - Land and buildings	0	0
Investment property	0	0
Equity and debt instruments	0	0
Others	0	0
TOTAL ASSETS ACQUIRED BY TAKING POSSESSION OF COLLATERAL	**0**	**0**

Information based on prudential perimeter

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	2016 financial year	2015 financial year
Market risk in respect of interest rate positions under the standard approach	60,630	54,253
Market risk in respect of equity positions under the standard approach	5,650	5,114
Market risk in respect of foreign exchange positions under the standard approach	21,130	20,684
Market risk in respect of commodity positions under the standard approach	28.75	6
TOTAL MARKET RISKS	**87,439**	**80,057**

Information based on prudential perimeter

7.3 Overall interest rate risk and currency risk

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.

The management of the overall interest rate risk and currency risk management are presented in the risk management report.

7.4 Liquidity risk

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.

Technical provisions of insurance companies that are mostly treated as demand deposits are not included in the table below.

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 31/12/2016**
Cash and amounts due from central banks	8,503,533		-	-	-	-	8,503,533
Financial assets at fair value through profit or loss – trading book	0	0	0	0	0	8,340,635	8,340,635
Financial assets at fair value through profit or loss – fair value option	6,753	0	0	24,297	1,380,532	17,987	1,429,569
Hedging derivatives	0	0	0	0	0	160,375	160,375
Available for sale financial assets	61,566	83,083	1,084,507	4,963,802	4,450,238	2,839,528	13,482,724
Loans and receivables due from credit institutions	9,020,159	997,619	451,700	253,009	61,955	25,935	10,810,377
Loans and receivables due from customers	2,888,601	755,367	1,473,504	5,515,881	6,778,347	1,157,111	18,568,811
Re-measurement adjustments on interest-rate risk hedged portfolio	0	0	0	0	0	6,626	6,626
Held to maturity financial assets	15,008	0	38,529	320,326	450,301	0	824,164
FINANCIAL ASSETS BY MATURITY	**20,495,620**	**1,836,069**	**3,048,240**	**11,077,315**	**13,121,373**	**12,548,197**	**62,126,814**
Amounts due from central banks	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss – trading book	0	0	0	0	0	3,916,041	3,916,041
Financial liabilities at fair value through profit or loss – fair value option	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	350,989	350,989
Amounts due to credit institutions	7,450,879	421,773	1,130,570	1,327,638	97,310	42,877	10,471,047
Amounts due to customers	28,739,727	1,173,620	662,568	1,079,952	105,943	0	31,761,810
Subordinated debt	8,921	30,000	29,927	203,822	1,123	0	273,793
Debt securities	3,044,994	2,093,874	596,253	155,940	8,800	0	5,899,861
Re-measurement adjustments on interest-rate risk hedged portfolio	0	0	0	0	0	60,750	60,750
FINANCIAL LIABILITIES BY MATURITY	**39,244,521**	**3,719,267**	**2,419,318**	**2,767,352**	**213,176**	**4,370,657**	**52,734,291**
Financing commitments given to credit institutions		16	435,153	458,691	0	0	893,860
Financing commitments given to customers	43,158	108,736	41,142	2,637,984	7,070	0	2,838,090
TOTAL FINANCING COMMITMENTS GIVEN	**43,158**	**108,752**	**476,295**	**3,096,675**	**7,070**	**0**	**3,731,950**
Guarantee commitments given to credit institutions	2,797	1,095	22,706	0	0	208,266	234,864
Guarantee commitments given to customers	51,903	1,515,223	21,381	7,154	1,349	0	1,597,010
TOTAL GUARANTEE COMMITMENTS GIVEN	**54,700**	**1,516,318**	**44,087**	**7,154**	**1,349**	**208,266**	**1,831,874**

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	**31/12/2016**	31/12/2015
Acléda Bank Plc	94,217	79,788
BCEL	16,519	17,496
Banque Calédonienne d'Investissement	135,480	126,233
SBE	22,744	22,623
SOCREDO	42,266	41,466
Financial companies	**311,226**	**287,606**
Aurora	18,635	18,635
Others		
Non-financial companies	**18,635**	**18,635**
TOTAL HOLDINGS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**329,861**	**306,241**

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

in thousands of euros	Associates					
	Banque Calédonienne d'Investissement (BCI)	Banque Calédonienne d'Investissement (BCI)	ACLEDA	ACLEDA	Socrédo	Socrédo
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015	**31/12/2016**	31/12/2015
Valuation method	Equity method	Equity method	Equity method	Equity method	Equity method	Equity method
DIVIDENDS RECEIVED	**3,394**	**2,829**	**5,660**	**4,437**	**705**	**610**
MAIN AGGREGATES (A)						
Total assets	*2,682,400*	*2,430,466*	*4,394,180*	*3,495,970*	*2,238,984*	*2,220,854*
Total debt	*2,410,897*	*2,177,495*	*3,770,583*	*2,990,156*	*1,957,210*	*1,944,412*
Income statement						
GNP	90,249	86,682	280,912	240,074	77,884	76,819
Operating profit	43,813	43,255	134,557	119,723	16,355	18,533
Income tax	-17,690	-18,052	-28,492	-21,965	-5,819	-7,067
Net profit	25,525	24,945	106,065	97,757	10,863	11,059
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	271,502	252,971	623,598	505,814	281,774	276,442
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	135,480	126,233	76,391	61,962	42,266	41,466
Goodwill			17,826	17,826	0	0
VALUE OF THE HOLDINGS ACCOUNTED FOR UNDER THE EQUITY METHOD	**135,480**	**126,233**	**94,217**	**79,788**	**42,266**	**41,466**

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 31/12/2016 are as follows:

NON-MATERIAL COMPANIES

in thousands of euros	Joint ventures	Associates
Carrying amount of holdings accounted for under the equity method	0	57,899
TOTAL AMOUNT OF SHARES IN		
net profit (a)	*0*	*-1,005*
o/w discontinued activities		
Gains and losses recognised directly in equity (b)	0	-1,883
Comprehensive income (a) + (b)	0	-2,889

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	0	58,754
TOTAL AMOUNT OF SHARES IN		
net profit (a)	*0*	*1,102*
o/w discontinued activities		
Gains and losses recognised directly in equity (b)	0	-864
Comprehensive income (a) + (b)	0	238

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	**2016 financial year**	2015 financial year
Acleda	12,993	11,975
BCEL	-2,173	-32
BCI	12,737	12,140
SBE	1,167	1,134
Socredo	1,505	1,551
Others		
Financial companies	**26,230**	**26,768**
Aurora		
Others		
Non-financial companies	**0**	**0**
SHARE OF NET PROFIT OF COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**26,230**	**26,768**

NOTE 9
EMPLOYEE BENEFITS

9.1 Personnel costs

in thousands of euros	2016 financial year	2015 financial year
Wages and salaries	-208,780	-201,642
Costs of defined-benefit and defined-contribution plans	-40,785	-40,827
Other social security costs and taxes	-87,110	-85,766
Profit-sharing and incentive plans	-47,044	-43,400
TOTAL PERSONNEL COSTS	**-383,719**	**-371,635**

Below is the average active workforce in the Group (fully consolidated companies) during the period, broken down by occupational category: 2,004 management staff and 2,426 non-management staff, making a total of 4,430 employees.

The CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi) is deducted from payroll costs. This amounts to €4.365 million in 2016 as against €4.330 million in 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

In thousands of euros	Post-employment benefits related to defined contribution plans				Other long-term benefits			2016 financial year	2015 financial year
	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		
Actuarial liabilities	110,453	0	10,180	120,633	43,089	4,883	0	168,605	156,401
Fair value of plan assets	-54,689	0	-6,454	-61,143	-5,256	0	0	-66,399	-68,961
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	**55,764**	**0**	**3,726**	**59,490**	**37,833**	**4,883**	**0**	**102,206**	**87,440**
Employee benefit com-mitments recorded in the balance sheet	55,764	0	3,726	59,490	37,833	4,883	0	102,206	88,302
Plan assets recorded on the balance sheet		0	0	0	0	0	0	0	0

9.2.2 Change in amounts recognised on the balance sheet

CHANGE IN ACTUARIAL LIABILITIES

In thousands of euros	Post-employment benefits related to defined contribution plans				Other long-term benefits			2016 financial year	2015 financial year
	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		
Actuarial liabilities at the start of the period	**106,139**	**0**	**10,224**	**116,363**	**35,172**	**4,866**	**0**	**156,401**	**167,011**
Cost of services rendered	0	0	0	0	2,070	325	0	2,395	2,692
Past service cost	0	0	0	0	0	0	0	0	0
Interest disbursed	1,892	0	82	1,974	738	72	0	2,784	2,511
Benefits paid	-4,175	0	-549	-4,724	-2,968	-139	0	-7,831	-6,926
Others	0	0	0	0	580	-241	0	339	-210
Variations booked as profit/loss	**-2,283**	**0**	**-467**	**-2,750**	**420**	**17**	**0**	**-2,313**	**-1,933**
Reevaluation discrepancies – Demographic hypotheses	18	0	0	18	-1,768			-1,750	-1,484
Reevaluation discrepancies – Financial hypotheses	7,898	0	380	8,278	8,796		0	17,074	-12,084
Reevaluation discrepancies – Experience effects	-1,319	0	43	-1,276	113			-1,163	5,150
Variations accounted for directly as non-recyclable equity	**6,597**	**0**	**423**	**7,020**	**7,141**	**0**	**0**	**14,161**	**-8,418**
Translation differences	**0**	**0**	**0**	**0**	**3**	**0**	**0**	**3**	**8**
Variations in scope	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Others	**0**	**0**	**0**	**0**	**353**	**0**	**0**	**353**	**-267**
Actuarial liabilities calculated at the end of the period	**110,453**	**0**	**10,180**	**120,633**	**43,089**	**4,883**	**0**	**168,605**	**156,401**

DIFFERENCE IN PLAN ASSETS

In thousands of euros	Post-employment benefits related to defined contribution plans					Other long-term benefits		2016 financial year	2015 financial year
	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	**55,003**	**0**	**6,752**	**61,755**	**7,206**	**0**	**0**	**68,961**	**61,642**
Interest received	985	0	96	1,081	142	0	0	1,223	960
Contributions received	0	0	0	0	0	0	0	0	0
Benefits paid	-598	0	-549	-1,147	-2,142	0	0	-3,289	(3,338)
Others	0	0	0	0	0	0	0	0	0
Variations booked as profit/loss	**387**	**0**	**-453**	**-66**	**-2,000**	**0**	**0**	**-2,066**	**(2,378)**
Reevaluation discrepancies – Return on scheme's assets	-701	0	155	-546	50			-496	9,697
Variations accounted for directly as non-recyclable equity	**-701**	**0**	**155**	**-546**	**50**			**-496**	**9,697**
Translation differences	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Variations in scope	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Others	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Fair value of assets at end of period	**54,689**	**0**	**6,454**	**61,143**	**5,256**	**0**	**0**	**66,399**	**68,961**

REEVALUATION DISCREPANCIES ON POST-EMPLOYMENT BENEFITS

In thousands of euros	CAR-BP pension comple-ments	CGP pension complements	Pension com-plements and other schemes OTHER	Pension com-plements and other schemes	End-of-career awards	2016 financial year	2015 financial year
Reevaluation discrepancies totalled at start of period	**14,869**	**0**	**1,481**	**16,350**	**-7,580**	**8,770**	**26,885**
- including actuarial gains or losses	*14,869*	*0*	*1,481*	*16,350*	*(7,580)*	*8,770*	
- including the effect of ceiling on plan assets	*0*	*0*	*0*	*0*	*0*	*0*	
Reevaluation discrepancies generated over the financial year	7,298	0	268	7,566	7,091	14,657	(18,115)
Ceiling adjustments on assets	0	0	0	0	0	0	0
Total reevaluation discrepancies at end of period	**22,167**	**0**	**1,749**	**23,916**	**-489**	**23,427**	**8,770**

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".

In thousands of euros	Post-employment benefits related to defined contribution plans				Other long-term benefits			**2016 financial year**	2015 financial year
	CAR-BP 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		
Cost of services rendered	0	0	0	0	-2,070	-325	0	-2,395	(2,692)
Past service cost	0	0	0	0	0	0	0	0	0
Interest disbursed	-1,892	0	-82	-1,974	-738	-72	0	-2,784	(2,511)
Interest received	985	0	96	1,081	142	0	0	1,223	960
Benefits paid	3,577	0	0	3,577	826	139	0	4,542	3,588
Contributions received	0	0	0	0	0	0	0	0	0
Others including ceiling on assets	0	0	0	0	-580	241	0	-339	210
Total costs for the year	**2,670**	**0**	**14**	**2,684**	**-2,420**	**-17**	**0**	**247**	**(445)**

9.2.4 Other information

MAIN ACTUARIAL ASSUMPTIONS

in %	**31/12/2016**		31/12/2015	
	CGPCE	CARBP	CGPCE	CARBP
Discount rate		1.22%		1.83%
Inflation rate		1.60%		1.70%
Mortality table used		TGH05-TGF05		TGH05-TGF05
Duration		14.8		14.6

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

At 31 December 2016, a change of 0.5 % in the discount rate and the inflation rate would have the following impact on the actuarial liabilities (versus a 1% change in the discount rate at 31 December 2015):

in % and thousands of euros	**CARBP**		CGP	
	%	amount	%	amount
0.5 % increase in the discount rate	- 6.99%	102,735		
-0.5 % increase in the discount rate	+ 7.67%	118,920		
0.5 % increase in the inflation rate	+ 7.12 %	118,320		
-0.5 % increase in the inflation rate	- 5.81 %	104,038		

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

in thousands of euros	CARBP	CGP
Y+1 to Y+5	23,374	
Y+6 to Y+10	22,998	
Y+11 to Y+15	21,601	
Y+16 to Y+20	19,218	
> Y+20	46,248	

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

	CARBP		CGP		Other pension complements		End-of-career awards	
	Weight by category (as a %)	Fair value of assets (€ thousands)	Weight by category (as a %)	Fair value of assets (€ thousands)	Weight by category (as a %)	Fair value of assets (€ thousands)	Weight by category (as a %)	Fair value of assets (€ thousands)
Equities	38.44%	21,021		0	0.00%	0	9.00%	473
Debt instruments	51.59%	28,213		0	0.00%	0	79.20%	4,162
real estate	0.00%	0		0	0.00%	0	3.81%	200
Other assets	9.97%	5,455		0	100.00%	6,454	7.99%	420
TOTAL TRADING	**100.00%**	**54,689**	**0.00%**	**0**	**100.00%**	**6,454**	**100.00%**	**5,255**

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 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 French overseas territory commercial banking
- international trade financing (BIC BRED)
- asset/liability management (ALM)
- Capital markets department
- Consolidated Management of Investments

	Commercial Banking France (including ALM)			International and Overseas Commercial Banking			International Trade Financing		
in millions of euros	2015	2016	Change 2016/2015	2015	2016	Change 2016/2015	2015	2016	Change 2016/2015
Net banking income	**830.7**	**866.1**	**4.3%**	**51.6**	**56.4**	**9.2%**	**5.0**	**10.7**	**114.4%**
Participation fee	-552.1	-574.1	4.0%	-39.0	-41.9	7.5%	-8.9	-8.4	-6.2%
Gross operating profit	**278.7**	**292.0**	**4.8%**	**12.7**	**14.5**	**14.2%**	**-3.9**	**2.4**	**ns**
Operating ratio	66.5%	66.3%	-0.2 pts	75.5%	74.3%	-1.1 pts	178.1%	77.9%	ns
Cost of risk	-58.3	-46.4	-20.5%	-15.5	-10.8	-30.5%	-11.1	-18.1	62.5%
Net operating profit	**220.3**	**245.6**	**11.5%**	**-2.9**	**3.7**	**ns**	**-15.1**	**-15.7**	**4.5%**
Equity method profit or loss of companies	1.1	1.2	2.9%	25.6	25.1	-2.2%			ns
Net gains or losses on other assets			ns			ns			ns
Change in value of goodwill			ns	-4.6		-100.0%			ns
PROFIT BEFORE TAX	**221.5**	**246.8**	**11.4%**	**18.2**	**28.8**	**57.9%**	**-15.1**	**-15.73**	**4.5%**

in millions of euros	Capital Markets Department 2015	2016	Change 2016/2015	Consolidated Management of Investments 2015	2016	Change 2016/2015
Net banking income	**85.0**	**101.9**	**19.8%**	**84.8**	**59.9**	**-29.4%**
Participation fee	-33.3	-32.7	-1.6%	-4.7	-10.1	115.7%
Gross operating profit	**51.8**	**69.1**	**33.6%**	**80.1**	**49.8**	**-37.8%**
Operating ratio	39.1%	32.1%	-7.0 pts	5.5%	16.8%	11.3 pts
Cost of risk			ns	1.3	1.7	-34.0%
Net operating profit	**51.8**	**69.1**	**33.6%**	**81.4**	**51.6**	**-36.7%**
Equity method profit or loss of companies Net gains or losses on other assets			ns	0.3	21.8	ns
Change in value of goodwill			ns	-6.5	-0.9	-86.5%
PROFIT BEFORE TAX	**51.8**	**69.1**	**33.6%**	**75.3**	**72.5**	**-3.7%**

The breakdown was refined in 2016 and the 2015 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			**2016**			
in thousands of euros	**France**	**French overseas**	**International**	o/w European countries	o/w North America	o/w rest of world
Financial assets	23,120,270	2,726	1,114,471	1,104,480	0	9,991
Loans and advances to credit institutions	18,142,083	814,955	356,872	12,332	0	344,540
Loans and receivables due from customers	13,967,378	3,680,066	921,367	72,123	0	849,244
Accrual accounts and other assets	2,863,176	191,035	-719,143	-391,690	0	-327,453
Non-current assets	484,231	194,847	167,101	20,669	0	146,432
TOTAL ASSETS	**58,577,138**	**4,883,629**	**1,840,668**	**817,914**	**0**	**1,022,754**

RESSOURCES			**2016**			
in thousands of euros	**France**	**French overseas**	**International**	o/w European countries	o/w North America	o/w rest of world
Financial liabilities	4,267,030	0	0	0	0	0
Amounts due to credit institutions	9,095,811	713,225	662,011	937,732	0	-275,721
Amounts due to customers	27,038,002	3,738,931	984,877	65,532	0	919,344
Debt securities	5,886,268	0	13,593	0	0	13,593
Securities transactions and other liabilities	8,591,078	52,553	21,674	-13,684	0	35,359
Provisions, equity and similar	3,698,949	378,920	158,512	88,611	0	69,902
TOTAL LIABILITIES	**58,577,138**	**4,883,629**	**1,840,668**	**1,078,190**	**0**	**762,477**

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 thousands of euros	**2016 financial year**	2015 financial year
France	927,456	738,654
French overseas	95,336	250,131
Other European countries	11,570	15,233
North America	0	0
Rest of the World	60,649	53,213
TOTAL	**1,095,011**	**1,057,232**

NOTE 11
LOANS AND ADVANCES

11.1 Financing commitments

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

FINANCING COMMITMENTS

in thousands of euros	**31/12/2016**	31/12/2015
Financing commitments given:		
credit institutions	893,860	1,390,272
from customers	2,838,090	2,116,412
• Confirmed credit facilities	2,668,090	2,062,395
• Other commitments	169,999	54,017
TOTAL FINANCING COMMITMENTS GIVEN	**3,731,950**	**3,506,684**
Financing commitments received:		
credit institutions	6,274,221	4,826,888
from customers	297,285	1,543,296
TOTAL FINANCING COMMITMENTS RECEIVED	**6,571,506**	**6,370,184**

11.2 Guarantee commitments

GUARANTEE COMMITMENTS

in thousands of euros	**31/12/2016**	31/12/2015
Guarantee commitments given:		
credit institutions	234,864	153,813
customers	1,597,010	1,720,396
other commitments given	0	0
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,831,874**	**1,874,209**
Financing commitments received:		
credit institutions	2,614,438	3,779,064
from customers	1,161,018	7,843,123
other commitments received	0	0
TOTAL GUARANTEE COMMITMENTS RECEIVED	**3,775,456**	**11,622,187**

Guarantee commitments include off-balance sheet commitments as well as assets received such as security interests other than those listed in note 13 "Financial assets received as a guarantee and of which the entity may dispose".

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)

	31/12/2016			31/12/2015		
in thousands of euros	**Entities exercising joint control or significant influence**	**Joint ventures**	**Associates**	Entities exercising joint control or significant influence	Joint ventures	Associates
Loans and advances	354,098		297,883	529,700		263,014
Other financial assets	861,459		0	693,425		212,977
Other assets	14,010		15,000	24,087		37,993
Total assets with related parties	**1,229,567**	**0**	**312,883**	**1,247,212**	**0**	**513,984**
Debt	1,518,435		31,404	902,550		214,504
Other financial assets	76,132			109,798		
Other liabilities						
Total liabilities towards related parties	**1,594,567**	**0**	**31,404**	**1,012,348**	**0**	**214,504**
Interest and similar income and expenses	-12,948		6,838	-17,782		7,738
Fees and commissions	136		-291	57		-587
Net gain or loss on financial transactions	16,808		0	16,808		9,004
Net income from other activities						
Total net banking income with related parties	**3,996**	**0**	**6,547**	**-917**	**0**	**16,155**
Commitments given	435,153		70,152	435,153		84,271
Commitments received						
Commitments in respect of forward financial instruments			192,693			242,156
Total commitments involving related parties	**435,153**	**0**	**262,845**	**435,153**	**0**	**326,427**

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

	Securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitisations	31/12/2016
in thousands of euros	NAV	NAV	NAV	NAV	**NAV**
Financial assets pledged as collateral					
Financial liabilities held for trading	**657,748**	**1,746,226**	**499,128**	**0**	**2,903,102**
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	**1,173,601**	**1,956,178**	**1,815,967**	**0**	**4,945,746**
Loans and receivables	**0**	**300,016**	**593,981**	**0**	**893,997**
Assets held to maturity	**0**	**0**	**0**	**0**	**0**
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**1,831,349**	**4,002,420**	**2,909,076**	**0**	**8,742,845**
of which transferred financial assets not wholly derecognised	*1,831,349*	*4,002,420*	*2,909,076*	*0*	*8,742,845*

The liabilities arising from financial assets not wholly derecognised in the context of repurchase agreements amounts to €3,978,000.

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

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

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

	Reusable financial instruments			
In thousands of euros	Fair value of reusable financial instruments not reused 31/12/2016	Fair value of those that are reused 31/12/2015	Fair value of reusable financial instruments not reused 31/12/2016	Fair value of those that are reused 31/12/2015
Fixed-income securities	2,423,645	3,963,307	3,481,693	360,202
Variable-income securities	4,175,205	2,833,925	113,405	36,099
Loans and advances	0	0	0	0
Others	0	0	0	0
TOTAL FINANCIAL ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR RE-PLEDGED	**6,598,850**	**6,797,232**	**3,595,098**	**396,301**

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

None.

NOTE 14

INFORMATION ON FINANCING LEASE AND OPERATING LEASE TRANSACTIONS

14.1 Lease transactions as a lessor

	31/12/2016				31/12/2015			
	Remaining maturity				Remaining maturity			
in thousands of euros	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total Trading	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total Trading
Finance leasing								
Gross investment	54,711	105,549	2,893	163,153	0	0	0	0
Present value of the minimum lease payments due	0	0	0	0	0	0	0	0
Unearned finance income	0	0	0	0	0	0	0	0
Operating lease								
Minimum payments receivable for non-terminable leases	1,508	0	0	1,508	0	0	0	0

	31/12/2016			31/12/2015		
in thousands of euros	Real estate assets	Movable assets	Total Trading	Real estate assets	Movable assets	Total Trading
Finance leasing						
Unguaranteed residual value accruing to the lessor	0	163,153	163,153	0	0	0

CONTINGENT RENTS FOR THE PERIOD STATED UNDER INCOME

in thousands of euros	2016	2015
Finance leasing		
Operating lease	3,281	4,981

14.2 Lease transactions as a lessee

FIXED ASSETS BY CATEGORY

	31/12/2016			31/12/2015		
in thousands of euros	Real estate assets	Movable assets	Total Trading	Real estate assets	Movable assets	Total Trading
Finance leasing						
Carrying amount	0	0	0	0	0	0

MINIMUM FUTURE PAYMENTS

	31/12/2016				31/12/2015			
	Remaining maturity				Remaining maturity			
in thousands of euros	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total Trading	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total Trading
Operating lease								
Minimum future payments payable for non-terminable leases	14,833	6,776	0	21,609	14,322	8,012	0	22,334
Minimum future payments receivable for non-terminable subleases				151				146

ITEMS RECOGNISED IN PROFIT OR LOSS

in thousands of euros	**2016**	2015
Operating lease		
Minimum payments	25,076	24,091
Contingent rents included under expenses for the period		
Income from subleasing		

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.

	31/12/2016				31/12/2015			
in thousands of euros	**Fair value**	Price quoted on an active market (level 1)	Measurement techniques using non-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	**10,818,065**	0	8,908,514	1,909,551	**8,915,647**		8,164,977	750,670
Loans and receivables due from customers	**19,694,639**	0	5,666,576	14,028,063	**17,060,417**		3,545,572	13,514,845
Held to maturity financial assets	**1,020,350**	1,020,350	0	0	**1,060,758**	1,060,758		
FINANCIAL LIABILITIES AT AMORTISED COST								
Amounts due to credit institutions	**10,369,805**	0	10,369,805	0	**7,804,762**		7,804,762	
Amounts due to customers	**31,761,922**	0	26,876,768	4,885,154	**28,006,970**		23,064,576	4,942,394
Debt securities	**6,136,122**	0	6,136,122	0	**3,660,303**		3,598,438	61,865
Subordinated debt	**294,159**	0	293,676	483	**342,888**		342,405	483

NOTE 16

CONDITIONS FOR DRAWING UP COMPARATIVE DATA

Not applicable in 2016.

NOTE 17

INTERESTS IN NONCONSOLIDATED STRUCTURED ENTITIES

17.1 Nature of interests in nonconsolidated 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,).

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 relation 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 31/12/2016**
Financial assets at fair value through profit or loss	**0**	**692,964**	**26,695**	**0**	**719,659**
Trading derivatives	0	0	26,695	0	26,695
Trading financial instruments (excluding derivatives)	0	692,964	0	0	692,964
Financial instruments designated at fair value through profit or loss by option	0	0	0	0	0
Available-for-sale financial assets	0	509,334	21,880	27,074	558,288
Loans and receivables	0	7,236	575,720	0	582,956
Held to maturity financial assets	0	0	0	0	0
Other assets	0	0	0	0	0
TOTAL ASSETS	**0**	**1,209,534**	**624,295**	**27,074**	**1,860,903**
Financial liabilities at fair value through profit or loss	0	3,886	0	0	3,886
Provisions	0	0	0	0	0
TOTAL LIABILITIES	**0**	**3,886**	**0**	**0**	**3,886**
Financing commitments given	0	6,166	182,262	0	188,428
Guarantee commitments given	0	18,296	105,874	0	124,170
Guarantees received	0	0	0	0	0
Notional amount of derivatives	0	0	0	0	0
MAXIMUM LOSS EXPOSURE	**0**	**1,233,996**	**912,431**	**27,074**	**2,173,501**
SIZE OF STRUCTURED ENTITY	**0**	**34,312,583**	**995,568**	**841,118**	**36,149,269**

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**

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 2016, BRED also had investments in securitisation vehicles outside Groupe BPCE in the form of debt securities, for a total amount of €1.449 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

In 2016, the consolidation scope included 40 companies, including 34 fully or proportionally consolidated companies and 6 consolidated using the equity method.

Changes in the consolidation scope since 1 January 2016:

- entry of BRED Cambodia - Banking licence obtained in January 2017
- entry of Perspectives Entreprises
- acquisition of Socama Normandie by Socama BRED

	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 Financial undertakings – Credit institutions	F		
Banque Franco Lao – 23 Singha Road – 159 Nongbone – Vientiane – LAO	NF	54.00	54.00
BCI Mer Rouge – place Lagarde – Djibouti	NF	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	NF	100.00	99.99
BRED Bank Fidji ltd – 96, Thomson Street – Suva – Fiji Islands	NF	100.00	100.00
BRED Bank Cambodia – 30 Norodom bld, Phnom Penh – Cambodia	NF	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	NF	85.00	85.00
EPBF – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	NF	100.00	100.00
Socama BRED – 18, quai de la Rapée – 75012 Paris	F	100.00	6.79
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	NF	100.00	100.00
NJR Finance BV – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	NF	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	NF	100.00	100.00
BRED IT – Thai Wah Tower – Sathorn District – Bangkok – Thailand	NF	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	NF	100.00	100.00
IRR Invest – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	NF	100.00	100.00
Perspectives Entreprises – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00
Perspectives et Participations – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00
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

	Nationality (F: French) (NF: non-French)	Voting interest (%)	Ownership interest (%)
CONSOLIDATED UNDER THE EQUITY METHOD			
Credit institutions			
ACLEDA 61 Preah Monivong Blvd – Kahn Daun Penh – Cambodia	NF	12.25	12.25
BCEL – 1, Pangkam street – Bang Xiengnheun, Vientiane, Laos	NF	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	NF		100.00

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.

FOR COMPANIES EXCLUDED FROM CONSOLIDATION BY THE GROUP:

	Registered office	Voting interest (%)	Holding company	Amount of the equity interest in K€	Reason for non-Consolidation
EURL Labourdonnais	REUNION	100.00	SOFIDER	3,062	Not significant
Acleda MFI Myanmar	LAOS	15.00	Cofibred	1,030	Not significant

FOR SIGNIFICANT NON-CONSOLIDATED EQUITY SECURITIES THAT FALL OUTSIDE OF THE CONSOLIDATION SCOPE:

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**
Amounts in thousands of euros				Gross	Net				
SCI LE LYS ROUGE	9,022	-922	99.93	9,015	9,015			641	173
SAS Mone	9,595	-706	95.00	9,114	9,114			443	-144
BPCE	155,742	15,443,536	4.95	718,425	718,425		0	280,552	461,436
BP Développement	460,481	183,063	4.32	27,074	27,074			68,671	53,572

NOTE 19

STATUTORY AUDITORS' FEES

	KPMG			
	Montant		**%**	
Amounts in thousands of euros	**2016**	2015	**2016**	2015
Assignments to certify the statements (1)	**493**	**459**	**63.9**	**65.4**
Issuer	*232*	*230*		
Fully integrated subsidiaries	*260*	*229*		
Services other than certifying statements	**278**	**243**	**36.1**	**34.6**
Issuer	*101*	*57*		
Fully integrated subsidiaries	*178*	*186*		
TOTAL	**771**	**702**	**100%**	**100%**
Change (%)		**9.80%**		

(1) Including the services of independent experts or members of the Auditor's network used by the Auditor to certify the financial statements

	PWC				TOTAL			
	Montant		%		Montant		%	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	561	**486**	**97.4**	**89.8**	**1,054**	**945**	**78.2**	**76.0**
	257	*230*			*489*	*460*		
	304	*256*			*565*	*485*		
	15	**55**	**2.6**	**10.2**	**293**	**298**	**21.8**	**24.0**
	15	*55*			*116*	*112*		
	0	*0*			*178*	*186*		
	576	**541**	**100%**	**100%**	**1,347**	**1,243**	**100**	**100**
	6.50%				**8.40%**			

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 31 December 2016

To the cooperative members

BRED Banque Populaire

18, quai de la Rapée 75012 Paris

Dear Sir/Madam,

In fulfilment of the assignment entrusted to us by your General Meeting, we hereby submit our report related to the period ended 31 December 2016, on:
- the audit of the consolidated 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 consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with French professional standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or using other methods of selection, the evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, as well as their overall presentation. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements are free from material misstatement and give a true and fair view of the assets and liabilities and of the financial position of the Group formed by the companies and other entities included within the consolidation scope, and of the results of its operations, in accordance with IFRS as adopted by the European Union.

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:

Provisions for credit risk

As stated in notes 4.1.7, 5.6 and 5.6 to the consolidated financial statements, your Group records impairment provisions and other provisions to cover the credit risks associated with its operations. In the course of our assessment of the significant estimates used to prepare the financial statements, we examined the control systems applicable to the monitoring of credit and counterparty risk, the assessment of the risk of non-recovery, and the determination of individual and collective impairment provisions and other provisions to cover these risks.

Impairment provisions for available-for-sale financial assets

Your Group records impairment provisions for available-for-sale financial assets (see notes 4.1.7 and 5.4 to the consolidated financial statements):
- for equity instruments when there is objective evidence of a significant or prolonged decline in their value;
- for debt instruments when there is a known counterparty risk.

We examined the control systems applicable to the identification of indications of impairment losses, the measurement of the most important lines and the estimates that, where applicable, resulted in impairment provisions being recognised. Note 4.1.6 clarifies the approach adopted for the valuation of BPCE securities.

Measurement of securities portfolio and financial instruments

Your Group holds positions in securities and other financial instruments. Notes 4.1.2, 4.1.3, 4.1.4, 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.

Deferred tax

Your Group recognises deferred tax (notes 4.12 and 5.9). We reviewed the main estimates and assumptions leading to the recognition of this deferred tax.

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 5.20.3 to the consolidated financial statements provide the relevant information.

hese 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

As provided for by law, and in accordance with French professional standards, we also specifically verified the information about the Group contained in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, 28 April 2017

The Statutory Auditors

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

Company financial statements

BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

Assets

in thousands of euros	Notes	31/12/2016	31/12/2015
Cash and balances with central banks		**8,312,808**	4,739,748
Treasury bills and similar securities	3.3	**7,422,097**	7,611,036
Amounts due from credit institutions	3.1	**11,603,318**	9,546,421
Amounts due from customers	3.2	**16,234,172**	12,903,041
Bonds and other fixed income securities	3.3	**5,102,476**	4,986,776
Shares and other variable-income securities	3.3	**1,804,494**	1,198,360
Equity interests and other long-term investments	3.4	**778,800**	751,662
Investments in affiliates	3.4	**1,014,000**	985,540
Finance and operating leases	3.5	**0**	0
Intangible assets	3.6	**10,816**	3,776
Property, plant and equipment - Land and buildings	3.6	**222,214**	228,218
Other assets	3.8	**1,961,980**	1,415,337
Accruals and deferred income	3.9	**1,387,387**	1,255,589
TOTAL ASSETS		**55,854,562**	**45,625,504**

OFF-BALANCE SHEET	Notes	31/12/2016	31/12/2015
Commitments received			
Financing commitments	4.1	3,572,027	3,510,739
Guarantee commitments	4.1	1,682,855	1,795,153
Commitments in respect of securities		1,807,365	209,355

Liabilities

in thousands of euros	Notes	31/12/2016	31/12/2015
Amounts due from central banks		**0**	**0**
Amounts due to credit institutions	3.1	**10,981,663**	**8,180,756**
Amounts due from customers	3.2	**30,931,147**	**27,277,673**
Debt securities	3.7	**6,119,679**	**3,795,193**
Other liabilities	3.8	**2,101,978**	**1,549,093**
Accruals and deferred income	3.9	**2,566,528**	**1,998,274**
Provisions	3.10	**243,634**	**242,546**
Subordinated debt	3.11	**269,077**	**302,726**
Fund for general banking risks (FGBR)	3.12	**172,908**	**158,908**
CAPITAL AND RESERVES (EXCLUDING FGBR)	3.13	**2,467,948**	**2,120,335**
Share capital		839,839	683,808
Share premium account		7,482	7,482
Reserves		1,286,337	1,130,209
Revaluation reserve		0	0
Regulated provisions and investment subsidies		3,269	17,280
Retained earnings		110,000	110,000
Net profit for the year (+/-)		221,021	171,556
TOTAL LIABILITIES		**55,854,562**	**45,625,504**

OFF-BALANCE SHEET	Notes	31/12/2016	31/12/2015
Commitments received			
Financing commitments	4.1	6,274,221	4,827,092
Guarantee commitments	4.1	3,368,441	2,769,244
Commitments in respect of securities		1,762,898	293,531

INCOME STATEMENT

in thousands of euros	Notes	31/12/2016	31/12/2015
Interest and similar income	5.1	603,183	657,265
Interest and similar expense	5.1	-257,860	-320,238
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	21,580	19,848
Fee and commission income	5.4	412,211	401,138
Fee and commission expense	5.4	-96,216	-96,407
Gains or losses on trading securities	5.5	179,963	148,189
Gains or losses on available for sale securities and similar	5.6	31,795	34,631
Other operating banking income	5.7	16,220	21,776
Other operating banking expense	5.7	-12,601	-1,092
Net banking income		**898,274**	**865,110**
Operating expenses	5.8	-541,136	-515,924
Depreciation, amortisation and impairment of non-current assets		-31,707	-30,136
Gross operating profit		**325,431**	**319,050**
Cost of risk	5.9	-47,303	-59,431
Operating profit		**278,128**	**259,620**
Gains or losses on non-current assets	5.10	21,632	2,447
Pre-tax profit on ordinary activities		**299,760**	**262,066**
Non-recurring items	5.11	0	0
Income tax	5.12	-78,750	-90,511
Net transfer to/from the fund for general banking risks and regulated provisions		11	1
NET PROFIT FOR THE YEAR		**221,021**	**171,556**

NOTE 1
GENERAL BACKGROUND

1.1 Significant events

Increase in the capital of BRED Banque Populaire

In December 2016 BRED Banque Populaire raised its share capital to €839,838,568.09 through a cash capital increase and the capitalisation of reserves.

Subscriptions in cash took the form of the issue of 14,810,661 shares of 10.26 euros, ie 151,957,381.86 euros.

The capitalisation of reserves amounted to €4,072,931.95 through the increase from €10.26 to €10.31 of the par value of the shares.

Purchase of BPCE securities

On 22 December 2016, BRED Banque Populaire purchased 44,708 Class B shares in the Company BPCE with CASDEN Banque Populaire at the price of € 24,999,819.44.

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 15 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.

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.

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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 71.03% 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 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, 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 2016 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 R.515-1 of the French Monetary and Financial Code.

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

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

1.3 Events after the end of the reporting period

None.

NOTE 2
ACCOUNTING POLICIES AND PRINCIPLES

2.1 Measurement and presentation methods

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

2.2 Changes in accounting methods

The financial statements for 2016 have not been affected by any accounting method changes.

The texts adopted by the ANC with mandatory application in 2016 have had no significant impact on the institution's individual accounts.

The institution 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:

- Growing 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 ***prorata temporis*** basis. Other foreign exchange contracts and forward and futures instruments denominated in foreign currencies are valued at market price. Outright foreign exchange forward and futures contracts, and those hedged by forward and futures instruments, are revalued over their remaining term. Foreign exchange swaps are recognised as coupled buy/sell spot/forward currency transactions. Financial currency swaps are subject to the provisions of ANC Regulation No. 2014-07.

2.3.2 Transactions with credit institutions and customers

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

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

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

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

Restructured loans

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

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

A restructured loan may be reclassified as a performing loan subject to compliance with the new repayment schedule. 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.

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 needing a change of strategy;
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 needing a change of strategy;
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 5 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 - Land and buildings

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
Facades, roofing and water-proofing	20 to 40 years
Foundations and framework	30 to 60 years
Renovations	10 to 20 years
Technical equipment and installations	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.

4

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

- at-risk savings correspond to the uncertain future level of savings for plans in existence at the date the provision is calculated. This is estimated on a statistical basis for each future period taking into account customer behaviour patterns, and corresponds to the difference between the probable savings and the minimum expected savings;
- • at-risk loans correspond to the outstanding loans granted but not yet due at the calculation date plus statistically probable outstanding loans based on customer behaviour patterns as well as earned and estimated future rights relating to regulated home savings accounts and plans.

Earnings of future periods over the savings phase are estimated, for a given generation of contracts, as the difference between the regulated rate offered and the expected interest accruing on a rival savings product.

Earnings of future periods over the loan phase are estimated as the difference between the rate set at inception for PEL contracts or a rate contingent on the savings phase for CEL contracts, and the forecast interest rate on home loans in the non-regulated sector.

Where the algebraic sum of the Bank's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Bank, a provision is recognised, with no offset between the different generations. The obligations are estimated using the Monte Carlo method to reflect the uncertainty of future interest rate trends and their impact on customer behaviour models and at-risk outstandings.

These provisions are recognised under liabilities in the balance sheet and changes are recorded in net banking income.

2.3.9 Fund for general banking risks

This fund is intended to cover risks inherent in the company's banking activities, in accordance with the provisions of Article 3 of CRBF Regulation No. 90-02.

It also includes the amounts allocated to the Regional Solidarity Fund (Fonds Régional de Solidarité) and to the funds set up under the guarantee mechanism (see note 1.2).

2.3.10 Forward financial instruments

Trading and hedging transactions in interest rate, currency or equity futures and forwards are recognised in accordance with the provisions of ANC Regulation No. 2014-07.

The commitments arising from these transactions are recorded as off-balance sheet items at the nominal value of the contracts. The amount recognised in respect of these commitments represents the volume of unwound transactions at the balance sheet date.

The accounting policies applied differ according to the type of instrument and the original purpose of the transaction.

Firm transactions

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

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

Amounts received or paid in respect of the first two categories are recognised in income on a ***prorata 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 macrohedging 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 ***prorata 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 a liability is positive, it is recorded in the income statement as a deduction from interest expenses;

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

The deposit and resolution guarantee fund methods were amended by an Order of 27 October 2015. In 2016, the French regulator 'Autorité de Contrôle Prudentiel et de Résolution' (ACPR), through decision No. 2016-C-51 of 10 October 2016, approved a stock contribution calculation method for the deposit mechanism. For the deposit guarantee fund, the cumulative amount of the contributions paid into the fund via the deposits, guarantees and securities mechanism was €30 million. Non-reimbursable contributions in the event of voluntary licence withdrawal amounted to €8.8 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 €21.2 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 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 (Single Resolution Board). The resolution authority may call on the fund in connection with the implementation of resolution procedures.

In 2016, pursuant to Delegated Regulation 2015/63 and implementing regulation 2015/81, supplementing the BRRD Directive with regard to ex-ante contributions to resolution financing arrangements, the Single Resolution Board has determined the contributions for 2016. For 2016, the amount of contributions paid available in the fund was €10.3 million, of which €8.8 million was recognised as an expense and €1.5 million took the form of cash guarantee deposits recorded on the assets side of the balance sheet (15% in the form of cash guarantee deposits). The accumulation of contributions recorded on the assets side of the balance sheet amounted to €3.5 million.

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	31/12/2016	31/12/2015
Receivable on demand	**299,330**	**498,349**
Current accounts	*298,301*	*496,375*
Overnight loans and advances	*1,029*	*1,973*
Securities purchased under overnight repurchase agreements	*0*	*0*
Non-allocated items	**261**	**1,012**
Receivable at term	**11,286,151**	**9,033,082**
Term loans and advances	*3,763,099*	*2,207,990*
Subordinated loans and participating loans	*0*	*20,000*
Securities purchased under term repurchase agreements	*7,523,052*	*6,805,091*
Accrued interest	**17,576**	**13,979**
Non-performing loans and receivables	**1**	**1**
o/w irrecoverable non-performing loans	*1*	*1*
Impairment of interbank loans and receivables	**-1**	**-1**
o/w impairment of irrecoverable non-performing loans	*-1*	*-1*
TOTAL	**11,603,318**	**9,546,421**

Receivables arising from transactions with the network amounted to €210 million in demand loans and advances and €602.3 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 €1,865.5 million at 31 December 2016.

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 2016.

LIABILITIES

in thousands of euros	31/12/2016	31/12/2015
Payable on demand	**1,230,610**	**831,329**
Credit balances on ordinary accounts	*638,410*	*683,704*
Overnight loans and advances	*592,200*	*147,625*
Securities sold under overnight repurchase agreements	*0*	*0*
Other amounts due	**30,793**	**22,072**
Payable at term	**9,708,555**	**7,313,041**
Term deposits and loans	*7,410,673*	*3,851,572*
Securities sold under term repurchase agreements	*2,297,882*	*3,461,470*
Related liabilities	**11,705**	**14,313**
TOTAL	**10,981,663**	**8,180,756**

Liabilities arising from transactions with the network amounted to €8 million in demand loans and advances and €2,422.3 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	31/12/2016	31/12/2015
Customer accounts in debit	**1,159,205**	**1,065,463**
Commercial receivables	**182,640**	**143,985**
Other loans to customers	**14,418,380**	**11,225,155**
Repurchase agreements	*3,302*	*2,764*
Cash facilities and consumer credit	*3,184,783*	*1,626,164*
Equipment loans	*4,308,798*	*4,653,515*
Home loans	*5,420,707*	*4,393,105*
Other facilities to customers	*12,710*	*8,175*
Securities purchased under repurchase agreements	*1,418,079*	*471,431*
Subordinated loans	*70,000*	*70,000*
Others		
Accrued interest	**203,051**	**223,719**
Non-performing loans and receivables	**620,409**	**581,261**
Impairment of loans and advances to customers	**-349,513**	**-336,542**
TOTAL TRADING	**16,234,172**	**12,903,041**

Amounts due from customers eligible for refinancing by the French Central Bank or the European Central Bank system totalled: €4,469.8 million.

Amounts due to customers

LIABILITIES

in thousands of euros	31/12/2016	31/12/2015
Regulated savings accounts	**4,938,346**	**4,833,671**
Livret A	*1,048,703*	*988,685*
PEL / CEL	*1,780,264*	*1,697,623*
Other regulated savings accounts	*2,109,380*	*2,147,362*
Other customer accounts and loans [1]	**25,892,865**	**22,334,346**
Guarantee deposits	**28,471**	**42,216**
Other amounts due	**38,489**	**28,920**
Related liabilities	**32,976**	**38,520**
TOTAL TRADING	**30,931,147**	**27,277,673**

(1) Breakdown of customer accounts and loans

	31/12/2016			31/12/2015		
in thousands of euros	DEMAND	TERM	Total Trading	DEMAND	TERM	Total Trading
Credit balances on ordinary accounts	12,098,085	0	12,098,085	11,297,062	0	11,297,062
Loans from financial customers	6,380,794	1,445,247	7,826,041	6,640,330	649,467	7,289,797
Securities sold under repurchase agreements	300,000	1,655,084	1,955,084	992,505	91,734	1,084,240
Other customer accounts and loans	0	4,013,655	4,013,655	0	2,663,248	2,663,248
TOTAL TRADING	**18,778,879**	**7,113,986**	**25,892,865**	**18,929,897**	**3,404,449**	**22,334,346**

3.2.2 Analysis of loans and advances by economic agent

		Non-performing loans and receivables		o/w irrecoverable non-performing loans	
in thousands of euros	Performing loans	Gross	Individual impairment	Gross	Individual impairment
Non-financial companies	7,328,781	420,353	-259,195	284,443	-202,116
Self-employed professionals	782,661	49,719	-21,132	29,313	-17,378
Retail	5,758,285	141,355	-61,353	85,233	-55,286
Private sector administrations	61,750	8,284	-6,421	1,618	-1,460
Social security and public administrations	333,995	-1	0	0	0
Others	279,723	699	-1,412	0	0
TOTAL AT 31 DECEMBER 2016	**14,545,196**	**620,409**	**-349,513**	**400,607**	**-276,240**
Total at 31 December 2015	12,186,891	581,261	-336,542	398,915	-261,577

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

3.3.1 Securities portfolio

In thousands of euros	31/12/2016 Trading	Available for sale securities	Held to maturity securities	Portfolio securities	Total Trading	31/12/2015 Trading	Available for sale securities	Held to maturity securities	Portfolio securities	Total Trading
Treasury bills and similar securities	**3,124,625**	**3,703,458**	**594,014**		**7,422,097**	**1,871,483**	**4,978,098**	**761,454**		**7,611,036**
Gross amount	3,124,723	3,695,886	587,173		7,407,782		4,973,528	752,034		5,725,561
Accrued interest	-98	10,788	6,841		17,531		8,562	9,420		17,982
Impairment	0	-3,216			-3,216		-3,992			-3,992
Bonds and other fixed income securities	**1,655,615**	**3,377,331**	**69,530**		**5,102,476**	**1,196,744**	**3,733,486**	**56,547**		**4,986,776**
Gross amount		3,370,981	68,535		3,439,516		3,724,534	56,481		3,781,015
Accrued interest		10,541	995		11,536		11,906	66		11,972
Impairment		-4,191	0		-4,191		-2,955	0		-2,955
Shares and other variable-income securities	**1,548,829**	**255,665**		**0**	**1,804,494**	**938,992**	**259,368**		**0**	**1,198,360**
Gross amounts		264,151		0	264,151		267,039		0	267,039
Accrued interest					0					0
Impairment		-8,486		0	-8,486		-7,671		0	-7,671
TOTAL TRADING	**6,329,068**	**7,336,454**	**663,544**	**0**	**14,329,066**	**4,007,218**	**8,970,952**	**818,000**	**0**	**13,796,171**

For treasury bills and similar securities, the amount of receivables representing lent securities at 31/12/2016 was €1.64 million.

The market value of held to maturity securities was €802.5 million.

Unrealised capital gains and losses of all securities "available for sale" and "held to maturity" were €297.1 million and €24.3 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	31/12/2016 Trading	Available for sale securities	Held to maturity securities	Total Trading	31/12/2015 Trading	Available for sale securities	Held to maturity securities	Total Trading
Listed securities	2,806,128	3,937,291	587,173	7,330,592	2,056,175	6,071,588	752,034	8,879,796
Unlisted securities	817,331	1,716,602	68,535	2,602,468	542,047	2,619,528	56,481	3,218,056
Securities loaned	657,748	1,405,570	0	2,063,318	0	0	0	0
Securities borrowed	499,128	0	0	499,128	470,005	0	0	470,005
Non-performing loans and receivables	0	0	0	0	0	0	0	0
Accrued interest	-98	21,329	7,836	29,067	0	20,468	9,487	29,955
TOTAL TRADING	**4,780,237**	**7,080,792**	**663,544**	**12,524,573**	**3,068,227**	**8,711,584**	**818,001**	**12,597,812**
o/w subordinated notes	*2,460*	*35,049*	*0*	*37,509*	*76*	*35,027*	*0*	*35,103*

Unrealised capital losses giving rise to an impairment provision on the disposal of available for sale securities amounted to €15.9 million at 31 December 2016 compared with €6.9 million at 31 December 2015.

Unrealised capital gains on available for sale securities amounted to €68.1 million at 31 December 2016 compared with €23.6 million at 31 December 2015.

Unrealised capital gains on held to maturity securities amounted to €139.0 million at 31 December 2016. At 31 December 2015, unrealised capital gains on held to maturity securities amounted to €159.5million.

Unrealised capital losses on held to maturity securities amounted to €0 million at 31 December 2016 compared with €0.15 million at 31 December 2015. Moreover, both at 31 December 2016 and at 31 December 2015, held to maturity securities suffered no impairment in respect of counterparty risk.

At 31 December 2016, bonds and other fixed-income securities issued by public bodies amounted to €336.1 million compared with €366.5 million at 31 December 2015.

SHARES AND OTHER VARIABLE-INCOME SECURITIES (NET AMOUNTS)

	31/12/2016				31/12/2015			
	Trading				Trading			
in thousands of euros	Trading	Available for sale securities	Portfolio securities	Total Trading	Trading	Available for sale securities	Portfolio securities	Total Trading
Listed securities	1,531,312	78,467		1,609,779	938,871	108,871		1,047,742
Unlisted securities	17,518	177,197		194,715	120	150,497		150,617
Accrued interest				0				0
TOTAL TRADING	**1,548,830**	**255,664**	**0**	**1,804,494**	**938,992**	**259,368**	**0**	**1,198,360**

At 31 December 2015, shares and other variable-income securities included €166.3 million of UCITS compared with €243.7 million at 31 December 2015.

In the case of available for sale securities, unrealised capital losses giving rise to an impairment provision amounted to €8.5 million at 31 December 2016 compared with €7.7 million at 31 December 2015.

Unrealised capital gains on available for sale securities amounted to €90.0 million at 31 December 2016 compared with €117.5 million at 31 December 2015.

3.3.2 Changes in held to maturity securities

In thousands of euros	31/12/2015	Purchased	Disposals	Redeemed	Converted	Discount or premium	Transferred	Other changes	31/12/2016
Treasury bills	752,034			-165,597		736			587,173
Bonds and other fixed income securities	56,481	50,000		-39,800	1,854				68,535
TOTAL TRADING	**808,515**	**50,000**	**0**	**-205,397**	**1,854**	**736**	**0**	**0**	**655,708**

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
Type of reclassification	Previous years	Securities matured at 31/12/2016	31/12/2016			
From trading securities to held to maturity securities						
From trading securities to available for sale securities						
From available for sale securities toheld to maturity securities	1,559,377	-953,670	605,707		-43,235	43,869

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.

II. Reclassification due to a change of intention *(CRB 90-01 provisions prior to the CRC 2008-17 replaced by ANC Regulation No. 2014-07)*

Over the past 2 years, the BRED Banque Populaire performed no asset reclassification in accordance with the CRB 90-01 provisions prior to CRC 2008-17 replaced by ANC Regulation No. 2014-07.

In thousands of euros

Original portfolio	New portfolio	Amount transferred during the year	
		at 31/12/2016	at 31/12/2015
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	01/01/2016	Increase	Decrease	Converted	Other changes	31/12/2016
Gross amount	**1,737,304**	**54,170**	**0**	**1,438**	**0**	**1,792,912**
Equity interests and other long-term investments	*751,764*	*27,148*				*778,912*
Investments in affiliates	*985,540*	*27,022*		*1,438*		*1,014,000*
Impairment	**-102**	**-10**		**0**	**0**	**-112**
Equity interests and other long-term investments	*-102*	*-10*				*-112*
Investments in affiliates	*0*					*0*
NET LONG-TERM INVESTMENTS	**1,737,202**	**54,160**	**0**	**1,438**	**0**	**1,792,800**

Shares in non-trading real estate companies recorded under long-term investments amounted to €9 million at 31 December 2016, unchanged relative to 31 December 2015.

Other long-term investments include in particular the deposit guarantee fund association certificates (€4.5 million) and the deposit guarantee fund associate certificates (€3.5 million).

The value of the central institution's securities was determined by calculating revalued net assets including the revaluation of the main BPCE subsidiaries.

The main BPCE subsidiaries are valued using updated multi-year forecasts of expected dividend flows (***Dividend Discount Model***). The forecasts of expected dividend flows are based on the business and strategic plans of the entities concerned, and on the technical parameters deemed reasonable. In particular, the valuation took into account the prudential constraints that apply to the activities in question.

BPCE's revalued net assets incorporate the intangible assets held by BPCE as well as the structural expenses of the central institution.

At 31 December 2016, the carrying amount for BPCE securities was €718 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
Amounts 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	656,015	468,896	100.00	985,540	985,540			18,980	13,249	
BRED Bank Cambodia	27,118	0	100.00	28,460	28,460				-1,425	
SCI LE LYS ROUGE	9,022	-749	99.93	9,015	9,015			627	173	
SAS Mone	9,595	-850	95.00	9,114	9,114			443	-119	
BPCE	155,742	15,443,536	4.95	718,425	718,425		0	280,552	461,436	16,808
BP Développement	460,481	183,063	4.32	27,074	27,074			68,671	53,572	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				8,078	8,078					0
Equity interests in French companies				6,616	6,504					31
Equity interests in foreign companies				590	590					26
o/w equity interests in listed companies				105	105					26

3.4.3 Companies established with unlimited liability

Name	Registered office	Legal form
Le Lys Rouge	c/o I2F, 10, rue Jean Jaurès – 98851 – Noumea	Non-trading real estate company (SCI)
SIEDAG	18, quai de la Rapée 75012 Paris	Economic interest grouping (EIG)
SOCAMA	18, quai de la Rapée 75012 Paris	Economic interest grouping (EIG)
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	31/12/2016	31/12/2015
Receivables	**1,459,325**	**2,584,702**	**4,044,027**	**4,263,589**
o/w subordinated	*-*	*70,000*	*70,000*	*90,000*
Debt	**711,925**	**1,057,582**	**1,769,507**	**1,843,637**
o/w subordinated				
Commitments received	**192,947**	**135**	**193,082**	**144,582**
Financing commitments	*107,891*	*-*	*107,891*	*95,000*
Guarantee commitments	*85,056*	*135*	*85,191*	*49,582*
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	01/01/2016	Increase	Decrease	Other movements	31/12/2016
Gross amount	**60,388**	**12,610**	**-7,866**	**0**	**65,132**
Lease rights and business assets	39,105	507	-637	0	38,975
Software	20,706	5,482	-6,961	0	19,227
Others	577	6,621	-268		6,930
Depreciation and impairment	**-56,612**	**-5,302**	**7,598**	**0**	**-54,316**
Lease rights and business assets	-37,995	-336	638	0	-37,693
Software	-18,617	-4,966	6,960	0	-16,623
Others		0		0	
NET CARRYING AMOUNT	**3,776**	**7,308**	**-268**	**0**	**10,816**

3.6.2 Property, plant and equipment

In thousands of euros	01/01/2016	Increase	Decrease	Other movements	31/12/2016
Gross amount	**446,049**	**34,343**	**-78,531**	**0**	**401,861**
Operating property, plant and equipment	***440,363***	***34,249***	***-77,145***	***0***	***397,467***
Land	67,439	0	-6,148	0	61,291
Buildings	165,813	2,398	-30,407	0	137,804
Shares in non-trading real estate companies		0	0	0	
Others	207,111	31,851	-40,590	0	198,372
Property, plant and equipment not used in operations	***5,686***	***94***	***-1,386***	***0***	***4,394***
Depreciation and impairment	**-217,831**	**-26,406**	**64,590**	**0**	**-179,647**
Operating property, plant and equipment	***-215,371***	***-26,197***	***63,519***	***0***	***-178,049***
Land					
Buildings	-86,279	-5,565	27,461	0	-64,383
Shares in non-trading real estate companies		0	0	0	
Others	-129,092	-20,632	36,058	0	-113,666
Property, plant and equipment not used in operations	***-2,460***	***-209***	***1,071***	***0***	***-1,598***
NET CARRYING AMOUNT	**228,218**	**7,937**	**-13,941**	**0**	**222,214**

3.7 Debt securities

in thousands of euros	31/12/2016	31/12/2015
Short-term notes and savings certificates	650	850
Interbank market instruments and negotiable debt securities	5,918,800	3,593,602
Bonds	196,400	196,400
Other debt securities	0	0
Related liabilities	3,829	4,341
TOTAL TRADING	**6,119,679**	**3,795,193**

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3.8 Other assets and liabilities

In thousands of euros	31/12/2016 Assets	31/12/2016 Liabilities	31/12/2015 Assets	31/12/2015 Liabilities
Securities settlement accounts	0	0	0	29
Premiums on options purchased and sold	56,446	48,706	20,261	8,470
Debts in respect of securities borrowed and other securities transactions	0	1,182,737	0	649,347
Tax and social security receivables and debts	30,198	119,755	44,679	111,145
Guarantee deposits received and paid	0	58	0	965
Sundry debtors and sundry creditors	1,875,336	750,722	1,350,397	779,137
TOTAL	**1,961,980**	**2,101,978**	**1,415,337**	**1,549,093**

3.9 Accruals and deferred income

In thousands of euros	31/12/2016 Assets	31/12/2016 Liabilities	31/12/2015 Assets	31/12/2015 Liabilities
Foreign exchange commitments	566,562	763,333	474,754	638,011
Deferred gains and losses on hedging forward financial instruments	52,480	523,767	82,218	239,543
Prepaid expenses and deferred income	39,597	254,495	38,451	251,879
Accrued income and accrued expenses	615,041	658,760	553,300	521,413
Items in process of collection	85,775	317,795	79,886	313,478
Others	27,932	48,378	26,979	33,951
TOTAL	**1,387,387**	**2,566,528**	**1,255,589**	**1,998,274**

3.10 Provisions

3.10.1 Statement of changes in provisions

In thousands of euros	01/01/2016	Provisions made	Utilised	Provisions written back	31/12/2016
Provisions for counterparty risks	**133,404**	**18,398**	**-8,145**	**0**	**143,657**
Provisions for employee benefit obligations	**82,867**	**11,710**	**-4,702**	**-7,437**	**82,438**
Provisions for home saving plans (PEL) and home savings accounts (CEL)	**26,275**	**0**	**-8,736**	**0**	**17,539**
Other provisions for liabilities	**0**	**0**	**0**	**0**	**0**
Securities portfolio and forward financial instruments					
Long-term investments					
Property development					
Provisions for taxes					
Others		*0*	*0*	*0*	*0*
Exceptional provisions	**0**	**0**	**0**	**0**	**0**
Restructuring of information systems					
Other exceptional provisions					
TOTAL TRADING	**242,546**	**30,108**	**-21,583**	**-7,437**	**243,634**

3.10.2 Provisions and impairment charges for counterparty risks

In thousands of euros	01/01/2016	Provisions made	Utilised	Provisions written back	31/12/2016
Impairment of assets	**387,567**	**104,834**	**-91,995**	**1,229**	**401,635**
Impairment of loans and advances to customers	338,845	95,572	-82,425	-839	351,153
Impairment of other receivables	48,722	9,262	-9,570	2,068	50,482
Provisions for counterparty risks recognised as liabilities	**242,546**	**30,108**	**-21,583**	**-7,437**	**243,634**
Provisions for off-balance sheet commitments(1)	6,447	2,553	-1,545	0	7,455
Provisions for country risks	684	681	0	0	1,365
Provisions for sector risks and collective provisions	88,493	0	-4,248	0	84,245
Provisions for customer counterparty risks(2)	37,780	15,164	-2,352	0	50,592
Provisions for employee benefit obligations	82,867	11,710	-4,702	-7,437	82,438
Provisions for regulated savings	26,275	0	-8,736	0	17,539
Other provisions	0	0	0	0	0
TOTAL	**630,113**	**134,942**	**-113,578**	**-6,208**	**645,269**

(1) Including execution risk relating to commitments for a total of €7.4 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;
- 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 obligation

ANALYSIS OF ASSETS AND LIABILITIES INCLUDED IN THE BALANCE SHEET

	31/12/2016			
In thousands of euros	**CARBP PENSION SCHEME**	**Pension obligations**	**Other commitments**	**Total Trading**
Actuarial liabilities	110,453	10,180	46,522	167,156
Fair value of plan assets	-54,689	-6,454	-5,255	-66,398
Effect of ceiling on plan assets				0
Unrecognised actuarial gains/(losses)	-9,651	-1,011	-7,708	-18,370
Unrecognised past service costs			0	0
NET AMOUNT REPORTED ON THE BALANCE SHEET	**46,113**	**2,715**	**33,559**	**82,388**
Employee benefit commitments recorded in the balance sheet	46,113	2,765	33,559	82,437
Plan assets recorded on the balance sheet		49		49

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	CARBP PENSION SCHEME	Pension obligations	Other commitments	31/12/2016 Total Trading	31/12/2015 Total Trading
Cost of services rendered	0	0	-2,220	-2,220	-2,653
Past service cost	0	0	0	0	0
Interest disbursed	-1,892	-82	-810	-2,784	-2,512
Interest received	985	96	141	1,222	804
Benefits paid	3,577	0	965	4,542	3,623
Contributions received	0	0	0	0	0
Actuarial gains and losses	0	-255	0	-255	-668
Others	0	0	-338	-338	210
TOTAL	**2,670**	**-242**	**-2,263**	**166**	**-1,196**

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

	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	1.92%	1,061	7.70%	405
Shares	38.45%	21,021	9.00%	473
Bonds	51.60%	28,213	79.20%	4,162
Property	0.00%	0	3.80%	200
Derivatives	0.00%	0	0.30%	16
Investment funds	8.03%	4,394	0.00%	0
TOTAL TRADING	**100.00%**	**54,689**	**100.00%**	**5,255**

MAIN ACTUARIAL ASSUMPTIONS

	CARBP pension scheme		Other commitments	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Discount rate	1.22%	1.83%	1.22%	2.09%
Expected return on plan assets	1.60%	1.70%	1.60%	1.70%

The mortality tables used are:
• TGH05/TGF05 for retirement indemnities, long-service awards and other benefits as well as for CGPCE and 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	31/12/2016	31/12/2015
Deposits held in regulated home savings plans (PEL)		
less than 4 years	842,528	696,414
more than 4 years and less than 10 years	350,642	371,746
more than 10 years	406,555	425,799
Deposits held in regulated home savings plans	**1,599,725**	**1,493,959**
Deposits held in regulated home savings accounts	**145,092**	**146,753**
TOTAL	**1,744,817**	**1,640,712**

LOANS GRANTED

in thousands of euros	31/12/2016	31/12/2015
Loans granted		
under regulated home savings plans	2,184	3,123
under regulated home savings accounts	3,786	4,985
TOTAL	**5,970**	**8,108**

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

in thousands of euros	01/01/2016	Increase in/reversals from, net	31/12/2016
Provisions for regulated home savings plans			
less than 4 years	7,338	1,641	8,979
more than 4 years and less than 10 years	2,091	-588	1,503
more than 10 years	6,288	-372	5,916
Provisions for regulated home savings plans	**15,717**	**681**	**16,398**
Provisions for regulated home savings accounts	**10,558**	**-9,417**	**1,141**
Provisions for PEL regulated home savings loans			
Provisions for CEL regulated home savings loans			
Provisions for regulated home savings loans	**0**	**0**	**0**
TOTAL	**26,275**	**-8,736**	**17,539**

3.11 Subordinated debt

in thousands of euros	31/12/2016	31/12/2015
Term subordinated debt	260,000	293,000
Undated subordinated debt		
Mutual guarantee deposits	483	483
Related liabilities	8,594	9,243
TOTAL TRADING	**269,077**	**302,726**

The amount of bond issue and redemption premiums remaining to be amortised totalled €156,000. 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	31/12/2015	Increase	Decrease	Other changes	31/12/2016
Fund for general banking risks	108,356	5,374	0		113,730
Regional Solidarity Fund	50,551	8,627	0		59,178
TOTAL TRADING	**158,907**	**14,001**	**0**	**0**	**172,908**

At 31 December 2016, the Fund for general banking risks included in particular €81.1 million allocated to the Banque Populaire Network Fund (Fond Réseau Banque Populaire), €32.7 million allocated to the Mutual Guarantee Fund (Fonds de Garantie Mutuel) and €59.2 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 2014	**627,181**	**4,604**	**1,034,257**	**106,360**	**139,336**	**1,911,738**
Movements during the period	**56,627**	**2,878**	**113,232**	**3,640**	**32,220**	**208,597**
TOTAL AT 31 December 2015	**683,808**	**7,482**	**1,147,489**	**110,000**	**171,556**	**2,120,335**
Change in method impact						**0**
Appropriation of 2015 profit			**160,201**		**-160,201**	**0**
Distribution of dividends					**-11,355**	**-11,355**
Capital decrease						**0**
Capital increase	**156,031**		**-4,073**			**151,958**
Other movements			**-14,011**			**-14,011**
Profit and loss for the period					**221,021**	**221,021**
TOTAL AT 31 December 2016	**839,839**	**7,482**	**1,289,606**	**110,000**	**221,021**	**2,467,948**

The share capital amounts to eight hundred and thirty-nine million, eight hundred and thirty-eight thousand, five hundred and sixty-eight euros and nine cents (€839,838,568.09). It is composed of:

- Eighty-one million, four hundred and fifty-eight thousand, six hundred and thirty-nine (81,458,639) cooperative shares with a par value of ten euros and thirty-one cents (10.31) each, fully paid up and all of the same class.

A capital increase, subscribed in cash, in an amount of €152.0 million followed by the capitalisation of reserves amounting to €4.0 million enabling the par value of the share to be raised from €10.26 to €10.31 was completed in accordance with a decision of the Board of Directors' meeting on 26 May 2016 under the delegation granted by the Extraordinary General Meeting of 27 May 2014, by issuance of 14,810,661 new cooperative shares at a par value of €10.26 which was raised to €10.31 after capitalisation of reserves.

3.14 Sources and uses of funds by remaining maturity

In thousands of euros	31/12/2016 Less than 1 month	From 1 to 3 months	From 1 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	TOTAL TRADING
Treasury bills and similar securities	2,481,289	0	460,463	3,028,876	1,451,469	0	7,422,097
Amounts due from credit institutions	7,269,119	1,045,890	2,446,424	636,328	205,557	0	11,603,318
Amounts due from customers	2,648,388	723,293	1,320,762	4,861,003	6,680,726	0	16,234,172
Bonds and other fixed income securities	278,978	191,377	912,856	1,300,381	2,418,884	0	5,102,476
Finance and operating leases	0	0	0	0	0	0	0
Total uses of funds	**12,677,774**	**1,960,560**	**5,140,505**	**9,826,588**	**10,756,636**	**0**	**40,362,063**
Amounts due to credit institutions	6,833,795	464,762	1,205,399	1,277,819	1,199,888	0	10,981,663
Amounts due from customers	27,782,803	1,085,618	533,832	1,071,401	457,493	0	30,931,147
Debt securities	3,128,330	2,110,641	665,318	205,940	9,450	0	6,119,679
Subordinated debt	9,077	30,000	29,000	201,000	0	0	269,077
TOTAL SOURCES OF FUNDS	**37,754,005**	**3,691,021**	**2,433,549**	**2,756,160**	**1,666,831**	**0**	**48,301,566**

Sources and uses of funds with fixed due dates are presented by residual maturity and include accrued interest.

NOTE 4
OFF-BALANCE SHEET AND SIMILAR ITEMS

4.1 Commitments received and given

4.1.1 Financing commitments

in thousands of euros	31/12/2016	31/12/2015
Financing commitments given		
to credit institutions	931,628	1,453,272
to customers	2,640,398	2,057,467
Opening of documentary credits	*46,931*	*56,565*
Opening of other confirmed credit lines	*2,582,224*	*1,974,998*
Other commitments	*11,243*	*25,904*
TOTAL FINANCING COMMITMENTS GIVEN	**3,572,026**	**3,510,739**
Financing commitments received		
from credit institutions	6,274,221	4,827,092
from customers		
TOTAL FINANCING COMMITMENTS RECEIVED	**6,274,221**	**4,827,092**

4.1.2 Guarantee commitments

in thousands of euros	31/12/2016	31/12/2015
Guarantee commitments given		
To credit institutions	**167,419**	**160,886**
Confirmation of opening of documentary credits	89,870	65,043
Other guarantees	*77,549*	*95,843*
To customers	**1,515,436**	**1,634,267**
Property guarantees	*103,111*	*56,128*
Tax and administrative guarantees	*44,500*	*51,450*
Other endorsements and similar guarantees	*482,659*	*548,420*
Other guarantees given	*885,166*	*978,269*
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,682,855**	**1,795,153**
Guarantee commitments received from credit institutions	**3,368,441**	**2,769,244**
TOTAL GUARANTEE COMMITMENTS	**5,051,296**	**4,564,398**

4.1.3 Other commitments not reported as off-balance sheet items

	31/12/2016		31/12/2015	
In thousands of euros	Commitments received	Commitments received	Commitments received	Commitments received
Other securities pledged as collateral to credit institutions	6,833,650		5,353,104	
Other securities pledged as collateral received from customers	0		0	
TOTAL TRADING	**6,833,650**	**0**	**5,353,104**	**0**

At 31 December 2016, receivables pledged as collateral in the context of refinancing arrangements included in particular:

- €278.9 million of receivables mobilised with Banque de France under the TRICP automated system, compared with €470.9 million at 31 December 2015
- No receivables pledged to SFEF, as at 31 December 2015.

4.2 Transactions involving forward financial instruments

4.2.1 Commitments relating to financial and currency forwards

in thousands of euros	**31/12/2016**				31/12/2015			
	Hedging	**Other**	**Total Trading**	**Fair value**	Hedging	Other	Total Trading	Fair value
Firm transactions								
Transactions on organised markets	***0***	***4,317,501***	***4,317,501***	***0***	***0***	***2,351,785***	***2,351,785***	***0***
Interest rate contracts	*0*	*4,317,501*	*4,317,501*	*0*	*0*	*2,351,785*	*2,351,785*	*0*
Foreign exchange contracts			*0*	*0*			*0*	*0*
Other contracts			*0*	*0*			*0*	*0*
Over-the-counter transactions	***83,643,583***	***75,279,359***	***158,922,942***	***-592,604***	***111,042,093***	***83,511,086***	***194,553,179***	***-157,581***
Forward rate agreements (FRA)	0	0	0	0	0	0	0	0
Interest rate swaps	83,610,732	32,284,828	115,895,560	-365,404	110,995,619	31,845,792	142,841,411	1,271
Foreign exchange swaps	0	11,070,073	11,070,073	1,082	0	21,641,728	21,641,728	7,513
Other forward contracts	32,851	31,924,458	31,957,309	-228,282	46,473	30,023,566	30,070,040	-166,366
TOTAL OPÉRATIONS FERMES	**83,643,583**	**79,596,860**	**163,240,443**	**-592,604**	**111,042,093**	**85,862,871**	**196,904,963**	**-157,581**
Options								
Transactions on organised markets	***0***	***8,153,560***	***8,153,560***	***-226,285***	***0***	***2,709,293***	***2,709,293***	***11,477***
Interest rate options	0	8,153,560	8,153,560	-226,285	0	2,709,293	2,709,293	11,477
Foreign exchange options			0	0			0	0
Other options			0	0			0	0
Over-the-counter transactions	***1,664***	***3,516,558***	***3,518,222***	***16,706***	***1,664***	***2,255,021***	***2,256,684***	***-2,729***
Interest rate options	1,664	1,504,217	1,505,881	3,460	1,664	1,602,914	1,604,577	3,751
Foreign exchange options	0	1,141,632	1,141,632	-3,109	0	576,093	576,093	-3,420
Other options	0	870,709	870,709	16,355	0	76,013	76,013	-3,060
TOTAL OPTIONS	**1,664**	**11,670,118**	**11,671,782**	**-209,579**	**1,664**	**4,964,314**	**4,965,977**	**8,748**
TOTAL FINANCIAL AND CURRENCY FORWARDS	**83,645,247**	**91,266,978**	**179,912,225**	**-802,183**	**111,043,756**	**90,827,184**	**201,870,940**	**-148,833**

4.2.2 Breakdown of over-the-counter interest rate financial instruments by type of portfolio

	31/12/2016			
In thousands of euros	Micro-hedge	Macro-hedge	Isolated open position	Specialised management
Firm transactions	***80,075,697***	***3,535,035***	***0***	***43,354,901***
Forward rate agreements (FRA)	0	0	0	0
Interest rate swaps	80,075,697	3,535,035	0	32,284,828
Foreign exchange swaps	0	0	0	11,070,073
Other interest rate forward contracts				
Options	***1,664***	***0***	***0***	***1,504,217***
Interest rate options	1,664	0	0	1,504,217
TOTAL TRADING	**80,077,361**	**3,535,035**	**0**	**44,859,118**

No transactions were transferred to another portfolio during the period.

4.3 Breakdown of balance sheet by currency

	31/12/2016		31/12/2015	
In thousands of euros	**Assets**	**Liabilities**	Assets	Liabilities
Euro	**53,563,887**	**43,944,573**	43,691,470	36,854,919
US dollar	**1,586,709**	**4,375,981**	1,279,667	2,284,900
Pound sterling	**456,912**	**7,106,735**	521,174	6,221,081
Swiss franc	**69,176**	**28,461**	59,839	36,753
Yen	**124,719**	**71,525**	42,312	74,959
Others	**53,159**	**327,287**	31,042	152,891
Total Trading	**55,854,562**	**55,854,562**	**45,625,504**	**45,625,504**

4.4 Foreign currency transactions

in thousands of euros	31/12/2016	31/12/2015
Spot currency transactions		
Currency receivable not received	153,004	95,235
Currency deliverable not delivered	1,200,069	113,735
TOTAL	**1,353,073**	**208,970**

	31/12/2015				
Total Trading	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	Total Trading
126,965,633	*106,727,285*	*4,268,334*	*0*	*53,487,519*	*164,483,139*
0	0	0	0	0	0
115,895,560	106,727,285	4,268,334	0	31,845,792	142,841,411
11,070,073	0	0	0	21,641,728	21,641,728
0					0
1,505,881	*1,664*	*0*	*0*	*1,602,914*	*1,604,577*
1,505,881	1,664	0	0	1,602,914	1,604,577
128,471,514	**106,728,949**	**4,268,334**	**0**	**55,090,433**	**166,087,716**

NOTE 5

NOTES TO THE INCOME STATEMENT

5.1 Interest and similar income and expense

	2016 financial year			2015 financial year		
in thousands of euros	Income	Charges	Net	Income	Charges	Net
Interbank transactions*	105,432	-45,119	60,313	129,440	-56,642	72,798
Amounts due from customers	399,603	-87,898	311,705	366,470	-95,699	270,771
Bonds and other fixed income securities	97,314	-108,404	-11,090	160,086	-150,278	9,808
Subordinated debt	834	-16,439	-15,605	1,269	-17,619	-16,350
Others						
TOTAL TRADING	**603,183**	**-257,860**	**345,323**	**657,265**	**-320,238**	**337,027**

** of which €6.3 million as operating expenses and €48.1 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 reversal of the provision for home savings amounted to €8.7 millions for the financial year 2016, compared with a charge of €4.0 million for the financial year 2015.

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	2016 financial year	2015 financial year
Shares and other variable-income securities	3,079	2,235
Equity interests and other long-term investments		
Investments in affiliates	18,501	17,613
TOTAL	**21,580**	**19,848**

5.4 Fees and commissions

In thousands of euros	2016 financial year Income	2016 Charges	2016 Net	2015 financial year Income	2015 Charges	2015 Net
Cash and interbank transactions	9,368	-935	8,433	1,021	-490	531
Amounts due from customers	140,562	0	140,562	139,268	0	139,268
Securities transactions	11,543	0	11,543	15,105	0	15,105
Payment services	156,819	-84,140	72,679	153,925	-84,417	69,508
Gains on currency transactions	807	-138	669	737	-77	658
Off-balance sheet commitments	22,805	-4,182	18,623	22,704	-3,532	19,174
Financial services	66,493	-6,821	59,672	65,279	-7,891	57,388
Advisory services						
Other	3,814	0	3,814	3,099	0	3,099
TOTAL TRADING	**412,211**	**-96,216**	**315,995**	**401,138**	**-96,407**	**304,731**

5.5 Gains or losses on trading securities

In thousands of euros	2016 financial year	2015 financial year
Trading securities	99,326	-5,630
Gains on currency transactions	70,862	22,913
Gains on forward financial instruments	9,775	130,906
TOTAL TRADING	**179,963**	**148,189**

5.6 Gains or losses on available for sale securities and similar

In thousands of euros	2016 financial year Available for sale securities	2016 Portfolio securities	2016 Total Trading	2015 financial year Available for sale securities	2015 Portfolio securities	2015 Total Trading
Impairment	654		654	2,595		2,595
Provisions made	*-8,916*		*-8,916*	*-8,193*		*-8,193*
Provisions written back	*9,570*		*9,570*	*10,788*		*10,788*
Gains on disposal	31,141		31,141	32,036		32,036
Other						
TOTAL TRADING	**31,795**		**31,795**	**34,631**		**34,631**

5.7 Other banking operating income and expense

In thousands of euros	2016 financial year Income	2016 Charges	2016 Total Trading	2015 financial year Income	2015 Charges	2015 Total Trading
Share in joint operations	6,227	0	6,227	6,306	0	6,306
Rebilling of banking income and expense	1,414	-36	1,378	1,308	-56	1,252
Property business						
IT services						
Other activities	639	0	639	268	0	268
Other related income and expenses	7,940	-12,565	-4,625	13,894	-1,036	12,858
TOTAL TRADING	**16,220**	**-12,601**	**3,619**	**21,776**	**-1,092**	**20,684**

SINCE 2016, BRED Banque populaire has recorded flows on fraud and litigation under GNP - in cost of risk up until 2015. In 2016, net charges amounted to €7.9 million. The amount recorded in the cost of risk for 2015 was €5.5 million.

5.8 Operating expenses

In thousands of euros	2016 financial year	2015 financial year
Personnel costs		
Wages and salaries	-183,338	-176,753
Pension costs and similar obligations	-39,731	-39,158
Other social security charges	-56,227	-54,750
Employee incentive scheme(s)	-15,297	-15,862
Employee profit-sharing scheme(s)	-30,096	-25,997
Payroll taxes and charges	-24,533	-25,061
Total personnel costs	**-349,222**	**-337,581**
Autres charges d'exploitation		
Taxes and duties	-35,858	-27,004
Other general operating expenses	-156,056	-151,339
Total other operating expenses	-191,914	-178,343
TOTAL TRADING	**-541,136**	**-515,924**

The average active workforce during the period was 3,426 employees.

The CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi) is deducted from payroll costs. Il s'élève à 4.4 millions d'euros en 2016.

The use of this tax is presented in the "Corporate social and environmental responsibility" section of the annual report.

4

5.9 Cost of risk

in thousands of euros	31/12/2016			
	Provisions made	Provisions reversed	Losses not covered by provisions	Recoveries of bad debts written off
Impairment of assets				
Interbank	-1	0	0	0
Customers	-94,288	51,824	-3,294	965
Securities portfolio and other receivables	-313	-231	0	0
Provisions				
Off-balance sheet commitments	-2,553	1,545		
Provisions for customer risks	-6,876	6,600		
Others	-681	0		
TOTAL TRADING	**-104,712**	**59,738**	**-3,294**	**965**

of which:	
- reversals of obsolete impairment charges	*59,738*
- reversals of utilised impairment charges Provisions reversed	*26,654*
Provisions reversed	*86,393*
- losses covered by provisions	*-26,654*
Provisions reversed net	59,738

since 2016, BRED Banque populaire has recorded flows on fraud and litigation under GNP - in cost of risk up until 2015. In 2016, net charges amounted to €7.9 million. The amount recorded in the cost of risk for 2015 was €5.5 million.

5.10 Gains or losses on non-current assets

in thousands of euros	2016 financial year				2015 financial year			
	Equity interests and other long-term investments	**Held to maturity securities**	**Tangible and intangible assets**	**Total Trading**	Equity interests and other long-term investments	Held to maturity securities	Tangible and intangible assets	Total Trading
Impairment	**-10**	**0**		**-10**	**2,252**	**0**		**2,252**
Provisions made	*-10*	*0*		*-10*	*-51*	*0*		*-51*
Provisions written back	*0*	*0*		*0*	*2,303*	*0*		*2,303*
Gains on disposal	**0**	**-139**	**21,781**	**21,642**	**0**	**194**	**0**	**194**
TOTAL TRADING	**-10**	**-139**	**21,781**	**21,632**	**2,252**	**194**	**0**	**2,447**

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: €10,000,
- reversals from impairment charges on equity interests and investments: €0,000,
- income of disposals on equity interests and investments and other long-term investments: €0,000
- the transfer of the buildings of the street of the Bank, of the administrative headquarters and of the Saint Simon building in Créteil generated earnings of €21.7 million.

Total Trading	Provisions made	Provisions reversed	Losses not covered by provisions	Recoveries of bad debts written off	Total Trading
	31/12/2015				
-1	-1	0	0	0	-1
-44,793	-85,907	39,458	-5,132	811	-50,770
-544	-61	-167	0	0	-228
-1,008	-1,448	2,555			1,107
-276	-18,859	8,024			-10,836
-681	0	1,296			1,296
-47,303	**-106,276**	**51,166**	**-5,132**	**811**	**-59,431**

51,166
65,917
117,083
-65,917
51,166

5.11 Exceptional items

No exceptional item was recorded in 2016.

5.12 Income tax expense

5.12.1 Breakdown of income tax in respect of the 2016 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 Trading
Tax on current income	227,561	-167	
Tax on non-recurring income			
TOTAL TRADING	**227,561**	**-167**	
Tax losses brought forward			
Tax bases	227,561	-167	
Corresponding tax	75,854	0	75,854
Additional contribution assessed at 3.3%			2,478
Deductions in respect of tax credits			-1,932
Tax recognised			**76,400**
Overseas territories tax			0
Provisions for the return to profitability of subsidiaries			31
Dividend tax			341
Tax relief on cooperative investment certificates			-7,008
Provisions for tax and other			8,986
TOTAL TRADING			**78,750**

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			
	2016 financial year		2015 financial year		2016 financial year		2015 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	232.2	70%	229.9	80%	256.8	95%	229.9	81%
Other audit procedures and services directly related to the statutory audit assignment	100.7	30%	57.2	20%	14.9	5%	54.9	19%
TOTAL TRADING	**332.9**	**100**	**287.1**	**100**	**271.7**	**100**	**284.9**	**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 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 08 April 2016 issued in application of Article 238-0-A of the French General Tax Code.

At 31 December 2016, 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	2012	2013	2014	2015	2016
Capital at the year end					
Cooperative shares: amount	416,229	573,260	627,181	683,808	839,839
Number of shares outstanding	41,622,857	56,758,441	61,488,311	66,647,978	81,458,640
Cooperative investment certificates: amount	104,057				
Number of certificates outstanding	10,405,715				
Shareholders' equity	2,227,702	1,753,918	1,911,738	2,120,335	2,467,948
Results of operations					
Net banking income	747,864	795,290	819,591	865,110	898,274
Profit before tax, employee profit-sharing, depreciation, amortisation and provisions	196,018	252,715	260,367	290,042	359,089
Income tax	-47,033	-74,911	-68,275	-90,511	-78,750
Employee profit-sharing for the year	-19,200	-20,000	-22,200	-26,000	-29,857
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	113,039	139,592	139,336	171,556	221,021
Retained earnings before appropriation of profit for the year	125,096	110,000	106,360	110,000	110,000
Net profit transferred to reserves	105,015	128,354	117,661	154,668	198,327
Retained earnings after appropriation of profit for the year	110,000	110,000	110,000	110,000	110,000
Dividends paid to members	10,536	11,238	11,068	11,355	11,643
Dividends paid to Cooperative Investment Certificate holders	12,584	-	-	-	-
Earnings per share (cooperative shares and certificates up to August 2013)					
Profit after tax and employee profit-sharing, but before depreciation, amortisation and provisions	2.85	3.03	2.99	1.51	4.07
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	2.48	2.68	2.45	2.79	3.59
Dividend per share	0.27	0.26	0.19	0.18	0.18
Dividends per Cooperative Investment Certificate	1.29	0.00	0.00	0.00	0.00
Employees					
Employee data Average workforce employees during the period	3,395	3,400	3,370	3,397	3,426
Total payroll costs for the period	168,949	175,007	176,805	176,753	183,337
Employee benefits	91,780	93,287	109,891	93,908	95,959

- *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.*
- *The 14,810,661 new cooperative shares created in December 2016 have been entitled to dividends since 15 December 2016.*

STATUTORY AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS

Period ended 31 December 2016

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 2016, 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 professional 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:

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, BRED Banque Populaire 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 BRED Banque Populaire 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. Note 3.4.1 clarifies the approach adopted for the valuation of BPCE securities.

Measurement of securities portfolio and financial instruments

BRED Banque Populaire holds positions in securities and financial instruments. Notes 2.3.4 and 2.3.10 to the company financial statements set out the accounting rules and methods relating to securities and financial instruments. We examined the control systems applicable to the accounting classification of these positions and the determination of the criteria used for their measurement. We examined the appropriateness of the accounting methods used by BRED Banque Populaire 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

BRED Banque Populaire 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.

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 shareholders concerning the company's financial position and the company financial statements.

In accordance with French law, we verified that the required information concerning the purchase of equity and controlling interests has been properly disclosed in the management report.

Paris La Défense and Neuilly-sur-Seine, 28 April 2017.

The Statutory Auditors

KPMG Audit
Department 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 therefore 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".

INTRODUCTION

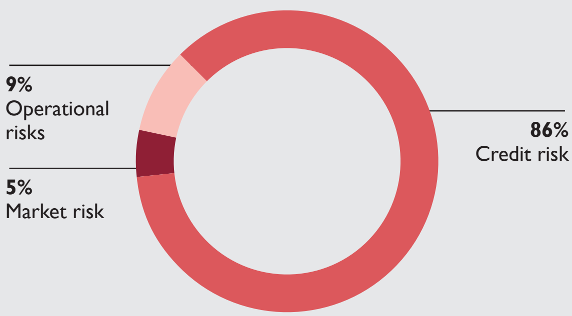
Risk appetite

BRED Group determines its risk appetite in accordance with:
- the values of its business model as set out in the activity report;
- its risk management system and loss absorption capacity;
- the resultant risk profile.

The risk appetite is used to define the level of risk accepted by the Board of Directors for a given context and in order to generate a recurrent and reliable return, while offering an optimum level of customer service and maintaining the solvency, liquidity and reputation of the bank.

The relevant risks inherent to the Group's business model are as follows:
- **Credit and counterparty risk** (articles 106 to 121 of the Order dated 3/11/2014), posed by our predominantly lending activities, is supervised via risk policies emanating from those issued by BPCE, via limits per counterparty and sector and via an appropriate delegation system supplemented by a credit risk measurement and monitoring system.
- **Operational risk including compliance risk, legal risk, IT systems risk and fraud risk** (articles 214 and 215 of the Order dated 3/11/2014) are covered by:
  - a shared data collection system common to all BPCE Group entities and tools for producing the annual risk map and for escalating losses and incidents as they occur;
  - a system for monitoring major and managed risks accepted by the bank;
  - action plans for specific risks and reinforced monitoring of emerging risks.
- **Liquidity risk** (articles 148 to 186 of the Order dated 3/11/2014) is subject to rigorous supervision notably based on tools and indicators supplied by BPCE and on a local and regularly reviewed system. BRED ensures that it complies with applicable regulatory ratios, including by anticipating announced regulatory developments.
- **Structural interest rate risk** (articles 134 to 139 of the Order dated 3/11/2014) is supervised by shared BPCE Group standards and limits at BRED level. This risk is associated with our intermediation and transformation activity.
- **Market risk** (articles 122 to 136 of the Order dated 3/11/2014) is supervised by rules and measurement and monitoring systems designed to ensure strict compliance with the law and to establish a risk level that is compatible with the strategy issued by the Board of Directors.

BREAKDOWN OF BRED GROUP WEIGHTED RISKS AT 31 DECEMBER 2016



The exposures and the mechanism for managing such risks are set out in the sections below.

BRED does not:
- conduct activities in which it is not proficient, in order to guarantee its own integrity and that of the BPCE Group;
- conduct own-account trading in financial instruments, apart from those activities that support the financing of the economy as set out in article 2 of the law on the separation and regulation of banking activities (notably investments, sound and prudent cash management and risk hedging).

Furthermore, activities with a high risk profile and potentially high yet uncertain yield are strictly supervised.

These rules, applicable to all business areas, subsidiaries and the branch network, are designed to ensure the highest levels of ethical operations and the highest standards of transaction execution and security.

Risk culture

The Board of Directors and ***Dirigeants Effectifs*** (accountable managers) of BRED promote the risk and compliance culture at all levels of the organisation; the Risk, Compliance and Permanent Control Department coordinates the dissemination of the risk and compliance culture to all employees in collaboration with all other control divisions and/or functions.

In overall terms, the management of BRED:
- takes part in awareness campaigns organised by risk and compliance management functions, which represent ideal opportunities to discuss risk-related issues, to present work being performed by other functions, to discuss training and to share good practices between different BPCE Group entities. The system is supplemented by dedicated working groups and meetings covering topical issues. Similarly, BRED organises this type of contact for the benefit of BRED Group entities;
- maintains a high level of regulatory awareness, notably by receiving and circulating explanatory regulatory documents and by regular interaction with other BRED Group departments and entities.
- via its executives and the Head of Risk, Compliance & Permanent Control, contributes to decisions taken by committees dedicated to the risk management function at BPCE Group level;
- exploits, to the benefit of its employees, the training programme issued by the BPCE Group Human Resources Department, which it may supplement as required with its own training modules.

More specifically, the Risk, Compliance and Permanent Control Department of BRED coordinates cross-functional projects, contributes to the effective coordination of the risk and compliance function and exercises a global supervisory role over risk matters, including those inherent to compliance within the BRED Group.

EBA/ECB stress testing (BPCE Group)

In 2016, 51 banks in the European Union took part in stress tests jointly conducted by the European Banking Authority (EBA) and the European Central Bank (ECB); the results were published on 29 July 2016. This exercise demonstrates the robustness of the BPCE Group in a very severe stress scenario with new methodological features raising the demands vis-à-vis 2014, the macroeconomic component of which, similar to that of 2014, has a major impact on the French economy, notably a sharp fall in residential property prices (14% over 3 years). The adverse stress scenario reduces the BPCE Group Common Equity Tier 1 phase-in ratio of 13.0% at the end of 2015 to 9.7% at the end of 2018.

1 CREDIT RISK

Definition

Credit risk is the risk incurred in the event of default by a debtor or counterparty, or debtors or counterparties considered to be a single group of clients in accordance with point 39 of paragraph 1 of article 4 of Regulation (EU) no. 575/2013; such a risk may also take the form of a loss in value of securities issued by the defaulting counterparty.

The counterparty risk is defined as the risk of the counterparty to a transaction defaulting prior to definitive settlement of all cash flows associated with the transaction.

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 staff 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, Compliance 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 mainly based 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;
- ongoing monitoring of commitments via an automated system in order verify all positions, the maturity of repayable amounts and to monitor irregular accounts;
- reinforced detection and prevention of risks with retail, professional and corporate clients via the action of branch network employees and their hierarchy of monitoring tools;
- 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 notably involved in the area of the Basel II internal rating system, segmentation and clustering.

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 Special Situations Unit within the Commitments Department.

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 may request pricing exceptions according to a structure of delegations defined by the Asset/Liability Pricing Committee, escalating hierarchically within the networks' departments and, for the largest exceptions, up to 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 the BPCE Group. As well as the rating of counterparties (assessment of probability of default) and contracts (estimated losses on default), the system comprises standards for segmentation, identifying incidents, clustering, etc. The internal rating model is validated by the banking regulator within the framework of the BPCE Group. It is highly integrated into the decision-making process as regards decision-making powers, the daily processing of transactions and the risk spreading matrices.

The Credit Risk Department regularly monitors the breakdown of exposures by rating and the stock of counterparties to be rated. It is responsible for supervising and analysing the overall rating process (data quality, exhaustiveness of ratings, support and training for network staff).

The Credit Risk Department's internal rating monitoring team is notably involved in developments linked to the Basel II system. It acts as the relay for the regulatory watch carried out by the BPCE Group, with regard to both rating and credit risk management standards and methods. In 2016,the Credit Risk Department monitoring team focused in particular on priority actions including the overhaul of the group database, integration into the BPCE Group hird-party database, collection of balance sheets for internal rating purposes and review of 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 regularly informs the various commercial entities (branch network, business centres, large accounts, etc.) via a ratings monitoring table.

The Credit Risk Department is also responsible for drawing up the watch list of Corporate counterparties requiring closer vigilance. This watch list is drawn up from ratings and commitments criteria. The approved watch list contains counterparties with high credit risk but for which no credit event has been recorded. Under Basel rules this means a deteriorated rating but not default. The bad debts watch list contains counterparties with a proven risk of insolvency and which are 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. At the same time, the Credit Risk Department takes part in the quarterly BPCE Group Watch list Committee meeting to review files of concern to the bank.

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 thee BPCE Group, 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 BPCE (e.g. sector-based workshops, limits workshops, credit policy workshops, etc.).

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, at Regional Department level delegated officers of the Commitments Department monitor 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 BRED Group level, in collaboration with the subsidiaries for the controls concerning them. In this way the Credit Risk Department coordinates actions in the areas of themed control and methodological control, which are then relayed if appropriate by the second level permanent control staff within the subsidiaries.

The second level 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 account activity and of the proper implementation of the corrective action announced;
- supervision and analysis of the overall rating procedure (data quality, exhaustiveness of the ratings, etc.);
- supervision of clustering of counterparties, particularly where these are formal or informal groups;
- as part of their duties, the Credit Risk Department's control officers verify compliance with powers and delegations;
- controls concerning commercial entities. Each control gives rise to a report containing any recommendations and guidance. Themed assignments may also be carried out.

The Credit Risk Department regularly reports to the BPCE Group 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 notably performs:

- direct or indirect ex-post control of credit decisions;
- counter-analysis of loan applications whose size requires the parent company's opinion or a decision issued by the BPCE Group Credit Committee.

1.4 Credit risk reduction techniques

Security interests constitute one of the main means of reducing credit risk. Traditionally, BRED has used real guarantees (mortgages, pledged assets, etc.) and personal guarantees (mutual guarantee companies, BRED Habitat guarantee, CASDEN guarantees, risk-sharing, etc.). BRED has implemented a system to verify the process for entering into guarantees, incorporating validity, registration and valuation. The inclusion of guarantees in the calculation of weighted assets (credit risk reduction techniques) reduces the capital requirement related to secured commitments.

1.5 Simulations of crises related to credit risk

The BPCE Group Risk Department conducts simulations of crises related to credit risk at Group level, including BRED BP. The objective of the stress tests is to measure the sensitivity of the various portfolios in a degraded scenario in terms of the cost of risk, weighted assets and anticipated loss. The stress tests cover all portfolios exposed to credit and counterparty risk, irrespective of the approach used to calculated the weighted outstandings (standard or IRB approach). They are conducted based on detailed information consistent with the data supplied for Group COREP prudential reporting and portfolio risk analysis.

1.6 Forbearance, performing and non-performing exposure

Institutions have been asked to implement the concepts of "forbearance" and"non-performing exposure" (NPE) as part of the draft standard from the European Banking Authority (EBA) published on 21 October 2013. The existence of forbearance results from the combination of a concession AND financial difficulties; forbearance may concern sound contracts (performing) or depreciated contracts (non-performing).

In the case of the restructuring of sound contracts (performing forbearance), there are two possible types of concession:
- a contractual modification notably takes the form of an amendment or waiver;
- refinancing in the form of a new loan contract at the same time as or within seven days preceding the partial or total repayment of a loan contract.

Financial difficulties exist in the event of:
- non-payment of more than 30 days (excluding technical reasons); or
- authorisation level exceeded for a period of more than 60 days in the three months preceding the amendment or refinancing; or
- the issuance of a sensitive rating.

A change in status from performing forbearance to non-performing forbearance follows specific rules and is subject to probationary periods, as is exiting forbearance. A situation of forced restructuring, or of over-indebtedness proceedings, or any situation of default within the meaning of the Group standard requiring a forbearance measure as defined above constitutes non-performing forbearance.

BRED BP therefore conducted the necessary work during 2016 to identify and monitor the notion of forbearance.

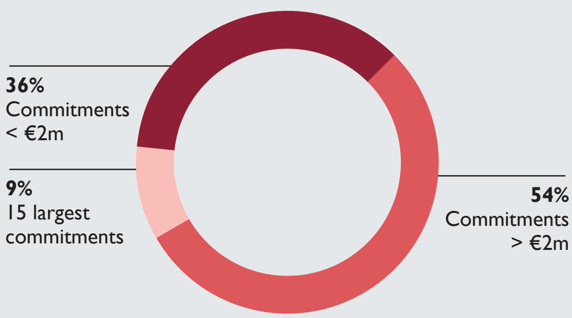
1.7 Statistics on credit risk exposure

1.7.1 Overview

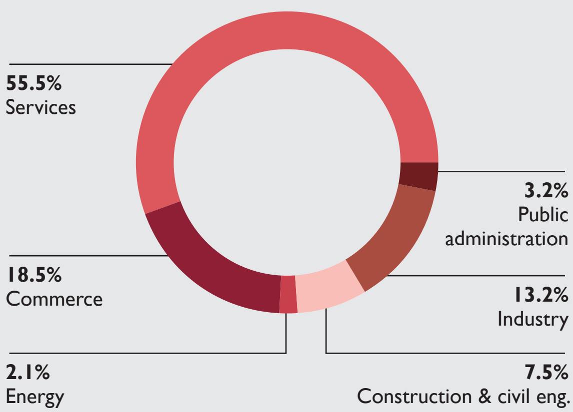
"Information provided under IFRS 7"

In 2016, BRED Social commitments to corporate and professional customers amounted to €13.1 billion (balance sheet and off-balance sheet), an increase of 17% over the year.

BREAKDOWN OF CORPORATE AND PROFESSIONAL COMMITMENTS BY SIZE



BREAKDOWN OF CORPORATE AND PROFESSIONAL COMMITMENTS BY SECTOR



The concentration of risk changed in 2016.The proportion of commitments below €2 million fell 22% year on year.

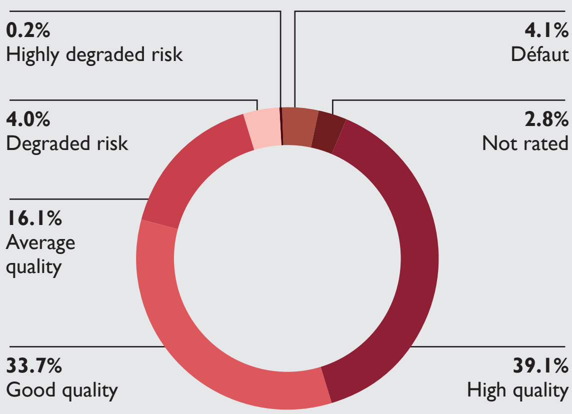
The breakdown of loans and advances by economic sector is stable.The portion of loans and advances to the business services sector continued to predominate, accounting for 56% of the total. Loans and advances to the industrial and retailing sectors remained almost identical to the previous year.

1.7.2 Breakdown of commitments by internal rating

"Information provided under IFRS 7"

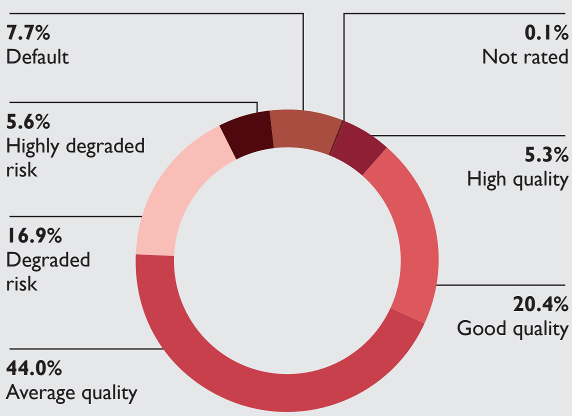
The loans and advances below correspond to balance sheet and off-balance sheet items (except for trading securities, equities, securitisations and intra-group).

CORPORATE COMMITMENTS
TOTAL: €9,619M



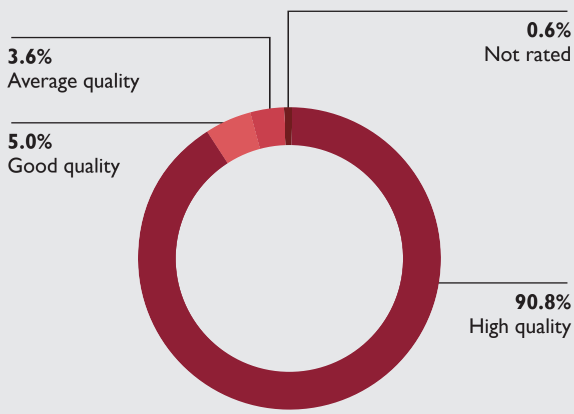
With a rise in the level of commitments of 19%, 2016 saw a net increase in high quality commitments of 15% and a sharp fall in medium quality commitments of 23%. The proportion of defaults also fell by 13% year on year, while that of unrated commitments remained largely stable.

PROFESSIONALS COMMITMENTS
TOTAL: €3,438M



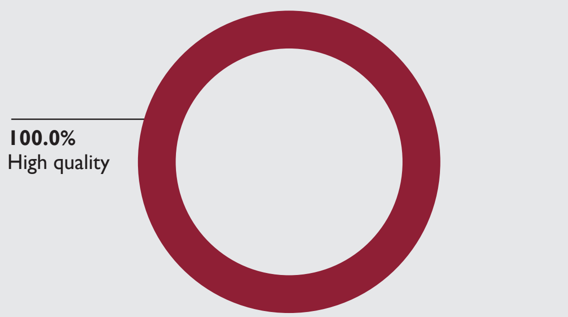
2016 saw relative growth in outstanding loans (+8%). The proportion of commitments presenting a degraded risk, very degraded risk or in default fell by 5%.

INTERBANK COMMITMENTS
TOTAL: €3,024M



With a lower level of loans and advances (-19%), interbank loans and advances are predominantly of high and good quality. No defaults were recorded.

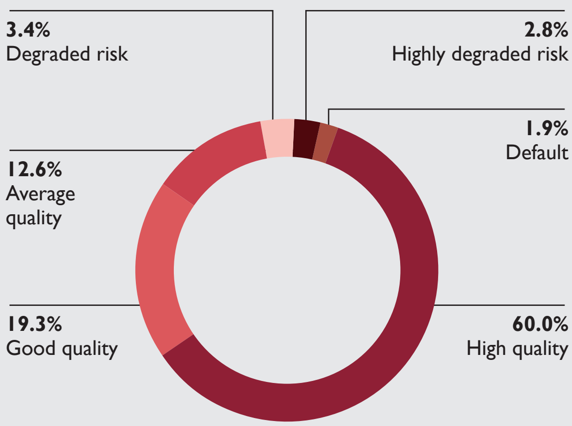
SOVERIGN COMMITMENTS
TOTAL: €14,578M**



** Including €13.8bn rated 1 and €0.7bn rated 3

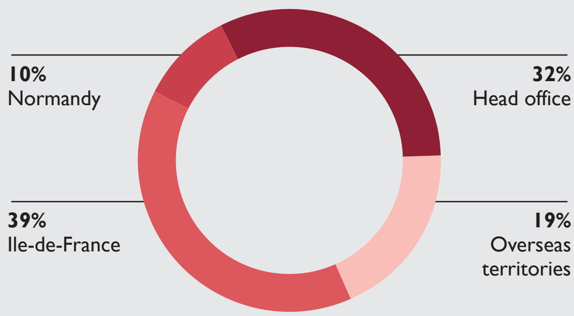
The quality of loans and advances remained identical to 2015 but sovereign loans and advances increased by 31% in 2016.

RETAIL COMMITMENTS
TOTAL: €7,899M



Net increase in outstanding loans to individuals (+9%) essentially due to the increase in outstanding home loans in 2016. 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.

GEOGRAPHICAL BREAKDOWN OF COMMITMENTS AT 31 DECEMBER 2016



Regarding geographic breakdown, applications remained stable overall compared to the previous period: IDF Network (39%, virtually identical), DOM Network (19%, stable), Normandy Network (10%, slight fall), Head Office (29%, slight increase).

1.7.3 Analysis of loans and advances reclassified as disputed in 2016

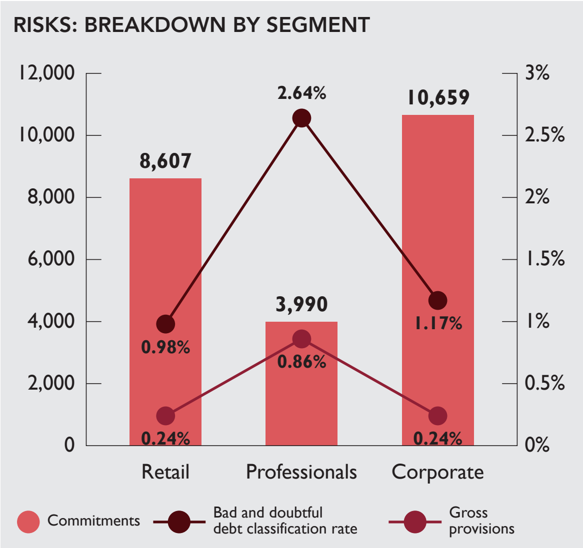
Loans and advances reclassified as bad debts and disputed debts totalled €314.4 million. They represent 1.35% of the outstanding debt, spread across individuals (0.98%), professionals (2.64%) and corporate customers (1.17%).

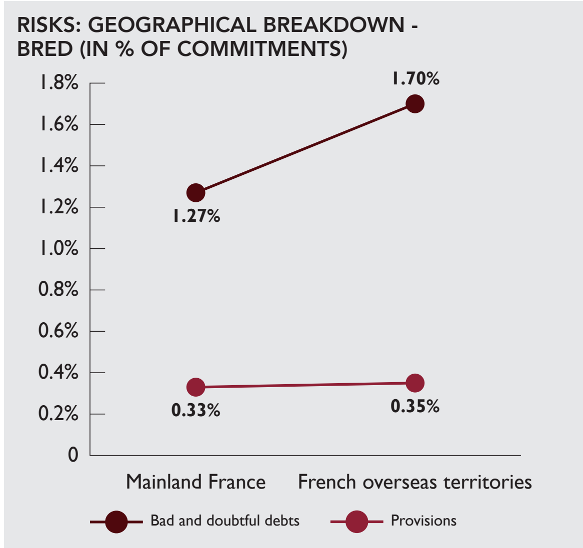
Outstanding bad debts and disputed debts stood at €1,180.1 million. The provisioning rate for reclassification as disputed and bad debts is 25.6%.

All of this information is set out in the tables and graphs below.

In thousands of euros	Loans and advances	Disputed and bad debt reclassifications	Disputed and bad debt reclassification rate	Provisioning rate of disputed and bad debt reclassifications	Outstanding disputed and bad debts	Provisions for disputed and bad debts
Retail	8,607	84	0.98%	24.4%	227.0	101.4
Professional	3,990	105	2.64%	32.5%	406.0	224.8
Corporate	10,659	125	1.17%	20.6%	547.1	259.6
TOTAL	**23,255**	**314,4**	**1.35%**	**25.6%**	**1,180.1**	**585.9**

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.

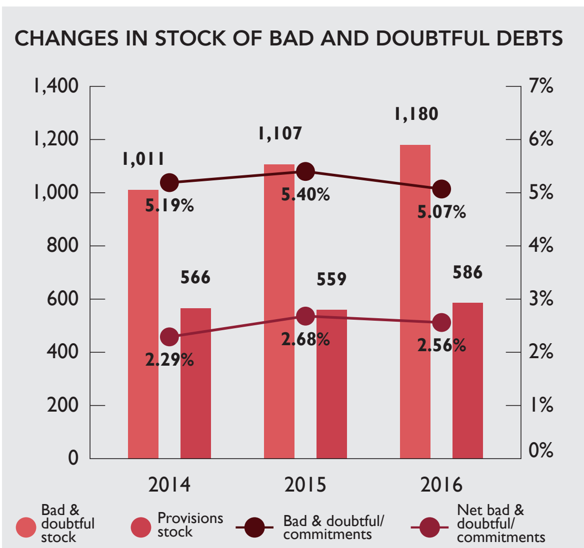




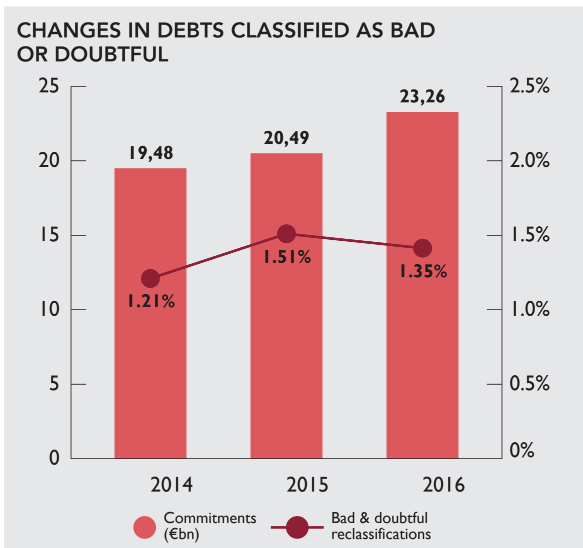
BRED Group outstanding balance sheet and off-balance sheet items (except for trading securities, equities, securitisations and intra-group). Excluding mutual guarantee companies. Excluding EPS provisions.

PROVISIONS FOR CREDIT RISK AT 31 DECEMBER 2016

	BRED SA		Subsidiaries		BRED Group	
in millions of euros	2015	**2016**	2015	**2016**	2015	**2016**
Impairment provisions on customer transactions and off-balance sheet commitments	-103.8	-103.7	-29.9	-39.9	-133.7	-143.6
Net reversals of impairment provisions on customer transactions and off-balance sheet commitments	42.5	55.4	15.3	11.3	57.8	66.6
Losses and recoveries	-4.3	-2.3	-1.9	-1.1	-6.2	-3.4
Cost of risk on commercial loans and off-balance sheet commitments	**-65.6**	**-50.7**	**-16.5**	**-29.7**	**-82.0**	**-80.4**
Net cost of risk on other assets	0.2	-0.2	0.0	3.4	0.2	3.2
Cost of risk excluding collective provisions	**-65.3**	**-50.9**	**-16.5**	**-26.3**	**-81.8**	**-77.2**
Collective and sectoral provisions	4.6	4.2	-6.5	-0.6	-1.8	3.7
TOTAL COST OF RISK	**-60.7**	**-46.6**	**-22.9**	**-26.9**	**-83.7**	**-73.5**



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.



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.

2. MARKET RISK

Definition

Market risk is defined as the risk of losses related to variations in market parameters.

Market risk is made up of four main components:
- Interest-rate risk: risk incurred by a holder of a receivable or debt security, a change in interest rates; this risk may be specific to a particular issuer or particular category of issuers with degraded creditworthiness (credit spread risk);
- Foreign-exchange risk: this risk affects receivables and securities denominated in foreign currency held within the context of market activities and due to variations in the rates of these currencies when expressed in national currency;
- Equity price variation risk: pricing risk for a position held in a given financial asset, notably shares.
- Risk of variation in other valuation parameters: volatility of the underlying asset, distributed dividends, liquidity margin, correlation between underlying assets, etc.

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 2016 the Trading Desk maintained its commercial trajectory, ensuring compliance with the law 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 clients who are active in the markets and have standard issuer or money-market investor interests;
- Investment Solutions, for providing professional and other clients with access to market products and different asset classes. To this end, the unit conducts market-making activities and provides investment services to clients;
- Financing Solutions, which strives to converge the needs of listed or unlisted businesses seeking financing, whether BRED customers or otherwise, with those of institutional investor clients seeking investments, by structuring appropriate deals.

The control mechanism set up to ensure compliance with the provisions of the law on the separation of banking activities has been enhanced by the implementation of regular analysis reports and daily warning indicators.

The Finance Department comprises three internal units:
- Balance Sheet Management, whose activities are described below in the balance sheet risk section;
- Treasury, whose activities are described below in the balance sheet risk section;
- 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, reporting to the Risk, Compliance and Permanent Control Department, is notably responsible for:
- producing risk measurement data;
- designing and managing risk valuation models;
- checking the market parameters selected;
- daily calculation of compliance with limits;
- reporting on market risks and performance;
- developing monitoring tools;
- 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;
- conducts a specific control on compliance with good practices defined in the Lagarde report;
- 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;
- 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.

Operational management takes place within the framework of mandates issued to operational staff. 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.

The risk mandates were revised in 2016, focussing on the qualitative dimension of the activities authorised under the mandates and the monitoring criteria for mandate compliance. Similarly, BRED continued to reinforce the day-to-day indicators monitoring risk mandate compliance.

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 is notably responsible 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 counterparty risk limits for transactions with all third parties when these are not covered by the division limits;
- the Market Activities Change Management Committee, which reviews new products and possible IT developments within the scope of market activities;
- the Market Activities Accounting Committee, which deals with accounting issues;
- the Prevention of Fraud Committee;
- the Compliance Committee, which monitors the risk of non-compliance and the action plans put in place to rectify such risks.
- the Risk-takers Committee, introduced in 2016, which notably examines any authorisation levels that have been exceeded and other events that may constitute a breach of the risk mandates.

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). Back Office operational staff are then responsible for:
- validating the trade through the confirmation from the counterparty and/or broker;
- 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, based on proposals by General Management and after examination by the Compensation Committee, BRED's Board of Directors determines 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 BPCE for the scope of BRED's trading activities. This indicator is subject to the same methods and econometrics as the calculations carried out by the BPCE Group.

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 three levels of standard deviation: 0.14% to 1.52% for sovereign issuers, 0.34% to 6.54% for emerging sovereign issuers, 0.33% to 1.52% for interbank issuers, 1.37% to 2.21% for corporate issuers.
Stock market risk	Scenario based on a 15% stock-market fluctuation affecting cash, index and equity derivative positions.

Lastly, operational indicators are used to measure and thereby supervise the activity, at global level and/or by desk, comprising volume, sensitivity, diversification and loss warning threshold indicators. 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, counterparty risk measurement software – also developed in-house by the Modelling Department – is used to measure credit and counterparty risk on an individual basis and an aggregate basis by group of counterparties. Monitoring covers solvency risk as well as the risk of loss of market value linked to changes in issuers' spreads. The tool also monitors consumption of allocated credit limits on a daily basis.

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 forwarded 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 applications to verify that the flows calculated in the FO systems 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 French banking legislation. 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 terrorism financing (AML-TF) procedures. When necessary, it verifies new business relationships ex-post, via a simplified procedure, or ex-ante, in the event of cases judged to be 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.

RISK-WEIGHTED ASSETS

in millions of euros	31/12/2016	31/12/2015
Interest-rate risk	999	804
Foreign-exchange risk	112	56
Ownership, commodities and gold risk	113	108
TOTAL MARKET RISK	**1223**	**968**
Counterparty risk linked to market risk	575	758

At 31 December 2016, in accordance with Basel III standards, the risk-weighted assets amounted to €1,223 million. This equates to a 26% increase year on year, due to the higher level on the balance sheet of securities in the subordinated Corporate and Financial categories.

2.4.2 Market risk scenarios

"Information provided under IFRS 7"

Changes in the impact of the risk scenarios defined below as applied to the Trading Desk and Consolidated Management of Investments as a combined unit:

RISK SCENARIO

in millions of euros	Impact at 31/12/2016	Impact at 31/12/2015
Foreign-exchange risk	**5.4**	**4.2**
Interest-rate risk		
• Directional risk	11.5	22.6
• Deformation risk	0.9	7.6
• Monetary crisis risk	11.3	11.7
Total issuer risk in a stress scenario	**120.8**	**112.1**
Stock market risk	**87.4**	**92.4**

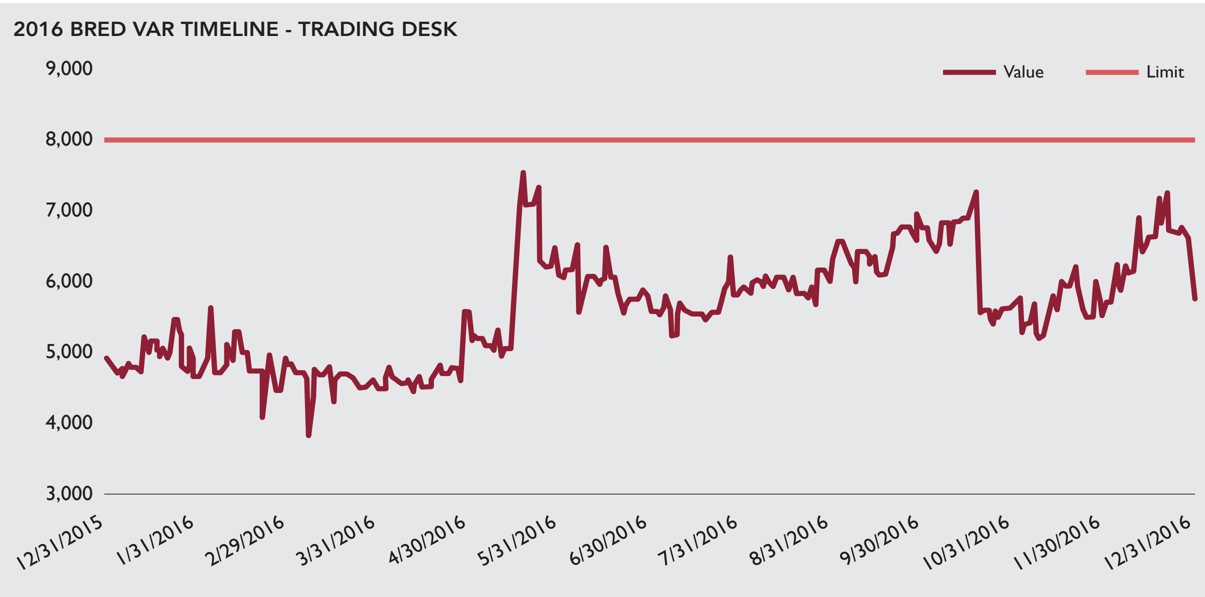
2.4.3 Value at Risk

"Information provided under IFRS 7"

TRADING DESK VaR

in millions of euros

The BRED VaR in question is a conservative indicator, calculated as the maximum of four separate parametric and historic VaR calculations.



The VaR increased progressively during the year due to the higher level of repos and Corporate securities.

2.4.4 Issuer risk on market activities

"Information provided under IFRS 7"

ISSUER RISK ON MARKET ACTIVITIES
expressed as outstanding market debt

in millions of euros	31/12/2016	31/12/2015
Sovereign	7,280	7,476
Interbank	2,689	1,672
Secured bonds	669	1,139
Corporate	2,821	3,150
TOTAL	**13,459**	**13,438**
o/w off-balance sheet	1,518	1,232

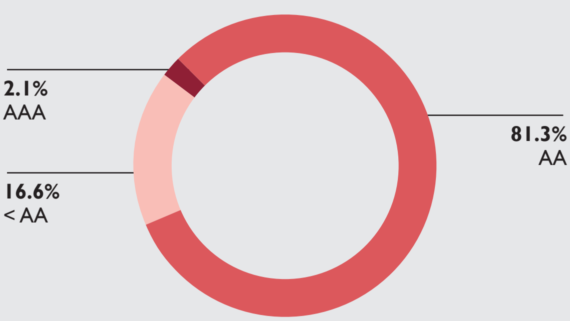
Total BRED scope, excluding securitisations of BRED receivables carried by BRED. The off-balance sheet counterparty risk is calculated based on the replacement value plus an add-on determined by reference to volatility, designed to cover any subsequent fluctuation in the replacement value.

The level of exposure to issuer risk has been stable since the previous year.

2.4.5 Sovereign risk by rating

At 30 December 2016, the portfolio of sovereign debt securities consisted as to 83% of issuers rated higher than AA.

SOVEREIGN BY RATING

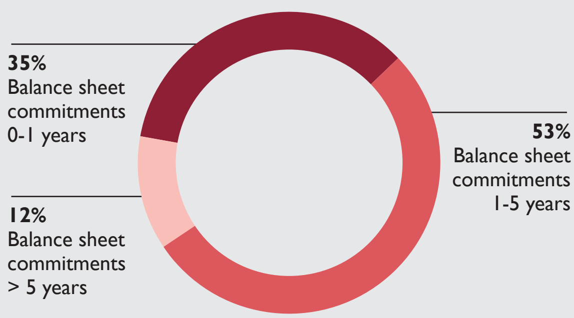


Total Sovereign

in millions of euros	Total Trading
AAA	152
AA	5,825
<AA	1,188
TOTAL	**7,165**

2.4.6 The breakdown of risk by residual maturity at 31 December 2016 was as follows:

MATURITY OF MARKET RISK EXPOSURES



Nearly half of the capital markets commitments had a residual maturity of less than 1 year and 88% had a residual maturity of less than 5 years.

2.4.7 Financial information specific to financial transparency

Securitised asset volume stands at €1.4 billion, 70% of which was carried by the investment subsidiary NJR and 30% by the Trading Desk.

3. BALANCE SHEET RISK

"Information provided under IFRS 7"

3.1 Balance sheet and treasury risk management principles

3.1.1 Definition

Structural balance sheet risk is constituted by an immediate or future risk of loss due to variations in commercial or financial parameters and the balance sheet structure for the activities of the banking portfolio, excluding own-account transactions.

Structural balance sheet risk has three main components:
- the liquidity risk and the risk for the institution of being unable to meet its commitments or being unable to close out or offset a position due to the market situation or idiosyncratic factors, within a reasonable time period and at reasonable cost. (Order dated 3 November 2014 relating to internal control). Liquidity risk is also associated with the inability to convert non-liquid assets into liquid assets.
- the overall interest rate risk is the risk incurred in the event of a variation in interest rates on all on-balance-sheet and off-balance-sheet transactions, excluding any transactions subject to market risk (Order dated 3 November 2014 relating to internal control).
- foreign-exchange risk affects receivables and securities denominated in foreign currency due to variations in the rates of these currencies when expressed in national currency.

3.1.2 General organisation

The management and monitoring of balance sheet and treasury risk are organised around two operational departments, namely Asset/Liability Management (ALM) 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 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.

3.1.3 Role of the ALM Department

The ALM Department manages assets and liabilities and provides macroeconomic hedging for the bank's risks in a scenario of a financial crisis.

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 for ALM aspects in collaboration with the Treasury Department (LCR or Banque de France), including all the collateral that may be used for operational management of the Group's liquidity and any required structuring of collateral. The ALM Department defines the liquidity management policy one week ahead and beyond, notably in terms of managing ratios. Alongside the Treasury Department, it is responsible for the liquidity PCA.
- Managing interest-rate risk and hedging transactions aimed at protecting BRED Group's earnings over the long term, and in particular its interest margin;
- Management of the Group's solvency: all market operations designed to reinforce the Group's solvency, including the issue of market securities eligible for the bank's regulatory capital;
- Management of foreign exchange risk: all operations guaranteeing that all of the BRED Group's foreign exchange positions are maintained at levels within defined limits.

The macroeconomic hedging activity is designed to protect the bank in the event of a serious economic or financial crisis. Hedge positions are decided by the CEO after consultation with the Risk Department on recommendations issued by the ALM Department, which subsequently manages the implementation and monitoring process. The ALM Department presents current hedging positions at each Financial Strategy Committee meeting, covering the following aspects:
- their financial impact over the past period;
- the scenarios covered by the hedging positions with quantification of the risk related to the scenarios and the potential protection offered by the hedge;
- the economic factors that would lead to positions being lifted;
- the principles according to which the planned strategies no longer apply.

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 is notably based on the standards set out by the BPCE Asset/Liability Management Department as well as on the specific rules used by General Management in the decision-making processes of the bank.

Finally, the ALM Department assumes the following roles with the consolidated subsidiaries of BRED within the framework of its defined responsibilities:
- provision of measurement tools for liquidity and rates;
- analysis, advice and suggested action to cover these risks;
- intermediation for refinancing and rates hedging.

Any ALM-type operation carried out by a BRED Group entity must be pre-authorised by the head of the ALM Department or the Financial Director.

3.1.4 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. It may demand transactions to be executed by the Trading Desk and/or by the ALM Department. 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 monitored by the Treasury Department;
- guides intra-day euro flows, monitors the investment systems, the BPCE and correspondent accounts and ensures that the utilisation limit for the POOL 3G credit line is not surpassed;
- ensures that security collateral funds are consistent with treasury intra-day deficits and, in the event of any imbalance, proposes adjustments to the Financial Markets Committee;
- is authorised to activate the liquidity PCA and implement first-line security measures, after having informed the Financial Director, the Risks Director and the ALM Department. It 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 compatibility 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 with the Back Office teams that record the transactions.

The Treasury Department accordingly has the power to limit or block same-day value transactions.

3.1.5 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 to:

- supervise the definition of first level control standards and methods;
- validate the risk monitoring system, check the reliability of the parameters and measurement methods used and reconcile accounting and management data;
- contribute to the definition and development of the ALM risk management system (risk indicators, limits systems) subject to validation by the appropriate committees or General Management;
- verify ex-post the proper application of the control, modelling and measurement standards and methods and the financial risk decisions approved by the relevant committees;
- define and implement second level control of the ALM Department's work;
- monitor changes in the Bank's structural balance sheet risk and verify compliance with ALM limits;
- verify the production of balance sheet risk monitoring reports;
- produce summary reports and notify the executive or decision-making bodies when necessary;
- monitor the implementation of corrective action and the resolution of breached limits.

3.1.6 Role of the Market Risk Department

The Market Risk Department conducts second level control of market operations carried out within the framework of the defined responsibilities of the ALM and Treasury Departments, as set out above (Market Operations section).

3.1.7 Role of the BPCE Group departments

These tasks are carried out in liaison with the BPCE Group'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 the BPCE Group'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 BPCE Group ALM Committee (for the ALM guidelines) and the BPCE Group Standards and Methods Committee (for the ALM risk guidelines). The framework defined at the BPCE Group 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's balance sheet risk is now measured via a Group application called "Fermat". 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 thebalance 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; during 2016 these limits were duly complied with. The value of the indicators and the level of consumption are consolidated by the BPCE Group in standardised quarterly reports. The ALM Department submits these reports to the BPCE Group'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.

In accordance with the Order dated 31 December 2016, new measurements will be coming into force for static gap and interest margin sensitivity. Accordingly, the associated limit levels will also be revised.

3.2.2 SIRCO risk tool

The Risques ALM tool from SIRCO 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 BPCE Group Risk Department, particularly concerning the level of limits consumption.

3.2.3 At subsidiary level

The risk measurements reported to the BPCE Group 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 BPCE Group 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 BPCE Group indicators defined above, BRED relies on an internal rates risk measurement. This particularly enables the breakdown of the rates risk by management entity within the BRED Group. Liquidity gaps are also calculated on a monthly basis using an application called Consult. The regulatory liquidity indicators (notably LCR) also provide a measurement of liquidity risk.

3.2.5 Communication with accountable managers and the Board of Directors

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 to the Board's Risk 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 indicator 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 the BPCE Group, 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

in millions of euros	2017	2018
Interest rate sensitivity		
Overall interest rate sensitivity	-15	10

The global impact of a 1% rate rise on the interest margin is negative for BRED in 2017 due to existing stocks but, conversely, the interest margin benefits from any rate rise via the impact on the portfolio of long-term loans, amounting to a gain of €10 million in 2018.

STRESSED LIQUIDITY GAP AT 31/12/2016 (BPCE STRESS SCENARIOS)

in millions of euros	2018
Month 1	8,426
Month 2	7,124
Month 3	6,613

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

Definition

Operational risk is defined in point 52 of paragraph 1 of article 4 of Regulation (EU) no. 575/2013. It is the risk of losses resulting from the inadequacy or failure of processes, personnel and internal systems or from external events, including legal risk. Operational risk notably includes risks associated with events with low probability of occurrence but high impact, with the risk of internal and external fraud as defined in article 324 of Regulation (EU) no. 575/2013 and risks associated with the model.

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 BPCE Group Risk Management Department.

Within BRED Group, the system is overseen by the Operational Risk Management Department and implemented by correspondents throughout BRED and its subsidiaries.

The Operational Risk Department is responsible for identifying and monitoring operational risks, notably by collating incidents, mapping operational risk and coordinating the operational risk control system by conducting dedicated controls, notably in the area of external fraud, and by triggering the alert procedure when necessary.

The Operational Risk Management Department performs its responsibilities via operational risk officers appointed in BRED's operational departments and via second level permanent control staff from the Permanent Control Department.

The Permanent Control Department ensures the effectiveness of the permanent control system, notably the proper implementation of BRED Group action plans and permanent control plans, including exploitation of the findings of the said controls.

4.2 Operational risk measurement and monitoring

BRED's operational risk measurement and monitoring system integrates the principles defined at the BPCE Group level. This system is organised in the form of internal procedures that are updated regularly by the Operational Risk Management Department. Capital requirements for operational risk are calculated using the standard method.

Operational risk indicators are centralised and analysed by the 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 BPCE Group system called PARO. The risks and ratings are established by independent experts and via the backtesting of OR incidents collated over the past 3 years. They are 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 Operational Risk Management Department validates the data and, in close collaboration with BPCE Group personnel, organises training and information briefings for local correspondents.

4.2.3 Combating fraud

The Prevention of Fraud Committee is responsible for the appropriateness of the BRED Group system for combating internal and external fraud in coordination with the BPCE Group systems. It takes into consideration incidences of fraud encountered by BRED, BPCE Group and, more widely, the French banking industry. The committee also takes into consideration systems proposed or implemented by the business lines and subsidiaries which are designed to enhance fraud prevention and, where necessary, may request certain modifications.

Within the Operational Risk Department, the unit responsible for external fraud analyses fraud and attempts at fraud, notably concerning the processing of transfers (national and international). It implements and participates in dedicated controls.

4.2.4 Organisation of permanent controls

For 2016, the second level permanent control plan was established via the operational risk map and indicators resulting from incident collation, with or without financial impact. It was rolled out to all BRED Group operational and commercial activities, and to ensure the effective management and the compliance of outsourced services.

Second level permanent controllers reporting directly or functionally to the Permanent Control Department are responsible for:

- assessing the first level control systems inherent to each process controlled;
- performing face-to-face controls of operations/files based on control standards defined in collaboration with the risk and compliance functions;
- where applicable, issuing and following up recommendations resulting from any anomalies observed.

They issue permanent control reports on an ongoing basis and on a consolidated basis each quarter, thereby participating in the assessment of the risk control system of each risk and compliance function concerned.

5 COMPLIANCE RISK

5.1 Compliance mechanism

Each operational department within the parent company and its subsidiaries is responsible for managing the compliance risks inherent to its own area of business. To this end, it exploits the regulatory watch specific to its business line, as disseminated by the relevant BPCE Group departments in the form of circulars, and by the BRED Group's Compliance Department in the form of guidelines.

With the support of Group Compliance and the Legal Department, the various capital markets departments take all the regulatory constraints into account when developing new products or when changing existing processes.

Within the parent company, compliance risks are managed by two departments directly reporting to the Risk, Compliance and Permanent Control Department, the head of which is a COMEX member.

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 by BRED Group subsidiaries in light of their location, activities, customer base and applicable regulatory requirements. The updating of the regulatory framework is covered in the regular reports in the BRED Group macro risk map; these reports are subject to regular presentations to the Control Functions Coordination Committee, the Board's Risk Committee and the Board of Directors.

5.1.1 Compliance Department

Mission

The Compliance Department is responsible for measuring, supervising and controlling compliance risks in accordance with article 3 of the Order dated 3 November 2014 relating to client protection, anti-money laundering and counter terrorism financing. The department's main role is to control the risk of legal, administrative or disciplinary sanction and the risk of significant financial or reputational loss resulting from any breach of the statutory and regulatory provisions that apply to banking and financial activities, or from professional or ethical standards, or from instructions issued by the executive body. Investment services risks are not managed by the Compliance Department.

Under the consolidated risk approach, the Compliance Department is responsible for activities within the BRED parent company and all French and foreign subsidiaries reporting to it. It therefore manages a transverse compliance function throughout the BRED Group, notably by establishing a strong functional link with compliance managers within the subsidiaries.

The Compliance Department is responsible for risks related to compliance with:

- client rights, "banking-insurance compliance" apart from provisions applicable to investment services;
- regulations issued by CNIL (national data protection commission);
- regulations relating to anti-money laundering and terrorism financing.

The Compliance Department also manages mechanisms to combat internal fraud, in terms of both detection and any investigations required to establish the facts.

The main activities specific to the Compliance Department within the Risk, Compliance and Permanent Control Department are as follows:

- point of contact for regulatory watch performed by BPCE to ensure that the changes required under regulatory developments are implemented in good time vis-à-vis products and processes;
- definition of the training plan regarding compliance issues;
- coordination with the New Products & Services Committee (new product or significant change to an existing product, substantial process modification, new activity, new marketing method or new client target group);
- analysis and validation of new products and processes;
- identification and assessment of compliance risks with operational departments and subsidiaries, including documentation in the risk map;
- coordination of CNIL obligations and processing of access rights. The identification and assessment of risks and the declaration and processing of access rights are carried out in association with CNIL correspondents based in the departments. Within the Compliance Department, this role is performed by a Data Protection Officer (DPO) who is responsible for maintaining a register of automated processing and for measuring its compliance with legislation and CNIL instructions (see definition of the data protection function). The DPO also receives and deals with complaints and requests from persons concerned by such processing, in accordance with legal rights relating to access, rectification and opposition. The scope of responsibility of the DPO covers all departments of BRED and its French subsidiaries;
- determination of second level permanent controls and of the control reference standards to be integrated within the annual plans of compliance controls to be conducted by permanent controllers in association with the Permanent Control Department;
- exploitation of the findings of first and second level controls, including by assisting permanent controllers regarding the issuance of recommendations in the event of any anomalies or, where applicable, by modifying the current systems, including follow-up activities and the implementation of any necessary corrective action;

- exploitation of the findings of periodic control in terms of coordination with the functions of compliance, process mapping and action and control plans;
- information escalation procedure relating to any anomalies with the effective implementation of compliance obligations and the conditions for triggering alerts;
- production of internal, external and regulatory reports within its scope of responsibilities and the reporting of findings and any corrective action to the ***dirigeants effectifs*** (accountable managers), Board of Directors and prudential authorities;
- adaptation of tools and systems in the light of regulatory and operational developments. In collaboration with the IT Projects & Organisation Department (BRED and subsidiaries) and the operational departments concerned, it contributes to IT projects concerning the compliance function.

The Head of Compliance is designated with the ACPR as "the manager responsible for ensuring the coherence and effectiveness of compliance risk control" within the meaning of article 28 of the Order dated 3 November 2014.

The Head of Compliance holds the right to issue a veto or alert in the event of any atypical transaction or high-risk situation likely to undermine the image of the BRED Group. Where applicable, the Head of Compliance will forward documented analysis of the facts to General Management. The Head of Compliance may participate in Executive Committee meetings whenever necessary.

Organisation

The Compliance Department consists of:

- the Anti-Money Laundering & Terrorism Financing Unit (AML-TF), whose role is to classify AML-TF risks and to implement control systems throughout the BRED Group which must be based on a risk approach as set out in the 3rd European AML-TF Directive transposed into French law. This unit has the skilled personnel it requires to implement upgrades to the systems it uses;
- The Banking-Insurance Compliance Unit, whose role is to ensure compliance with French regulations applicable to the parent company and its French subsidiaries as well as, for the foreign subsidiaries, compliance with local regulations and any supplementary BRED Group instructions.
- The Internal Fraud Unit, whose role is to prevent and control the risk of internal fraud able to harm the interests of clients and/or the bank. The controls are conducted in line with permanent requirements or following alerts issued or incidents notified by any bank employee. Where necessary, this unit will create a file of the facts concerning the employee concerned for the purposes of taking disciplinary action, whether directly by the HR Department or via an investigation committee chaired by the HR Director.

The Subsidiaries Unit, whose role is to maintain a close relationship with BRED Group subsidiaries in order to coordinate and monitor compliance issues.

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.

Accordingly, it ensures compliance with the bank's obligations applicable to investment services providers as set out in the General Regulations of the AMF (notably 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.

Regarding regulatory functions, the Investment Services Compliance Department:

- issues and reviews the professional accreditation of traders and clearers;
- maintains a list of persons concerned, of the instruments entered on the surveillance or prohibition list, the register of conflicts of interest and any ad hoc or permanent lists. It is responsible for any declarations of market abuse;
- informs employees and participates in training, notably for those involved in the marketing of investment services: training plans for branch network personnel and market activities;
- produces annual and special reports for the AMF and informs the ***dirigeants effectifs*** (accountable managers) and the Board of Directors;
- participates on the bank's bodies and committees associated with investment services and monitors or performs investigations initiated by the AMF.

In its role as coordinator, the Investment Services Compliance Department collaborates with other BRED Group investment services providers (Promepar Asset Management, SBE) and directly with compliance officers (RCSIs and RCCIs) with personal professional accreditation from the AMF to ensure the coherence and effectiveness of the control systems at accredited subsidiaries.

As in each year, it has produced an Annual Compliance Report for the AMF covering BRED and BRED Gestion. This generally presents precise mapping for BRED compliance via 230 general questions and an audit of 37 instructions that must be complied with.

The BRED Group Investment Services Compliance Officer (RCSI) is responsible for the mutual fund and AIF depositary function. In this context the RCSI holds the assets, ensures the correctness of the UCITS and AIF decisions or of its management company in relation to applicable legislative and regulatory provisions and the terms of its prospectus.

Within the context of private equity activities, it performs the role of RCCI (Compliance and Internal Control Officer) for the management company Perspectives et Participations. On 10 August 2016 the AMF approved Perspectives et Participations as a portfolio management company in accordance with its programme of activities under the number GP-1600021. Accordingly, each year it produces an RAC (annual control report) and FRA (annual information sheet) in line with regulatory requirements.

Organisation

The Investment Services Compliance Department (DCSI) consists of three activity areas corresponding to the largest commercial sectors of the bank, namely branch network clients (Operations and Corporate & International Accounts), clients and counterparties of the Capital Markets Department and private equity clients of the entity Perspectives et Participations.

Via specific procedures that are recorded in its official manual available to all employees, it delegates certain of its tasks to permanent control officers in other specialist departments, mainly the Market Risks Department (DRM) and the Permanent Control Department.

5.2 Organisation of control

5.2.1 Compliance Department

The Compliance Department employs a compliance risk mapping tool (BPCE self-rating) that enables it to:

- focus its actions on particularly sensitive activities with regard to regulatory and ethical requirements;
- draw up and encourage implementation of documented control plans appropriate 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) issued by the New Products & Processes Committee, chaired by the Head of Risk, Compliance & Permanent Control. This committee is composed of the Banking-Insurance Head of Compliance, the Investment Services Head of Compliance, the Information Systems Security Officer, the Head of AML-TF Compliance, the Overseas Permanent Control Manager, the Head of Credit Risk, the Head of Permanent Control, the Commitments Department and the Head of Compliance. Its remit covers BRED and those subsidiaries that have delegated authority to BRED's Compliance Department.

The Banking and Insurance Compliance unit produces an annual second level control plan for all the main themes associated with client protection. These controls are performed directly by personnel from the department or are entrusted to branch network controllers reporting functionally to the Permanent Control Department on the basis of standards published by the Compliance Department.

For foreign subsidiaries, the Banking and Insurance Compliance unit also verifies via the subsidiary's compliance officer that local regulatory developments have been properly taken into account in all 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, incorporated within a compliance control plan covering controls performed by the unit itself and those entrusted to the Permanent Control 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 atypical 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 thematic analysis 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 it has entrusted to the other control departments, notably the Permanent Control Department. With regard to the BRED Group's French and foreign subsidiaries, the AML-TF Unit supervises the AML-TF surveillance systems and tools put in place by each subsidiary, verifying consistency, utilisation and effectiveness vis-à-vis Group policies.

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 Regulations, recommendations, positions, etc.) and those issued by the ACPR in joint areas, in particular regarding the marketing by the BRED network of financial instruments linked to life insurance. Various post-crisis regulatory reforms were applicable in 2016, notably the continued impact of EMIR (European Market and Infrastructure Regulation) which imposes new constraints on different operators in derivative markets: financial or non-financial counterparties performing a transaction on these markets and clearing houses, and also the Market Abuse Regulation (MAR) which widens the scope of application (market transactions, prevention and detection tools and administrative sanctions). 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 2016 (39 procedures).

The Investment Services Compliance Officer's controls must provide the AMF, BRED's General Management and its Board of Directors with 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.

In a difficult environment marked by more onerous regulatory obligations, the Investment Services Compliance Department requires a comprehensive overview in order to optimise its intervention capacities. To this end, the Investment Services Compliance Officer has implemented a control plan entitled Monitoring Investment Services Controls 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 custodianship, in light of regulatory developments introduced by the transposition of the UCITS V European Directive demanding enhanced operational procedures, BRED has taken the initiative to cease such activities on behalf of collective investment undertakings (UCITS and AIFs) excluding securitisation mutual funds. It should be noted that numerous institutions have withdrawn from this high-capital activity, which is now concentrated in France in the hands of three main operators.

Within the context of the accreditation by the AMF of the management company Perspectives et Participations, a body of procedures specific to private equity has been drawn up, notably including the prevention and management of conflicts of interest and the control of privileged information. In relation to these procedures, the Investment Services Compliance Department has produced a dedicated control plan for Perspectives et Participations.

5.3 Significant events in 2016

5.3.1 Compliance Department

Banking and Insurance Compliance unit

In 2016, the Banking and Insurance Compliance unit performed documented controls to verify that the various departments had taken into account in their processes and/or products the most recent regulatory developments, particularly those relating to client protection (compliance of property loans, controls on multi-holdings of regulated savings products, pricing compliance, controls on the processing of complaints).

The controls performed did not reveal any material compliance risks. Concerning topical regulatory issues, focus has been placed on compliance with client protection rules during product marketing, notably vis-à-vis vulnerable clients. For the French subsidiaries governed by French regulations, the unit fulfilled its supervisory role by verifying that new products and services were referred to the Compliance Department and that customer protection rules were complied with. These controls led to corrective action to remedy certain failings, such as those detected in the drafting of contractual or information documents.

Financial Crime Unit

In 2016, the AML-TF Unit continued to enhance the anti-money laundering and counter terrorism financing system at BRED:

- Optimisation of the AML-TF organisation: file digitalisation and TRACFIN submission rules in order to enhance processing times;
- Creation of themed analysis via sample, within a geographic sector, for a client category (minors' accounts, elderly clients, etc.) or in an economic sector in addition to the alerts forwarded to the commercial network via the MAHAKALA application;
- Reinforcement of the AML-TF system with a new process concerning the issuance of a compliance opinion on the origin of retail clients' home loan deposits;
- Launch of 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 out in the regulations. Deployment took place in October 2016 for retail clients and is scheduled to take place for corporate clients in Q2 2017.The project to complete the DRCs (client regulatory files) for all client segments continued throughout 2016. This regulatory obligation is regularly covered bythe second level controls on DRCs, for both existing clients and new client relationships. In addition, the rate of DRC completeness was integrated as a compliance
- indicator affecting the amount of collective bonuses planned for the sales network when performance is judged to be unsatisfactory;

During 2016, the department's headcount rose by 1 to 12 FTEs. Concerning the AML-TF supervision of French and overseas subsidiaries of BRED Group, emphasis was placed on a project to establish a base for AML-TF requests differentiated according to the vigilance score assigned to each client. This minimum base will apply to all subsidiaries. Other action in the area of subsidiary supervision was mainly designed to produce a report on the effectiveness of the AML-TF tool for each of our subsidiaries and to formalise an action plan aimed at strengthening the system and/or correcting any weaknesses observed in accordance with the development status of the entity, some of which were only recently created. The unit monitors the action plans at each Group subsidiary on a regular basis.

With regard to the quality of response to AML/TF alerts within the 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/TF filtering software by operational staff, with areas for improvement relating mainly to updating KYC data.

The steady improvement in knowledge and use resulting from the training given by AML-TF staff and the creation of themed analysis has led to a steady and substantial increase in the number of suspicious activity reports sent to Tracfin in 2016 (+52%).

With regard to our French and foreign subsidiaries, during its regular on-site visits the unit also provided training for staff involved in AML-TF issues. Together with enhancement of the system at the technical and procedural levels, these training sessions have resulted in better overall application of the financial security rules issued by the parent company.

In 2016, those most directly affected by these on-site interventions were the subsidiaries of BCIMR Djibouti and BRED Fiji.

5.3.2 Investment Services Compliance Department

The system for controlling Investment Services compliance risks is based on a control system structured around four main areas:

- general and specific procedures;
- Tracking of the BPCE Group standards to ensure overall consistency and the effectiveness of supervisory tools and systems;
- Deployment of detection tools, notably within the context of sensitive persons and market abuse alerts;
- Training of business units and business lines.

During 2016, the Investment Services Compliance Officer continued to develop the system via the following initiatives:
- Creation of a tool for monitoring sensitive persons (formal documentation and declaration of accounts and transactions);
- Creation of tool for monitoring regulatory CUTs, notably in terms of the traceability of investment advice.

The Investment Services Compliance Officer performs regulatory watch on an ongoing basis, and 2016 was especially marked by a major effort to complete certain reform work such as MiFID II which will change the environment for financial instruments markets (product governance, remuneration and benefits, 'independent' advice, transaction reporting, etc.); EMIR; PRIIPS, which is designed to harmonise the pre-contractual information submitted to investors in order to be easily able to compare and understand the different types of financial products on offer, and RDT MAR which reinforces transaction reporting obligations to the regulator with a wider scope in terms of the financial instruments covered and more detailed information.

6 OTHER RISK FACTORS

The risk factors presented below concern the BPCE Group as a whole, including the BRED Group, and are described in full detail in the BPCE Group annual report.

The banking and financial environment in which the BRED Group and, more widely, the BPCE Group develops entails exposure to numerous risks, requiring the bank to implement an ever more demanding and rigorous policy to control and manage these risks.

Some of the risks to which the BRED Group is exposed are identified below. It is not an exhaustive list for either the BRED Group or the BPCE Group (please refer to the annual Reference Document) in terms of the risks encountered during the course of its activities or in the light of its operating environment.

Alongside risks that are yet to be identified and those currently considered by the BPCE Group to be insignificant, the risks presented below could have a major negative impact on its business, financial situation and/or results.

Risks associated with macro-economic conditions, the financial crisis and stricter regulatory requirements

The recent economic and financial context in Europe has had an impact on the BPCE Group and the markets in which it operates. This trend is likely to continue.

European markets may experience disruptions that affect economic growth and impact the financial markets, both in Europe and worldwide.

Should the economic environment or market conditions in France or elsewhere in Europe worsen, the markets in which the BPCE Group operates could experience even more serious disruption and its business, results and financial situation could be negatively affected as a result.

Legislation and regulatory measures proposed in response to the global financial crisis could have a significant impact on the BPCE Group and on the financial and economic environment in which it operates.

Legislative and regulatory measures have been recently enacted or proposed in order to introduce a number of changes to the global financial framework, some of which will be permanent. Although these new measures are designed to avoid a new global financial crisis, they are likely to radically modify the environment in which the BPCE Group and other financial institutions are able to develop. Certain of these measures may also increase the Group's financing costs.

The BPCE Group is subject to significant regulation in France and in many other countries in which it operates; current and future regulatory measures may have a negative impact on the activity and results of the BPCE Group.

Multiple supervisory and regulatory regimes apply to BPCE Group entities in every territory in which they operate. Any failure to comply with these measures may lead to action by the regulatory authorities, or to a fine, public reprimand, reputational damage, mandatory suspension of operations or, in the worst case, withdrawal of operating licence.
The financial services industry has experienced increased scrutiny from a variety of regulators in recent years, as well as an increase in the penalties and fines sought by regulatory authorities. This trend may accelerate in the current financial environment The business and results of Group entities may be materially impacted by the policies and actions of various regulatory authorities in France, other European Union or non-eurozone governments and international organisations. Such constraints may limit the ability of Group entities to expand their businesses or to pursue certain activities. The nature and impact of future changes to such policies and regulatory measures are unpredictable and are beyond the control of our Group and our institution.

Such changes may include, but are not limited to, the following:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policies liable to significantly influence investor decisions, in particular in markets where the BPCE Groupoperates;
- general changes in regulatory requirements, notably prudential rules relating to the regulatory capital adequacy framework, such as the amendments being made to the regulations implementing the Basel III requirements;
- changes in internal control rules and procedures;
- changes in the competitive environment and prices;
- changes in financial reporting rules;
- expropriation, nationalisation, price controls, foreign exchange controls, confiscation of assets and changes in legislation relating to foreign ownership rights; and any adverse changes in the political, military or diplomatic environments creating social instability or an uncertain legal situation capable of affecting the demand for the products and services offered by the BPCE Group.

Risks associated with the BPCE Group 2014-2017 strategic plan

Consisting of multiple initiatives, the BPCE Group 2014-2017 strategic plan notably incorporates four priorities in terms of investment: (i) to create local banks enjoying a market leading position in order to consolidate physical and digital client relationships; (ii) to finance clients' needs, to make the Group a major player in the savings sector and to abandon the approach based on the lending activity in favour of one based on 'financing'; (iii) to become a fully-fledged banking-insurance specialist; and (iv) to accelerate the Group's pace of international development. Within the context of the 2014-2017 strategic plan, the BPCE Group announced a number of financial objectives, notably a revenue growth rate and cost reductions, alongside objectives for liquidity and regulatory capital ratios. Principally established for the purposes of planning and allocating resources, the financial objectives are based on various assumptions and do not constitute any projection or forecast of future results. The actual results of the BPCE Group are likely to differ from these objectives for a variety of reasons, including the appearance of one or more of the risk factors described in this document.

Risk factors relating to the BPCE' Group's activity and the banking sector

The BPCE Group, including the BRED Group, is exposed to numerous risk categories associated with banking activities

The main risk categories associated with the BPCE Group's activities are:
- credit risk
- market risk
- interest rate risk
- liquidity risk
- operational risk
- insurance risk

The BPCE Group must maintain high credit ratings to prevent a negative effect on its profitability and activities.

Credit ratings have a major impact on the liquidity of BPCE and that of its affiliated parent companies and subsidiaries, including "Institution names", which operate in the financial markets. Lower ratings could affect the liquidity and competitive position of the BPCE Group, increase its financing costs, restrict its access to capital markets and trigger clauses in certain bilateral contracts covering trading, derivatives and collaterised refinancing transactions. Wider credit spreads can significantly increase the Group's refinancing costs.

A substantial increase in asset impairment charges recognised within the BPCE Group loans and receivables portfolio is liable to negatively affect its results and financial situation.

Within the context of its lending activities the BPCE Group, including the BRED Group, regularly records asset impairment in order to reflect any real or potential losses in its lending and receivables portfolio, which are recognised in its income statement under 'Cost of risk'. The overall level of the BPCE Group asset impairment is based on the valuationby the Group of historic losses on loans, the volumes and types of loans granted, the standards within the sector, loans in arrears, the economic environment and other factors associated with the recovery rate for the various types of loans.

Although the BPCE Group entities, including the BRED Group, aim to record sufficient provisions on assets, their lending activities may lead them to increase these provisions for losses on loans in the event of an increase in non-performing assets or for other reasons, such as a deterioration in market conditions, factors affecting certain countries or changes in accounting standards. Any significant increase in provisions for losses on loans or a significant change in the BPCE Group's risk of loss estimates for its unimpaired loan portfolio, or any losses on loans in excess of the provisions recorded for the loans in question, may have an unfavourable impact on the BPCE Group's results and financial position.

The capacity of the BRED Group and, more generally, of the BPCE Group to attract and retain skilled employees is paramount to the success of its business and failing to do so may materially affect its performance.

Future events may vary compared to management assumptions on which the financial statements of the BPCE Group are based, which could expose it to unexpected losses.

According to current IFRS standards and interpretations, the BPCE Group, including the BRED Group, must base its financial statements on certain estimates, in particular accounting estimates relating to the determination of provisions for doubtful loans and receivables, provisions for potential claims and litigation, and the fair value of certain assets and liabilities. If the values used for these estimates by the BPCE Group prove to be materially inaccurate, in particular in the event of sharp or unexpected shifts in the markets, or if the methods used to calculate these values are modified due to future changes in IFRS standards or interpretations, the BPCE Group may be exposed to unexpected losses.

Prolonged market downturns may reduce market liquidity, undermining the ability to sell certain assets and, consequently, give rise to losses.

Significant variations in interest rates may negatively impact the BPCE Group's net banking income and profitability.

The amount of net interest income received by the BPCE Group over a given period has a significant influence on net banking income and profitability over the said period. Furthermore, significant changes in credit spreads may also affect the BPCE Group's results. Interest rates are highly sensitive to various factors that may be outside the control of the BPCE Group. Any unfavourable trends in the yield curve may trigger a decline in net interest income from lending activities. Moreover, rises in the interest rates at which short-term financing is available and maturity mismatches may have a negative impact on the BPCE Group's profitability. An increase in interest rates, high interest rate levels, low interest levels and/or wider credit spreads may create a less favourable environment for certain banking activities, particularly if such variations take place over a short period of time or are of lasting affect.

Changes in exchange rates may have a material impact on the BPCE Group's results.

The BPCE Group entities carry out a large share of their activities in currencies other than the euro and changes in the exchange rate may affect their net banking income and results.

Any interruption or failure of the information systems belonging to the BPCE Group or a third party may lead to losses of a notably commercial nature.

As is the case for the majority of its competitors, the BPCE Group is highly dependent on communication and information systems, as a large number of increasingly complex transactions are processed in the course of its activities. Any failure, interruption or malfunction in these systems may cause errors or interruptions in the systems used to manage customer accounts, general accounts, deposits, transactions and/or to process loans. For example, if the BPCE Group's information systems were to malfunction, even for a short period, it would be unable to meet its customers' needs in time and could thus lose transaction opportunities. A temporary failure in the BPCE Group's information systems, despite back-up systems and contingency plans, could also generate substantial information recovery and verification costs, or even a shortfall in its proprietary activities if, for example, such a failure were to occur during the implementation of hedging transactions. The inability of the BPCE Group's systems to adapt to an increasing number of transactions may also limit its ability to develop its activities.

The BPCE Group is also exposed to the risk of disruption or operational failure of one of its clearing agents, foreign exchange markets, clearing houses, custodians or other financial intermediaries or external service providers that it uses to carry out or simplify its securities transactions. As interconnectivity with its customers continues to grow, the BPCE Group may also become increasingly exposed to the risk of the operational malfunction of its customers' information systems. The BPCE Group's communication and information systems and those of its clients, service providers and counterparties may also be subject to malfunctions or interruptions resulting from the actions of cybercriminals or cyberterrorists. The BPCE Group cannot guarantee that such malfunctions or interruptions to its systems or those of other parties will not occur or, where they do they occur, that they will be resolved in an adequate manner.

Unforeseen events may cause an interruption in the BPCE Group's activities and trigger material losses and additional costs.

The BPCE Group may be vulnerable to political, macroeconomic and financial environments or to specific circumstances in countries in which it operates.

Certain BPCE Group entities are exposed to country risk, which is the risk that economic, financial, political or social conditions in a foreign country may affect their financial interests. The BPCE Group's activities and income from transactions and trades outside the European Union and the United States,despite being limited, are exposed to risk of loss due to unfavourable political, economic and legal developments, in particular currency fluctuations, social instability, changes in government or central-bank policies, expropriation, nationalisation, asset confiscation and changes to the law governing property rights.

The BRED Group's business is particularly sensitive to the economic environment nationally and within its operational regions (principally Ile-de-France, Normandy and French Overseas Territories).

The failure or inadequacies of the BPCE Group's policies, procedures and risk management strategies may expose it to unidentified or unexpected risks which may trigger material losses.

The BPCE Group's risk management policies and procedures may not be effective enough to limit its exposure to all types of market environments or all kinds of risks, including risks that the group was unable to identify or anticipate. Furthermore, the risk management techniques and strategies adopted by the group do not guarantee an actual lowering of risk in all market environments.

The BPCE Group's hedging strategies do not eliminate all risk of loss.

The BPCE Group may incur losses if any of the various hedging instruments or strategies that it uses to hedge various kinds of risks to which it is exposed proves ineffective. Many of these strategies are based on the observation of past market performance and the analysis of historical correlations. Any unexpected swings in the market may also decrease the effectiveness of these hedging strategies Moreover, the accounting recognition of gains and losses from ineffective hedges may increase the volatility of results published by the BPCE Group.

Increased competition both in France, its largest market, and abroad may weigh on net banking income and profitability.

The BPCE Group's main business lines operate in a highly competitive environment both in France and other parts of the world where its business is significant. Consolidation, whether in the form of mergers and acquisitions, alliances or cooperations, strengthens this competition. If the BPCE Group is unable to adjust to the competitive conditions in France or in its other major markets by offering a range of attractive and profitable products and services, it may lose market share in certain key business lines or incur losses in some or all of its activities. Moreover, any slowdown in the global economy or the economic environment of the BPCE Group's main markets is likely to enhance competitive pressure, in particular through greater pricing pressure and a slowdown in business volume for the BPCE Group and its competitors. New, more competitive players, which are subject to separate or more flexible regulations or to other requirements in terms of capital adequacy ratios, may also enter the market. These new entrants may also be able to offer more competitive products and services. Technological advances and the growth of e-commerce have made it possible for non-custodian institutions to offer products and services that were traditionally banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic securities trading. These new entrants may put downward pressure on the price of the BPCE Group's products and services or affect the BPCE Group's market share. Technological advances may give rise to rapid and unforeseen change in the markets in which the BPCE Group operates.

The financial solidity and performance of other financial institutions and market players may have an unfavourable impact on the BPCE Group.

The BPCE Group's ability to execute transactions may be affected by the financial solidity of other financial institutions and market players. Financial institutions are closely interconnected as a result, notably, of their trading, clearing, counterparty and financing operations. A default by a sector player, or even mere rumours or concerns regarding one or more financial institutions or the financial industry in general, may lead to a general contraction in market liquidity and may lead to losses or further defaults in the future. The BPCE Group is exposed to various financial counterparties, such as investment services providers, commercial and investment banks, clearing houses and central counterparties, mutual funds, hedge funds and other institutional clients with which it enters into transactions on a regular basis, which in turn exposes it to a potential insolvency risk if one or more BPCE Group counterparties or clients were to default on their commitments. This risk would be exacerbated if the assets held as collateral by the BPCE Group could not be sold, or if their selling price would not cover all the BPCE Group's exposure to loans or derivatives in default. Moreover, fraud or malicious acts committed by financial sector participants may have a material adverse effect on financial institutions due in particular to the interconnection of institutions which operate on the financial markets.

Tax legislation and its application in France and in countries where the BPCE Group operates are likely to have a significant impact on the BPCE Group's profits.

As an international banking group that carries out large and complex international transactions, the BPCE Group is subject to tax legislation in a large number of countries throughout the world. Changes in tax laws or their application by the relevant authorities in these countries could significantly impact the BPCE Group's results. The BPCE Group has established management methods with the aim of creating value based on the synergies and commercial capacities of its various entities. The BPCE Group also seeks to structure the financial products sold to its clients with the aim of maximising their tax benefits. It is possible that, in the future, the tax authorities may question some of the Group's interpretations, following which the Group could be subject to tax re-assessments.

Reputational risk could unfavourably impact the BPCE Group's profitability and commercial outlook.

The reputation of the BPCE Group is fundamental in order to be able to attract and retain its customers. The use of inappropriate means to promote and market its products and services, or the inadequate management of potential conflicts of interest, legal and regulatory requirements, ethical issues, anti-money laundering laws, requirements under economic sanctions, information security policies and sales and trading practices, or any other improper conduct, may harm the reputation of the BPCE Group. Its reputation could also be harmed by inappropriate employee behaviour, fraud or malpractice committed by financial sector participants to which BPCE is exposed, any decrease, restatement or correction of financial results, or any legal or regulatory action with a potentially unfavourable outcome. Any damage to the BPCE Group's reputation could be accompanied by a decrease in business that is likely to weigh on its results and financial situation. Were such aspects to be managed in an inadequate manner, the legal risks encountered by the BPCE Group could also increase, in addition to the number of lawsuits and the amount of damages claimed from the BPCE Group, and expose the Group to sanctions from the authorities.

Holders of BPCE Group securities could incur losses if BPCE were subject to resolution procedures.

Resolution proceedings may be initiated against the BPCE Group if (i) the group's failure is acknowledged or predictable, (ii) there is no reasonable prospect that another measure would avoid such failure within a reasonable time period, and (iii) a resolution measure is required, to achieve the objectives of the resolution: (a) to ensure the continuity of critical functions, (b) to avoid a significant adverse effect on the financial system, (c) to protect public funds by minimising reliance on extraordinary public financial support, and (d) to protect client funds and assets, in particular those of depositors. Failure of an institution means that it does not respect requirements for continuing authorisation, it is unable to pay its debts or other liabilities when they fall due, it requires extraordinary public financial support (subject to limited exceptions), or the value of its liabilities exceeds the value of its assets.

In addition to the bail-out power, the resolution authorities, currently the ACPR (French prudential supervisory authority for the banking and insurance sector) and the Single Resolution Board, are given broad powers to implement other resolution measures which may include (without limitation): the total or partial sale of the institution's business to a third party or a bridging institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), discontinuing the admission to or official listing of financial instruments, the dismissal of managers or the appointment of a temporary administrator (***administrateur spécial***) and the issuance of new equity or own funds.

The exercise of the powers by the resolution authorities could result in the partial or total write-down or conversion in full or in part of the capital instruments and debt instruments issued by BPCE, or may substantially affect the amount of resources available to BPCE to make payments on such instruments. In addition, if the financial situation of the BPCE Group worsens or the market considers that it is worsening, the existence of these powers could cause the market value of the capital instruments and debt instruments issued by BPCE to decline more rapidly than would be the case in the absence of such powers.

Corporate, social and environmental responsibility

1. A SUSTAINABLE DEVELOPMENT APPROACH BUILT AROUND OUR COOPERATIVE IDENTITY

1.1 A universal bank model proven to be effective every year

A strong local presence, concrete answers to the needs of the real economy and local clients and support for economic and social players for over a hundred years, the Banque Populaire model has demonstrated its relevance, efficiency and resilience.

Adopting this model, 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. Its mission is structured around collective responsibility and sustainable

BUSINESS MODEL

RESOURCES - ASSETS

EQUITY AND CAPITAL
- Members (shares)
- Reserves
- Customer deposits and savings

BORROWING AND INVESTMENTS
- European institutions, EIB, ECB
- Other institutions
- Refinancing in the markets

HUMAN RESOURCES
- Employees
- Partners
- Expertise-Advice

EXISTING & POTENTIAL CUSTOMERS
- Retail
- Professionals
- Companies-Institutions
- Public sector
- Associations
- Specifiers

INFRASTRUCTURE
- Branches
- Digital platforms
- Call centres
- Wealth management centres
- Business centres

OUR BUSINESSES AND BRANDS

BANQUE COMMERCIALE	BANQUE GRANDE CLIENTÈLE
ÉPARGNE	SERVICES FINANCIERS
ASSURANCES	SALLE DES MARCHÉS

BRED – Additionner les forces, multiplier les chances – Banque Populaire; SOFIDER Groupe BRED – Le crédit tranquille.; Vialink; PROMEPAR Asset Management; FIPROMER; PREPAR-VIE; bfl banque franco-lao ltd; BRED Bank Vanuatu; BIC - BRED (Suisse) S.A – Commodity Trade Finance & Corporate Banking; BRED COFILEASE; SOFIAG Groupe BRED; BRED Thailand Ltd – it

PRODUCTS AND SERVICES
- BANKING SERVICES
- SAVINGS PRODUCTS
- LOANS - CREDIT - FINANCING
- PAYMENTS AND OTHER SPECIALIST SERVICES
- PERSONAL INSURANCE
- LIFE ASSURANCE
- CORPORATE PRODUCTS AND SERVICES
- SPECIALIST FINANCING
- OTHER

DISTRIBUTION MODEL
- OMNI-CHANNEL, HUMAN AND DIGITAL DISTRIBUTION

THE SOLIDITY OF A BANK FOCUSSED ON ITS CLIENTS
- Commercial Banking France accounts for 73.6% of total NBI
- Low risk profile
  - ▶ Solvency ratio of 14.9%, entirely composed of CET1
  - ▶ One of the lowest costs of risk among all banks

A LONG-TERM VISION OF THE BANKING RELATIONSHIP
- Conditions for long-term customer support
  - ▶ Nominal capital value not subject to fluctuation

A CLOSE RELATIONSHIP WITH THE COMMUNITY
- Decentralised decision-making encouraging local financing
- Support for local initiatives promoting social cohesion and inclusion

A MORE PERSONAL RELATIONSHIP
- Employees are the channel for commitments to customers
- A balanced strategy between the human and the digital
- Prevention of banking exclusion and solutions provided for vulnerable customers

To properly perform our role as bankers in full compliance with our values: the foundations of the Bank Without Distance

"A bank that is accessible, practical and attentive to its customers' needs"	"A bank that listens to its customers, anticipates their needs and develops its expertise"	"A bank on the human scale, committed to its communities and owned by its cooperative member-customers"

development while adapting to changes in society thanks to its community roots, offering effective solutions to the demands of the real economy and of local customers while supporting initiatives by stakeholders in the economy and society.

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 players have been able to fund their projects thanks to the banks.

BRED's mission is to exercise its role as banking intermediary by offering banking and insurance products and services to retail customers, associations, professionals, companies and public authorities. As a cooperative bank, it is BRED's objective to offer long-term support extending far beyond simple short-term financial return to the benefit of the real economy within the communities in which it operates, reflecting a system of values that set cooperatives apart from other types of companies.

1.2 A strong cooperative identity

Historical roots

Since its founding in 1919, like other Banques Populaires, BRED is living proof of the relevance of the cooperative model, of its effectiveness and its resilience by offering tangible solutions to the needs of the economy and customers in the communities in which it operates.

In the beginning, the creation of a banking cooperative met the needs of a group of people with a shared economic imperative to come together in order to cater for their shared interests, with each of them - the members - providing the cooperative with the operating capital it required. Within the organisation the time horizon is that of its members, namely the long term, and the collective is considered to be the best way of ensuring individual success for all members, who are involved in all aspects of the management of the company and define its ethos.

Created by and for local operators, cooperatives are characterised by deep roots within their communities and by the assertion that individual development and success are at the heart of the cooperative system, for both employees and members.

A model of sustained pertinence

Since BRED's early days there have admittedly been a certain number of developments which have modified the organisation of the company, notably with the cooperative being opened up to non-members, the introduction of professional staff and the need to comply with regulatory requirements incumbent on the banking sector. However, faithful to its cooperative and responsible development values, BRED is developing by looking above all to affirm its business 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.

Accordingly, the value system that prevailed during the early days remains very powerful today, influencing the structure of the company and its services in six main areas:

- Development of customer relationships based on transparency and shared interest
- Long-term customer support
- Support for the local real economy
- Joint construction of projects
- Priority given to the individual, the human being
- The importance of our members

Our strategic project of "The Bank without Distance" incorporates specific commitments designed to embody the cooperative model in our day-to-day banking activities.

The complete structure of the BRED Group's governance is presented on page 7 of this report.

Principles covering capital in order to promote our values

In addition to the system of values that permeates day-to-day activities within BRED, rules covering capital, its remuneration and the way reserves are handled offer stability vis-à-vis the main financial indicators of the profession, underpinning the stability of the cooperative model.

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.
Shares are always sold or bought at face value	There is therefore 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 membership - at the heart of our business model

As sole providers of BRED's share capital, our members ensure the financial independence of BRED by removing the need to depend on the financial markets for its capital requirements. For all customers and members, this constitutes the assurance that the bank's business remains solely focussed on serving its customers and the communities in which it operates.

COOPERATIVE MEMBERSHIP

BRED Banque Populaire	At 31.12.2016	At 31.12.2015	At 31.12.2014
Number of cooperative members	164,800	142,211	1,566
Annual increase in the number of cooperative members	+15.88%	+15.09%	nd
Average capital held per member	€5,096	€4,426	€4,639
Number of member accounts	170,973	154,463	139,372

At 31 December 2016, BRED had 164,800 cooperative members who owned the entire share capital. Accordingly, over 22,500 customers decided to become new members and become closely involved in and ensure the development of BRED, 13,000 of which took part in the capital increase, demonstrating their confidence in our model.

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*

Strategic direction and significant decisions are submitted to shareholders for approval at General Meetings, where they directly elect the directors to represent them on the Board and to whom they delegate the operational management of the bank. The Board of Directors is therefore solely composed of members whose main responsibility is to validate BRED's strategic and operational direction.

In 2016, BRED had 18 directors, including the chairman of BRED and an honorary chairman who, through their experience and diversity, make a significant contribution to Board meetings 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.

The National Federation of Banques Populaires (FNBP) is responsible for creating and instilling a common culture among the directors of the various Banques Populaires. In 2016, the National Federation of Banques Populaires offered them training in subjects such as the history of the Banque Populaire network, the Banque Populaire cooperative model, the roles and responsibilities of directors, risk management (notably combating risks of fraud and corruption), the opportunities presented by CSR and its integration within the corporate strategy. The Federation also made a self-assessment questionnaire available to all boards of directors to enable them to acquire a broader perspective of their role.

Cooperative and CSR Dividend: a reflection of the "most cooperative" aspects of BRED

The Banques Populaires have designed a specific tool, the Cooperative Dividend, enabling them to report to their members about their social responsibility and cooperative actions. Based on ISO 26000 (the CSR reference standard), 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 by everyone. This cooperative dividend is available on the website of the National Federation of Banques Populaires.

In 2016, BRED's cooperative dividend for the "social commitment" component amounted to 954,089 euros, a rise of nearly 18% over one year, notably to the benefit of common interest structures and local cooperation by intervening in domains such as employment, support in setting up companies and culture.

1.3 Corporate social responsibility integrated within decision-making processes

Citizens and civil society expect banking activities to be clearly oriented towards the real economy and focus on economic, social and civic priorities in equal measure. This means having transparent and fair banking practices, both in our internal practices and with regard to our customers which combine business ethics and commercial effectiveness.

Faithful to its cooperative values, BRED aligns its activities with society's expectations by always developing an approach based on Corporate Social Responsibility (CSR), promoting proximity and a close attachment to wider society and respecting human values. Through our responsible development approach, we seek to develop a differentiating cooperative model around the triptych of customers-staff-members, destined to become the stakeholders in 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 is committed to a CSR approach based on two elements:

- 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. Consisting of three employees since its creation, 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 the 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.
- 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.

BRED'S AMBITIONS FOR RESPONSIBLE DEVELOPMENT

Our economic responsibility	
Do our job as a local bank by developing local services	**1 - Support the real economy within our communities** 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 interest** BRED develops solutions adapted to its customers' needs and by acting in their interests while promoting innovation and accessibility to banking services.
Our social responsibility	
Develop fair practices and promote equal human resources opportunities.	**3 - Value all talents and promote employee loyalty** Internal promotion is particularly promoted 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 employee satisfaction in the workplace** High-quality dialogue between senior management and employees, good working conditions and a decentralised organisation all encourage autonomy and foster collective recognition. **5 - Promote diversity and equality of opportunity** 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 - Ensure that money is a source of social utility** 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 consumption of paper; the proper management of waste, notably electronic waste; implement an ambitious responsible purchasing policy.

1.4 Full consideration given to the challenges faced by society and 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 the Greater Paris region, Normandy and the French overseas departments has led it to work with a variety of stakeholders (government, local authorities, NGOs, etc.) on social, corporate and environmental projects.

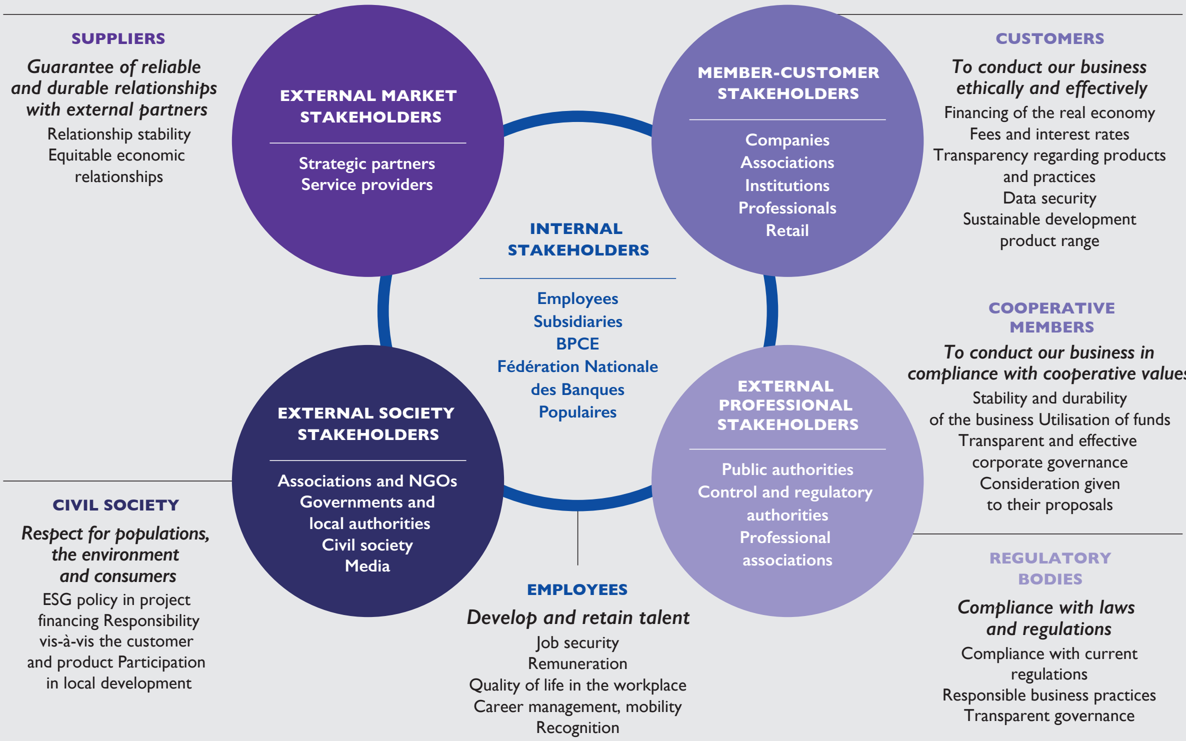
Dialogue with internal or market stakeholders takes the form of discussions or information meetings such as those held for the cooperative members.

With civic and business stakeholders, dialogue is organised on a case-by-case basis, drawing on BRED's expertise in 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 fine-tuned the stakeholder mapping that it initiated in 2014.

OVERVIEW OF BRED'S MAIN STAKEHOLDERS AND THEIR EXPECTATIONS



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. In 2016, 36 meetings were held with customers and cooperative members to discuss issues associated with the cooperative model and to stress the importance of the cooperative model and the interdependence that exists between members and their bank.

Similarly, exploiting internet communication systems, a chat was organised with members during which Olivier Klein, CEO of BRED, answered questions from participants over one-and-a-half hours.

The arrangement for hearing customers was strengthened as described in section 2.2.2 *"A bank investing in improving the customer experience"*, listening to the customer, which is also relayed by the sales teams who, through their visit reports, pass on the views of customers.

Dialogue with staff occurs via various social situations *(see 3.1.4 "Satisfaction in the workplace", "Employee dialogue")* and also via systems such as the intranet and internal newsletters) and the relay and interface role of managers covered by the BRED Management School established in 2015 *(see: 3.1.2. "Training")*.

Our actions with respect to associations and civil society representatives whom we assist 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 Compliance with international responsible development standards

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.

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 from 2003(1) 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(2). The aims of the Global Compact are compatible with those of ISO 26000(3) and the Global Reporting Initiative (GRI)(4) criteria.

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 under way 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

On 27 September 2013, BRED signed an agreement with the employee representative bodies to facilitate the insertion of young employees and equip them with the means to successfully integrate and build their careers within the company, and to also provide continuous career development opportunities for all employees, in particular through extensive training opportunities for both senior employees and those who have spent less time within the company and/or in their current positions. 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) 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.
This signature thus also benefits BRED..
(2) https://www.unglobalcompact.org/Languages/french/index.html
(3) 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.
(4) 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.

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.).

Responsible purchasing charter

BRED is covered by the position of the BPCE Group, which has been a signatory of the responsible supplier relations charter since December 2010. The objective of this charter is to encourage companies to adopt responsible practices vis-à-vis their suppliers. It is designed to develop relations between clients and suppliers in order to build, in a climate of mutual trust, a sustainable and balanced relationships between them in order to bolster the national economy by favouring approaches based on partnership, dialogue and expertise among purchasing professionals[5].

2. CREATION OF LASTING AND RESPONSIBLE VALUE

2.1 Contribution to the economic development of the communities in which it operates

2.1.1 A local bank with close ties to its communities

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, Calvados region, Eure and Seine Maritime in Normandy and the overseas territories.

As at the end of 2016, this local support is channelled via a network of 373 customer contact centres:

BREAKDOWN OF LOCAL CONTACT CENTRES FOR RETAIL CUSTOMERS

	2016	2015	2014
Local branches	344	342	335
• Of which number of branches in sensitive urban areas and priority zones	9	9	11
Asset management centre	13	12	12

344 local branches (of which 81 in French overseas territories), 16 business centres (11 in mainland France and 5 in French overseas territories), 12 asset management centres (of which 3 in French overseas territories) and a circle dedicated to wealth management, in addition to a "Grand'Ze" branch for students at ***grande école*** universities and the Résoplus branch to support overseas clients and their student children with their mobility in mainland 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. For this reason, BRED maintains a dense branch network in the 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 nomadic and individualised, two years ago BRED launched a large-scale branch renovation project to satisfy customers' changing expectations and be compatible with connected tools 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 a website and a mobile telephone application entirely redeveloped to adapt to the needs and expectations of our customers, they can interact with Bred 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.

In a highly unfavourable economic environment, BRED has been able to achieve highly positive results in both mainland France and in French overseas territories, with the amount of new loans continuing to grow this year.

(5) http://www.bpce.fr/Fournisseur/La-politique-achats-responsables/Engagements-durables

At the end of 2016 the average amount of outstanding loans to individuals in France amounted to 6.688 billion euros, i.e. 1.845 billion euros for professionals and 6.340 billion euros for firms and institutions, making a total growth of 6.9% by comparison with 2015. For the two newer entities outside France, the outstanding loan amount of Banque Franco-Lao in Laos amounted to 101 million euros and that of Vanuatu to 165 million euros.

In 2016, BRED affirmed its commitment to extend microloans to individuals and self-employed professionals in order to support investment projects developed by financially vulnerable populations. This support for microfinancing has been consistent over many years. (see: 2.3.2 "Supporting solidarity-based financing")

CICE

The CICE[6] competitiveness and employment tax credit is designed to finance the improvement of companies' competitiveness 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. In 2016, BRED made a number of investments in this area totalling €4.4m.

The three main investment areas:

- Property: €900,000 euros enabled the opening of new branches;
- Training: €1 million were assigned for professional training with the creation of the BRED Management School;
- Recruitment: €2.5 million for r staff recruitment (work/study trainees, summer staff and fixed-term contracts);

2.1.2 Support for responsible investment

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 SRI in France, which includes specialised and interdependent responsible funds. The Novethic label assigned to some of these funds indicates 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.

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.

ASSETS IN SRI FUNDS

	2016	2015	2014
EMPLOYEE SAVINGS PLANS: Total amount invested in the Company Savings Plan SRI funds	**288,232**	270,261	232,629
CUSTOMER INVESTMENTS IN SRI FUNDS	**104,347**	196,618	142,172

In thousands of euros, as at 31 December of each year

By deciding to invest in a socially responsible manner, investors contribute to the financing of the real and sustainable economy and contribute to 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 two ways: a responsible investment offer within the framework of employee savings plans and investments requested by its customers in SRI products.

2.1.3 Support for green growth and energy transition

Green growth is transforming the economy, pushing us towards production methods and consumption patterns that are more environmentally friendly. It principally takes the form of enhancing the "green" aspects of existing activities, namely by incorporating regulations, standards and practices for the development of entire sectors to make them compatible with local, national and international commitments regarding greenhouse gas emissions. In construction, for example, the introduction of successive thermal regulations culminating in the ambitious RT 2012 regulations has profoundly changed major sectors of the

(6) CICE: Competitiveness and employment tax credit

French economy. Such developments are set to continue, with operators already preparing for the adoption of RT 2018 which will introduce positive energy buildings producing more energy than they consume. Green growth also takes the form of innovations that are transforming certain sectors of the economy and industry and even leading to the emergence of new industries. Such innovations may be technical, organisational or social and are frequently made possible by the development of digital technologies. The renewable energy revolution illustrates this transformation: combined with energy storage and management technologies, it will enable entire communities to optimise energy production and management in the light of local resources and requirements and by limiting carbon emissions.

Much more than a simple trend in society, the energy and environment economy constitutes a flourishing sector; for BRED, this catalyst of growth concerns all of its customers, communities and business lines.

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 purification, 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:** 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:** innovation in these new markets requires long-term investment.

BRED, arranger of InfraGreen II 2016

BRED Banque Populaire acted as arranger and placement agent for the creation of the subfund InfraGreen II 2016-1 by Rgreen Invest (as management company) and BNP Paribas Securities Services (as custodian).

The InfraGreen II 2016-1 subfund will issue bonds and units and will invest over a three-year period in fixed rate redeemable bonds issued by French or European companies owning project companies in the environment sector. The assets of the project companies will be located in France and elsewhere in the European Union.

In order to tackle this market in a pragmatic manner, BRED offers its customers investment products and loans for energy-saving projects. It has already shown its commitment by participating in the investment of a certain number of projects.

- In 2015, BRED took part in the financing of a new photovoltaic plant with storage capacity of 2.45 MW in the municipality of Diamant in Martinique. It also financed the construction and operation of a solar power plant with energy storage on the coast of the island of Marie Galante in Guadeloupe.
- In 2016, BRED participated as hedging bank in the financing of an 18 MW wind farm composed of 9 Gamesa G97 turbines each with a unit output of 2.0 MW, a farm owned and operated by the Elicio France group in Flers-sur-Noye.

"Blue" growth - a driver of growth for BRED

In view of the importance of the oceans for certain communities in which BRED operates, considerations relating to green growth are supplemented by a blue growth strategy.

- **La Réunion:**
  Acquisition of a traditional fishing boat
  BRED financed a traditional fishing boat, when this type of vessel had not been built on the island for more than 10 years. Its inauguration was a significant event for the island's fishing industry.

- **Martinique:**
  BRED partners an awareness campaign in Martinique regarding the economy and professions that rely on the sea
  Recycling of wrecks, energy production, maritime farms, development of yachting, promotion of tourism and ocean-based leisure activities and exploiting the development of the Panama canal are just some of the subjects being tackled by the region's businesspeople, supported by BRED.

Green growth - a means of managing our carbon footprint

Article 173 of the French energy transition act promoting green growth requires companies to include the carbon footprint of their direct activities in their annual management report, including products and services they provide under Scope 3 (*see: 3.2 "Reducing our direct environmental footprint"*). Depending on the sector, these indirect emissions may be three or four times larger than direct emissions.

The financing of green growth will therefore be one of the means able to improve our environmental impact, notably our greenhouse gas emissions.

FINANCING OF SUSTAINABLE DEVELOPMENT

(In number and in thousands of euros)	**2016**		**2015**		**2014**	
	Number	**Amount**	Number	Amount	Number	Amount
Loans financed via inflows from the Livret de Développement Durable (LDD) (sustainable development savings account)	**457**	**44,830**	504	50,608	609	57,003
• Of which loans for energy saving projects	**3**	**33**	7	62	13	140
Financing residential energy renovation works (EcoPTZ interest-free eco-loans)	**71**	**779**	81	1,377	128	1,889

2.1.4 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)[7], 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% of all jobs in the banking, financial and insurance sectors are provided by cooperatives and mutual societies.

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, transverse associations 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.

2.2 A shared interests approach with customers

Unfair practices constitute one of the major causes of the distrust currently felt by civil society and the political authorities towards banks. And although its governance represents the interests of its customers, BRED also encounters the same mistrust, which affects all banks indiscriminately.

Demonstrating the social utility of our business and, consequently, restoring trust among our customers is clearly to be achieved by complying with laws and regulations and also via the ethical standards that govern our practices. It is also a function of a responsible marketing approach designed to continually improve the customer experience, to better understand our customers and make unfailing efforts to protect customer data.

For information, in 2016 BRED was not the subject of any sanctions for anti-competitive conduct or breach of anti-trust or anti-monopoly laws.

(7) Source: National Observatory for Social Solidarity Economy, 2015 figures

2.2.1 Fair practices in our business activities

In accordance with the legal compliance charter and in line with the anti-corruption policies put in place within BPCE entities as part of the BPCE Group's policy in this area, notably the 10 principles of the Global Compact, BRED has introduced a number of internal control systems.

These systems fall into two categories:
- **Financial Security:** combating money laundering, the financing of terrorism and 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).
- **Ethics:** a whistleblowing procedure and a procedure for reporting gifts and benefits received by staff in association with internal regulations.
- **Transaction Security** regarding sensitive persons able to access privileged and confidential information.

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 their 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 third AML/FT Directive, with a particular focus on Politically Exposed Persons (whether French or non-residents).

Prevention of internal fraud

BRED is obliged to notify the AMF of any transaction which it has reason to suspect may constitute insider trading or market manipulation (Art. L.621-17-2 of the Monetary and Financial Code). Accordingly, BRED has established detection tools for ex post verification of transactions that meet a number of objective criteria and which may constitute market abuse.

The main restrictions to prevent internal fraud:
- Each employee must declare their securities transactions where individual or aggregate transactions exceed €10,000 in a given month.
- Employees are prohibited from carrying out transactions on the securities of the clients they manage or on those of companies subject to ongoing financing arrangements.
- Employees must declare their transactions involving the securities of clients that feature on the BRED listed companies list.
- Employees must declare to the Investment Service Compliance Officer the securities in respect of which they may be sensitive, irrespective of the reason.

Combating corruption and anti-money laundering

In support of the fight against corruption, BRED coordinates its activities with BPCE in order to incorporate the provisions of Article 17 of the so-called Sapin 2 Act, which will come into force on 1 June 2017 in parallel with the creation of the French Anti-corruption Agency within the Ministry of Justice and will enjoy powers of control and sanction in the event of any non-compliance with legislation. A working group composed of a number of Caisses d'Epargne and Banques Populaires (including BRED) will be established in early 2017.

Anti-money laundering training for employees is an essential part of this system. The objective is that all of our employees will receive training over a two-year period.

ANTI-MONEY LAUNDERING TRAINING

	2016	2015	2014	2013
% of employees trained	58%	27%	49%	55%

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.

Auditing of subsidiaries

As part of the consolidated monitoring of compliance risks, via its annual audit plan the Compliance Department of BRED Group ensures that all French and foreign subsidiaries comply with Group framework requirements covering anti-money laundering, terrorism financing and the fight against corruption.

Within the context of periodic control, the audit departments of the bank and of BPCE conduct on-site audits based on a multi-year plan to ensure the proper implementation of applicable provisions.

2.2.2 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 87% of Professional customers, 88% of Retail customers and 99% of Corporate customers were satisfied with the way they were dealt with in their branch and would recommend BRED to their friends and family. 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. 86 % of them were satisfied by the email replies to their questions.

In 2016, 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 renewed and widened in 2017 to enable our customers to express their opinions on the development of the service quality we are offering them, in more simple terms.

Accessibility of our banking services for people with disabilities

The customer experience is also measured via the access to our in-branch services by people suffering from a disability.

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, even if, formally speaking, not all our branches meet the requirements set out in the decree of 2005 covering access for the disabled:

- ATMs are equipped with Braille keys accessible by people in a wheelchair, 31% of branches (106 branches) are equipped with access for persons of reduced mobility and a plan is being implemented over the next few years to facilitate access to all our branches.

2.2.3 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 committee draws on skills and expertise throughout the company (marketing, commercial, legal, financial, risk management, information systems and compliance), and validates each new product before 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 remote 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 *(see: 2.2.4 "Customer protection")* ensure the confidentiality of personal data and on-line banking, particularly the methods for combating 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.

2.3.4 Know-Your-Customer and protection of customer data

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 correct 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, "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 ended in 2015.

This work is continued within the context of regulatory projects (the Eckert Act and Macron Act) and various projects coordinated by BPCE (AQD/EDGAR) are designed to ensure data reliability.

The Vie du Compte department works in close collaboration with the BRED Group Data Governance department, which is responsible for implementing good data governance practices in line with the new BCBS239 standard issued by the Basel Committee.

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) to which a Data Protection Correspondent has been appointed. The appointment of a DPC is indicative of BRED's commitment to respect the privacy and rights of the people whose personal data it processes.

Data and transaction 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[8] and during dematerialisation, ensuring that their transactions remain secure.

BRED also assists and advises customers wishing to adopt mobile banking (or m-banking[9], 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.

2.3 A strong contribution to the changes in society

Although the raison d'être of companies is neither to save the planet nor to be virtuous, they cannot disassociate themselves from the future or refuse to adapt to the demands of their stakeholders. Accordingly, the durability of a company does not only depend on effective day-to-day management but also on its ability to take into consideration the direct and non-direct effects of its activities, processes and decisions.

As a responsible company, BRED uses all means at its disposal as a bank, employer and sponsor to promote the sustainable and harmonious development of society by incorporating the needs of the men and women who live and work in the regions in which it operates by favouring the financing of projects with a positive impact on the economic development of the community, environment and social cohesion:

- Support for the economic and social inclusion of persons in difficulty and making allowances for sudden changes in personal and professional circumstances, such as illness, unemployment and other misfortunes.
- Support for business creation (notably via microfinance).
- Support and development of the local action and initiatives carried out by our customers and cooperative members.

BRED's activities are supplemented by the BRED Enterprise Foundation which has been working mainly for the last three years for the ***Fondation des Écoles de la 2e chance***.

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 the financing of initiatives associated with micro-financing, education and employment/recruitment, via its own funds as a sponsorship activity. Its main partners are ADIE, the Banque Populaire chair in microfinance at ESC in Dijon, the Banque Populaire chair in microfinance at Audencia, Entreprendre pour Apprendre and the Entreprendre network and IAE in Paris which,

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(8) 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).
(9) M-banking: banking transactions and payments using mobile telephones

in 2016, created a research chair in management and governance of financial cooperatives. 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.

2.3.1 Access to banking services

Alongside all the BPCE Group entities, in 2016 BRED adopted the AFECEI[(10)] charter on access to banking services and the prevention of over-indebtedness. The charter covers natural person bank account holders and the beneficiaries of the Group's financial services for non-professional purposes.

Associated action in the area of preventing exclusion to banking services and the monitoring of customers in a situation of financial vulnerability was covered by the first report on indicators forwarded by BPCE to the ***Observatoire de l'inclusion bancaire***.

Vulnerable customers

For nearly 17 years now, BRED has been committed to an approach based on approachability and dialogue in order to better identify and meet the needs of vulnerable customers or those in financial difficulty. 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.

Regulated Legal Professions Department

BRED set up the Regulated Legal 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.

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.

(10) AFECEI: the French association of credit institutions and investment companies has developed a professional charter with regulatory effect.

2.3.2 Supporting solidarity-based financing.

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.

ADIE

PRODUCTION OF ADIE MICROCREDITS

	Number	Amount
2014	367	€1,464,914
2015	207	€900,808
2016	212	€1,575,096

BRED 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 entrepreneurs. 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 2016, 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 28% coverage of their production. Since 2014, BRED has been involved with ADIE in its active regions by sponsoring 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.

La Fondation de la 2e Chance

The Fondation de la 2e Chance (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, a member of the foundation's board of directors, has long been a partner of the F2C, getting involved practically with graduates and candidates (preparation of CV files, coaching of individuals, etc.).

Crowdfunding

Babyloan

BRED is the co-founder and partner of Babyloan, a peer-to-peer lending website. Users of the *Babyloan.fr* 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. Microloans 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.

In 2016, BRED participated in the "Fondue Solidaire" in Paris, A relaxed and fun event designed to enhance public awareness of the issues of microfinance around the world.

Supporting individual entrepreneurship

Female Business Angels

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 owners 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 owners 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.

"Entreprendre pour Apprendre" network

This network enhances awareness among young people between the ages of 8 and 25 about creating businesses and the importance of linking their own expertise with exploitation opportunities in the business world. Committed to the transmission of knowledge, BRED and the FNBP provide these young people with all possible support and also help them to develop independence, responsibility, creativity and a sense of initiative, alongside the acquisition of new skills and expertise in economic life.

The "Révélations" craft exhibition
BRED and the Fédération des Banques Populaires participate in the Révélations exhibition in Paris, held in the Grand Palais,in order to promote prize-winning craftspeople. This year a conference on the subject of innovation was held, a subject of vital importance for crafts in terms of both the subject matter and its relationship with society. In the presence of André Joffre, chairman of the foundation, the conference was chaired by Gérard Desquand, chairman of the crafts jury, in order to reveal the innovative approaches of the foundation's prize winners.

2.3.3 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*

Inclusion and equal opportunities

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 10 years now, Café de l'Avenir's 350 volunteers have helped approximately 3,500 young people.

This year BRED sponsored the 10 Years of Café de l'Avenir event, covering the theme of the future of youth employment in France, held at Maison de Radio France on 28 November 2016.

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 nearly 30 years now, 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.

This year, the 10th Victoires de l'AMEF awards ceremony took place on 5 December 2016, in recognition of those with the merit and desire to achieve their professional ambitions via work-study training programmes.

The "Fondation des Écoles de la 2e Chance"
BRED also supports the Fondation des Écoles de la 2e 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.

In collaboration with the regional council, in 2016 BRED Réunion organised the 5-year anniversary of the ***École de la 2ème chance*** Réunion. It was a very relaxed event which enabled BRED to highlight its cooperative values and its involvement in the development of the region and society.

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 "A Future Together" Foundation

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 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 "Internat de la Réussite"

In its French overseas territories, BRED provides financial support for Internat de la Réussite in Martinique, an association that supports students and schoolchildren from socially disadvantaged families who struggle to study in ideal conditions, providing personalised educational support and suitable facilities, and enabling them to sit entrance exams for the top universities.

This partnership is bearing fruit over the long term: in 2016, 50% of second year students joined a renowned engineering university or business school, and 24% pursued their studies at university level.

"Harmonie Mékong"

In Asia, BRED is particularly well established in Cambodia and in Laos. In this region, inspired by what can be done in France or in French overseas territories, 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.

"Académie Christophe Tiozzo"

BRED sponsors the Académie Christophe Tiozzo. A boxer and WBA world super middleweight champion in 1990, Christophe set up his academy in 2008 with the support of Thomas Piquemal, then financial director of EDF, to help turn boxing into a vehicle for social and professional inclusion by exploiting the educational virtues encouraged by the sport. BRED financed certain activities designed to support the young people during the summer holidays.

This year our support enabled nearly 900 young people to take part in training programmes.

The Créteil Voile sports club

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. For example, BRED supports the Créteil Voile club by enabling it to purchase yachting clothing, which is distributed to the young people to enable the training programmes to be conducted in optimum conditions. Travel costs are also partly covered to enable less well-off children to take advantage of the programmes alongside 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.

"Accueil aux Familles et Insertion"

Once again this year BRED has expanded its network of partners working in the field of support and inclusion. The following services are offered by the association Accueil aux Familles et Insertion to persons in difficulty: psychological support, literacy, re-entering the world of work, budget management, fight against energy poverty and support and integration into society of persons and families in need.

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 attractiveness of an 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.

Initiatives by BRED IT in Thailand

BRED IT encourages its employees to help disadvantaged children unable to access educational establishments in Thailand. In 2016, BRED IT provided support to Wangbua school in the province of Petchaburi. This support took the form of donated books, toys and clothes for the children.

"Nocturnes de l'Economie"

In 2015 BRED co-created Nocturnes de l'Economie. This year, the second staging of the event took place in March 2016 at Paris Dauphine university, on the theme of "Reinventing education for tomorrow's society". These meetings are intended to enable students to better understand the economic challenges facing them in their daily lives, like the great economic and social changes in the world.

3rd "Assises Internationales de la Coopération et du Mutualisme"

Supported by BRED, each year this event organises work on themes associated with the social and solidarity economy sector.

Managers from some of the most influential mutual and cooperative companies come together with professors, researchers, decision-makers and stakeholders in the economy to discuss the major issues faced by society. In 2016 the theme was "Mutuals and cooperatives at the heart of growth".

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 Upper Normandy region and attracting interest within France and further forging international ties.

National Natural History Museum

This year, BRED supported the Madibenthos exhibition between the 5th and 11th of September at the National Natural History Museum in Paris, covering the breadth of marine fauna and flora on the coasts of Martinique, a territory in which BRED operates. The support for the museum, an institution and custodian of a unique memory in the world and significant scientific heritage, means that BRED is associated with programmes covering scientific and technical culture intended for all audiences within society.

Alliance Française Foundation

Established over 5 continents, more than 800 Alliance Française offices promote the French language and culture to half a million students across 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.

Françoise Giroud endowment fund

The Françoise Giroud endowment fund was created on 7 January 2011. Its main objective is to promote and defend ethical principles in journalism, to conserve all the elements associated with the historical and sociological heritage of journalism and to defend the literary and journalistic work of Françoise Giroud. BRED supports the fund in defence of freedom of expression.

"Le Ratrait"

At a very local level, BRED also supports urban initiatives. For example, over the past 15 years it has been supporting the Le Ratrait association which is very active in the life of the Ménilmontant neighbourhood.

Each year at the association's premises, at Ménilmontant theatre or in other locations within the 20th arrondissement of Paris, the association organises exhibitions (sculpture, art, photography and lacquer work) and street events (concerts, plays, puppet shows and town criers).

"Les Douze Courts de Minuits"

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.

"Le Cercle Orchestre de Paris"

This year BRED has become a sponsor of Le Cercle Orchestre de Paris, an endowment fund that brings together private individuals wishing to support the Paris Orchestra in its artistic and cultural policies. The fund notably enables the orchestra to develop initiatives aimed at young people, including those from disadvantaged backgrounds or who suffer from health issues or disability.

"Les Musicales de Bagatelle – classical 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 topical subjects such as the political climate, the economics of terrorism, the future of pensioners and international migration.

"La 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 20000 children go on holiday every year.

"Solidarité Laïque"
Widely active in the world of education through its partnership with CASDEN, BRED also supports Solidarité Laïque, which has been a public utility association since 1991. Bringing together 55 organisations associated with public education, 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.

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.

La Ligue Contre le Cancer gala
BRED regularly sponsors charity galas. The fight against cancer is a major issue in terms of public health. It is a question of financing research in order to save lives. Our members are regularly involved as guests at these charitable events.

Odysséa
In the regions in which it operates, BRED regularly takes part in the Odysséa Réunion race. This year the race took place on the weekend of 5 November and beat its own record with more than 17,000 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 125,000 euros in donations in a festive and jolly atmosphere. BRED were heavily involved in the event, given the shared values of solidarity.

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. BRED mainly provides practical support to the federation, offering it the use of meeting rooms.

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.

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 supports an association called Habitat et Humanisme Île-de-France, which aims to eliminate substandard housing. Habitat et Humanisme 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: The prizes were mainly awarded to organisations working in the field of culture, namely "Théâtre du Corps Piétragalla", "Destination Brie et Provinois" and "ASMA".

3. A COMPANY WITH RESPONSIBLE INTERNAL PRACTICES

Aware that its primary responsibility is internal, BRED takes account of social and environmental criteria in its day-to-day operations via a 3-pronged approach:

- committed and responsible management of staff;
- control of direct environmental impact;
- support for its suppliers to follow an approach based on social, environmental and civic responsibility.

3.1 Employees - the drivers behind change and development

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 a high level of employee savings.

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.

3.1.1 Active recruitment and employment policy

BRED's recruitment policy is designed to integrate people from all levels of further education to provide it with the skills it requires for its development, to meet the evolving professional challenges and to maintain staffing levels.

BRED recruits for all the bank's business sectors, notably in commercial departments to support its customers in all of the markets in which it is active: retail, professional and corporate. Expertise in the fields of risk, audit, finance and IT is also targeted.

Thanks to the wide variety of business lines and training courses, the multitude of professional opportunities is able to cater for the motivations and skills of all employees.

BREAKDOWN OF NEW HIRES*

	2016		2015		2014(*)	
	Number	%	Number	%	Number	%
Contract						
People on permanent (CDI) contracts, excluding people on work experience	280	52.2%	232	44.1%	240	62.7%
People on fixed-term (CDD) contracts, excluding people on work experience	94	17.5%	115	21.9%	65	16.9%
Work experience; professional contracts	162	30.3%	178	34.0%	80	20.4%
TOTAL	**536**		**525**		**385**	

(*) excluding international

BREAKDOWN OF NEW HIRES BY CATEGORY AND TYPE*

	2016	2015	2014
Non-management/management			
Non-management staff	75.4%	82.6%	81.0%
Management staff	24.6%	17.4%	19.0%
Men/Women			
Women	55.4%	53.6%	49.2%
Men	44.6%	46.4%	50.8%

(*) excluding international

BRED is a firm which continues to employ at a constant rhythm with the objective of encouraging the recruitment of young people. BRED has therefore strengthened its labour contracts policy by accepting 190 young persons in this category in 2016 against 176 in 2015.

Under this recruitment policy, equality of opportunity, employment of persons with disabilities and combating employment discrimination are the CSR 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.

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 (97.4%), in line with its desire to be a socially responsible employer.

BREAKDOWN OF HEADCOUNT BY CONTRACT CATEGORY AND TYPE

	2016		2015		2014	
	Number	%	Number	%	Number	%
Contract						
Non-management staff	2,280	52.2%	2,297	52.7%	2,320	53.3%
Management staff	2,092	47.8%	1,999	47.3%	1,988	46.7%
Total headcount, not including people on work experience	4,372	100%	4,296	100%	4,308	100%
people on permanent (CDI) contracts, not including people on work experience*	4,259	97.4%	4,206	97.9%	4,206	98.3%
people on fixed-term (CDD) contracts, not including people on work experience*	113	2.6%	90	2.1%	102	1.7%
Work experience; professional contracts	190		176		98	
TOTAL HEADCOUNT (all contract types)	**4,562**		**4,472**		**4,406**	

(*) percentage calculated on total headcount excluding work-study programmes within the scope of the report (see4.4 Reporting scope)

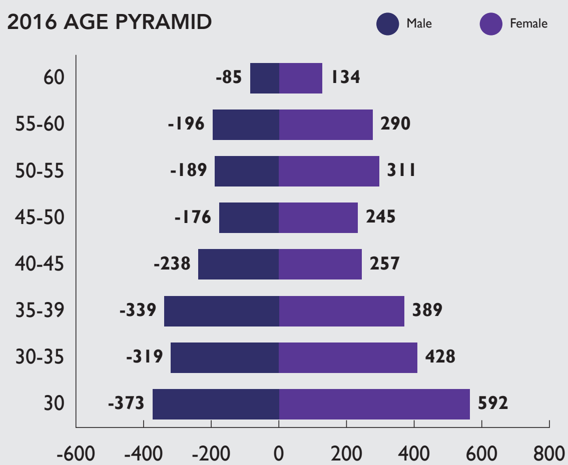
CHANGES IN HEADCOUNT

	2016	2015	2014
Mainland France	3,382	3,378	3,281
Overseas territories	780	724	756
International	400	370	369
TOTAL	**4,562**	**4,472**	**4,406**

Total headcount within the scope of the CSR report (see 4.4 Reporting scope)

BRED pursues an active policy to manage its employee structure to ensure a balanced age pyramid offering protection against a high number of departures due to retirement, with 64.4% of the workforce below 45 and just 4.8% over 60.

2016 AGE PYRAMID



All steps are taken to facilitate the integration of new staff (welcome, information on the firm, 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 (22.8% of reasons given for departure).

BREAKDOWN BY REASON OF DEPARTURES OF EMPLOYEES ON PERMANENT (CDI) CONTRACTS

	2016		2015		2014	
	Number	%	Number	%	Number	%
Resignations	117	34.7%	108	30.7%	83	25.2%
Redundancy	68	20.2%	52	14.8%	49	14.9%
Transfer	21	6.2%	16	4.5%	16	4.9%
Retirement	77	22.8%	98	27.8%	115	35.0%
Contract termination by mutual consent	11	3.3%	14	4.0%	9	2.7%
Contract termination during probationary period	38	11.3%	59	16.8%	52	15.8%
Death	5	1.5%	5	1.4%	5	1.5%
TOTAL	**337**	**100.0%**	**352**	**100.0%**	**329**	**100.0%**

3.1 Exploitation of talent, skills development and employee loyalty

Annual appraisal

Once a year it is the responsibility of the directly responsible manager, who continuously evaluates the quality of the work performed by their staff, to express their opinion during a conversation and to formalise it with a written electronic 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 their own professional development. For BRED, these interviews constitute an indispensable support for preparing each important step in the professional life of each employee: training, mobility, career progression, review of the situation and promotion.

Training

The quality of the services it provides to its customers and the quality of the workplace experience are important to BRED, which 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 joint dialogue with employees, employee representatives and union bodies.

Within this context, all departments of BRED make every effort to pursue a responsible Human Resources policy:

- respect for individual diversity;
- keen focus on exploiting expertise to ensure that employees remain motivated and enjoy a rewarding career path.

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.

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 in Paris-Joinville, Saint-Denis in Réunion and Fort-de-France; Nouméa and Bangkok are to follow.

By maintaining its investment in training at nearly 6.5% of the payroll, and with almost 95% 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% [11], and the statutory minimum requirement (1%). The number of hours allocated to training in 2016, i.e. 198,801, compared to 170,023 in 2015, is indicative of BRED Group's sustained efforts to provide training for its employees in the demanding and ever changing banking sector.

BRED trained 3,721 employees in 2016.

BREAKDOWN OF THE NUMBER OF STAFF HAVING UNDERGONE AT LEAST ONE TRAINING COURSE BY GENDER AND BY CATEGORY

	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management staff	1,325	657	1,982	1314	635	1,945	1,230	594	1,824
Management staff	824	915	1,739	828	939	1,767	774	854	1,628
TOTAL	**2,149**	**1,572**	**3,721**	**2,142**	**1,574**	**3,716**	**2,004**	**1,448**	**3,452**

Development of the skills central to the business activity

The 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 2016 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, 31 employees successfully completed courses leading to a diploma.

Additional actions to promote employee equality and facilitate the work–life balance.

BRED's policy of responsible development of human resources has also led it to define training plans by:
- making special provisions for induction training for new employees;
- teaching managers and staff about how to respond to changes in our business activities and, more generally, raising awareness of the possibility of learning through training throughout their career;
- helping employees to adapt to changes in their jobs and business sectors, and providing guidance on career development.

Raising employee awareness of environmental issues

Thanks to a move to a new building where the organisation of the work is based on shared printers instead of individual ones[12], 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.

(11) http://www.fbf.fr/fr/secteur-bancaire-francais/metiers-de-la-banque/chiffres-cles/les-chiffres-de-la-formation-continue
(12) The number of printers has markedly diminished, from 3,739 individual printers to 2,164 and from 853 big printers in 2014 to 486 in 2015.

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.

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 individual performance 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.

PROMOTION/PAY INCREASES*

	2016		2015		2014	
	Women	Men	Women	Men	Women	Men
Change of level	229	138	171	112	115	92
Change of category	45	24	32	28	22	14
No. of individual pay increases	780	559	695	504	423	315
Changes made to overall staff levels	31.9%	32.8%	28.7%	30.0%	17.7%	19.2%

(*) BRED and French subsidiaries

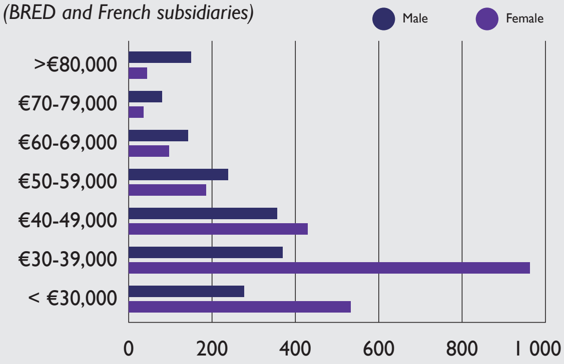
3.1.3 Diversity and equal opportunity

Diversity is one of BRED's greatest strengths, 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.

Various agreements with universities, such as Paris-Est Créteil and the Sorbonne via Operation Phoenix, reflect the commitment to ensure non-discrimination in recruitment. This also applies to the policy covering the employment of disabled persons in compliance with the various charters signed by BRED directly or with those signed by BPCE on behalf of 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.

BREAKDOWN OF EMPLOYEES ON PERMANENT CONTRACTS BY 2016 GROSS ANNUAL SALARY
(BRED and French subsidiaries)



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 48.2% of women in management positions, staffing levels in BRED are approaching parity for managerial staff.

Women account for over half of the workforce, at a stable level over the past three years. In 2016, 58.1% of employees were women within the scope of this report. The breakdown varies by region: 56% in mainland France, 70% in French overseas territories and a little over 48% at our foreign subsidiaries.

TOTAL HEADCOUNT BY REGION AND GENDER

	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Mainland France	1,472	1,910	3,382	1,451	1,927	3,378	1,412	1,869	3,281
Overseas territories	235	545	780	228	496	724	231	525	756
International	206	194	400	191	179	370	192	177	369
TOTAL	**1,913**	**2,649**	**4,562**	**1,870**	**2,602**	**4,472**	**1,835**	**2,571**	**4,406**

Total headcount within the scope of the CSR report (see. 4.4: Reporting scope

ALL REGIONS - EMPLOYEE BREAKDOWN BY GENDER (EXCLUDING WORK-STUDY PROGRAMMES AND FIXED-TERM CONTRACTS)

	2016			2015			2014		
	Non-management staff	Management staff	Total	Non-management staff	Management staff	Total	Non-management staff	Management staff	Total
Women	67.6%	48.2%	58.1%	68.0%	47.7%	58.4%	68.3%	47.9%	58.8%
Men	32.4%	51.8%	41.9%	32.0%	52.3%	41.6%	31.7%	52.1%	41.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The increase in the number of women in management grades demonstrates BRED's desire to actively support women in accessing positions of greater responsibility.

AVERAGE ANNUAL SALARY OF PERMANENT STAFF BY GENDER

	2016		2015		2014	
	Non-management staff	Management staff	Non-management staff	Management staff	Non-management staff	Management staff
Average gross annual salary excluding profit-sharing and bonuses, BRED and French subsidiaries						
Women	€31,083	€50,350	€30,835	€47,935	€30,791	€47,605
Men	€30,672	€60,343	€30,229	€54,426	€30,364	€54,038
Average gross annual salary excluding profit-sharing and bonuses, international entities						
Women	€11,475	€40,715	€10,480	€45,696	nd	nd
Men	€13,399	€61,153	€13,182	€67,211	nd	nd

Regarding salaries, it is appropriate to distinguish between French employees (mainland France and overseas territories) and employees at international subsidiaries.

In France, the average salary for non-management staff is virtually identical for men and women. For management staff, men's average salaries are 19.8% higher then women's.

For the international entities under study, there is a difference for non-managerial staff, between men and women; the difference between managerial and non-managerial staff is mainly associated with expatriate managers.

Developing gender diversity and other forms of diversity: The "BRED Pluri'elles" network

The BRED Pluri'elles network was created in early 2013 and now has just over 200 male and female members. The network is a discussion forum designed to promote access among women to posts of high responsibility, to heighten awareness among all the company's employees, to introduce a system for monitoring progress and to be a catalyst for new ideas.

BRED Pluri'elles jointly instigates discussions with the BPCE Group networks and other networks working to develop diversity in all its forms throughout the company.

Employment of people with disabilities

The employment of people with disabilities is a priority for BRED. It created a disability awareness programme called "Mission Handicap" in 2008 to increase awareness throughout the company and support initiatives to integrate employees with disabilities in BRED's various business lines.

A number of initiatives to raise awareness are organised throughout the year, not just during "Disability Week". In 2016, we implemented an awareness programme on the theme of work and employment covering the EA/ESAT (protected worker) sector, in the form of an entertaining digital scratchcard accessible by all employees. The first prize was a "Handi'Box" composed of small products produced by companies in the protected worker sector.

Implemented in 2014, this type of communication programme has been a great success. It heightens awareness among all employees, especially those based some distance from the Paris offices.

An awareness campaign covering hearing disabilities was organised in collaboration with the occupational health department at the Paris Joinville site, to educate employees about noise in an open-plan working environment.

EMPLOYMENT OF PEOPLE WITH DISABILITIES

		2016	2015	2014	2013	2012
Direct employment	Number of new hires	3	4	3	11	5
	Number of work stations adapted	12	12	16	15	-
Employment rate (within the meaning of DOETH regulations)	Direct employment rate	2.25%	2.30%	2.46%	2.28%	2.04%
	Indirect employment rate	0.63%	0.55%	0.30%	0.33%	0.27%
Overall employment rate		**2.88%**	**2.85%**	**2.76%**	**2.61%**	**2.32%**

Support for seniors

BRED assists seniors in their career paths and helps them before and during their retirement via specific devices..

This support is provided within the framework of the age equality agreement adopted by BRED and validated as positive 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.

3.1.4 Satisfaction in the workplace

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 2016, 9% of permanent staff, of whom 90.5% are women, opted for part-time.
This is also why BRED entered into a company-specific agreement in 2016 enabling employees to work from home via the internet for one or two days a week.

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 any adjustments to reflect compensatory measures such as additional paid leave under the RTT (reduced working week) legislation, the average working week over the year is 35 hours.

Health and Safety

BRED is aware of the importance of a policy on health and working conditions that goes beyond the simple prevention of risks and fosters employee loyalty.

Accordingly, a number of years ago BRED had already implemented a Stress Action Plan.

In addition to expenditure made in connection with a number of projects to improve the health and safety conditions of our employees' working environment, notably with the support of the occupational health department, in 2016 BRED pursued the usual health prevention and monitoring systems such as a mandatory medical check-up every two years for all employees, during which their health and working conditions are discussed.

With the support as and when required from the BRED social worker, the occupational health department is a key provider of employee services designed to detect high-risk situations and provide intervention if 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.
No specific agreements have been signed on health in the workplace.

ACCIDENTS IN THE WORKPLACE

	2016		2015		2014	
	Number	Number of days' absence	Number	Number of days' absence	Number	Number of days' absence
Number of accidents reported with resulting absence	91	1,894	91	1,990	118	2,200
Accidents in the workplace	36	1,334	35	1,037	60	1,567
Accidents when travelling to and from work	55	560	56	953	58	633

Days lost in terms of business days - BRED and French subsidiaries.

Happily, there are no fatal accidents to report. The severity and frequency of accidents with resulting absence is monitored as part of the aforementioned Stress Action Plan.

A special section of BRED's intranet site has been reserved for use by the occupational health department, with information provided on a number of potential health risks such as repetitive strain injuries, smoking and mental health issues.

In addition, training sessions are regularly organised to prepare new entrants joining the commercial network for possible aggression (anti-social behaviour, 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 sports and cultural activities in terms of satisfaction in the workplace, BRED fully supports such activities. It therefore makes showers available to employees at the two main head office sites and offers rooms for those participating in the choir and 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.

Absenteeism

As a company working in the service sector, BRED has a duty to improve working conditions in order to reduce absenteeism.

ABSENTEEISM RATE DUE TO ILLNESS

	2016	2015	2014
Absenteeism rate for illness	4.20%	4.06%	4.12%

The 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%.

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 international establishments, the rate is hard to compare to those of the establishments in France and the overseas territories.

Employee relations

BRED and its subsidiaries offer its nearly 5,400 employees 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, mostly the agreement covering the Banques Populaires.

The employee representative bodies in France and in BRED's overseas establishments consist of a central works council (CCE), separate works councils in six establishments, employee representatives at six sites and four health and safety and committees (CHSCT).

In 2016, the central works council was convened twice for ordinary meetings and once for an extraordinary meeting.

The health and safety committee was convened nine times. These discussions covered the continuation of the branch network modernisation programme (creation of multi-site branches, new opening hours, updated customer transaction processes, branch refurbishment programme, creation of new commercial sites and improved working conditions).

During negotiation sessions, four company agreements were also signed in 2016:
- Salary agreement
- Agreement on gender equality
- Agreement on home working
- An agreement on working on public holidays within the framework of the Target 2 system.

BREAKDOWN OF PART-TIME PERMANENT CONTRACTS BY CATEGORY AND GENDER

	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management staff	190	25	215	200	10	210	203	9	212
Management staff	140	9	149	135	25	160	127	16	143
TOTAL	330	34	364	335	35	370	330	25	355

BREAKDOWN OF PART-TIME PERMANENT CONTRACTS ACCORDING TO TIME WORKED

	2016			2015			2014		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Less than 50%	18	1	19	17	1	18	18	0	18
50%	31	7	38	28	9	37	33	9	42
50% to 79%	85	8	93	87	8	95	80	5	85
80%	78	11	89	83	8	91	85	4	89
Over 80%	118	7	125	120	9	129	114	7	121
TOTAL	330	34	364	335	35	370	330	25	355

Compliance with ILO 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 specified in our contracts with suppliers and service providers.

3.2 Reducing our direct environmental footprint

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. These actions have the support of BRED's Executive Committee and are coordinated by the Sustainable Development Department.

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.

More specifically, as BRED is a service-based company, it is not concerned by issues relating to noise pollution and land cover as the configuration of its offices and commercial premises, frequently on multiple floors, means that its land cover is lower than that of industrial activities which often extend over a single level.

Likewise, in view of its activities, BRED is not concerned by any significant impact of water, air or soil pollution. Nor does our business activity lead us to plan food recovery and recycling activities in order to avoid waste. It should be noted that restaurant services at our two main sites is outsourced to Eurest, one of the major players in the mass catering sector in France, which encourages consumers to exercise portion control and displays anti-waste commitments in their restaurants[13].

(13) http://www.eurest.fr/restauration/entreprise/politique-environnementale/eco-entreprise/23329
http://www.eurest.fr/restauration/entreprise/news-actualites?groupId=11902&articleId=1248370&version=1.0

3.2.1 Circular economy

Although there currently exists no standardised or even consistent definition of the concept of the circular economy[(14)], we can state that the circular economy diverges from the traditional form of linear production of "extract-produce-consume-throw away", which goes directly from the utilisation of a product to its destruction.

The circular economy adopts a "loop" approach which seeks to create positive value at each step by avoiding wasted resources while ensuring consumer satisfaction.

The circular economy must therefore aim to drastically reduce wasted resources in order to disengage the consumption of resources from GDP growth, while reducing environmental impact and improving well-being. It is therefore a question of doing more and better, but with less.

The circular economy is based on six main elements:
- Moderate utilisation and maximum efficiency in the use of non-renewable resources;
- Exploitation of renewable resources in keeping with the potential of renewal;
- Ecodesign and clean production;
- Consumption that respects the environment;
- Waste recycling to create resources;
- Harmless waste processing.

As a bank and therefore a contributor to the financing of the economy, BRED has a supporting role to play in the development of the circular economy by stimulating competitiveness, promoting sustainable economic growth and creating new jobs, even though for many companies the concept of the circular economy remains a collection of new ideas yet to be thoroughly explored.

However, there are already a number of positive aspects in BRED's day-to-day activities that fall under the circular economy, notably:

In its role as a user:
- optimised energy consumption and energy efficiency measures;
- waste prevention and management;
- sustainable utilisation of resources (water, paper, etc.).

In its role as a producer:
- Electronic statements and electronic signature of digital contracts;
- Through the combination of internet and in-branch banking, the "banking without distance" strategy favours reduced energy consumption among its customers.

In its role as a contributor to the financing of the economy, BRED finances companies whose purpose is to support the circular economy, for example, the financing of a new production line for the company Morphosis.

3.2.2 Climate change

Whereas natural climate change takes place over very long periods, allowing time for animal and plant species to adapt, we are currently observing that anthropogenic changes due to higher greenhouse gas emissions resulting from the massive use of fossil fuels by industry have rapid effects on the planet's climate, where we are not fully aware of all of the consequences but the initial effects of which lead us to believe that our ecosystems are under threat in the long term.

To halt the increase in greenhouse gases and limit the effects of climate change, major action is required at three levels:
1) Definition and monitoring of indicators to measure the impact of our activities on greenhouse gas emissions;
2) Response to the impacts of existing climate change by improving energy efficiency and reducing demand;
3) Implementation of an integrated policy for the development of renewable energies.

Although we have already implemented measures to modify and reduce our greenhouse gas emissions, at BRED we are yet to take action in order to achieve energy neutrality.

Carbon Footprint

In accordance with regulatory requirements under the Grenelle II Act on the Environment[(15)], BRED has periodically carried out a carbon review since 2011.

BRED measures its greenhouse gas emissions using the "Bilan Carbone®" method designed for the banking sector, developed by the Banques Populaires. 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.

From year to year, the tools improve and the data to be collected is more accurate and fine-tuned. The correspondents of the Sustainable Development Department, vital for the establishment of these accounts, are also now more thorough.

(14) http://www.ademe.fr/sites/default/files/assets/documents/fiche-technique-economie-circulaire-oct-2014.pdf
(15) Article 75 of Act 2010-788 of 12 July 2010

SOURCES OF GREENHOUSE GAS EMISSIONS

In equivalent tonnes of CO2	2016		2015		2014	
Energy	3,281	10%	3,596	14%	3,831	10%
Purchases	11,931	36%	7,557	28%	14,532	39%
Business travel	5,401	16%	2,248	9%	4,738	13%
Buildings	5,332	16%	4,652	18%	6,362	17%
Other items (waste and freight)	7,564	23%	8,154	31%	7,536	20%
TOTAL	**33,509**	**100%**	**26,207**	**100%**	**36,999**	**100%**

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 36% of the total greenhouse gas emissions.

The carbon review 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.

BRED CARBON FOOTPRINT

In equivalent tonnes of CO2	2016	2015	2014
Direct emissions of greenhouse gases (Scope 1 – Direct combustion of fossil fuels and emissions of refrigeration gases)	889	1,285	1,820
Indirect greenhouse gas emissions (Scope 2 - Electricity consumed and heating network)	1,869	2,000	1,792
Total direct and indirect greenhouse gas emissions (Scopes 1 and 2)	**2,758**	**3,285**	**3,612**
Total other indirect greenhouse gas emissions (Scope 3 - other emissions excluding utilisation)	30,752	22,922	33,387

Energy consumption

Action has already been taken to manage electricity consumption over the past three years with 2016 consumption nearly 13% lower than in 2014:

- Improved energy efficiency (optimisation of lighting with increased use of low-consumption light bulbs, notably in new branches but also during branch refurbishments, regulation of temperature and air conditioning with automatic night-time reduction, improved insulation at head office in La Rapée, programme for managing standby mode of IT devices and centralised technical management system);
- Reduced consumption of paper (paperless offices, workflow optimisation, scanning, reduced number of individual printers, use of certified paper, collection and recycling system);
- Installation of videoconferencing facilities at all French and international sites, as a low environmental impact alternative to motorised business travel;
- Upgrading of liquid refrigerant piping to reduce greenhouse gas emissions;
- The purchase of a BBC(16) and HQE(17) environmentally 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;
- Employees encouraged to limit their energy consumption at these main sites;
- Water saving system in toilet facilities (notably sensor taps preventing taps from being left running);
- Introduction of a system for the recovery, recycling and ecologically friendly processing of ink cartridges in partnership with the company "Le Petit Plus".
- A new contract has been signed by the BPCE Group and ENGIE (formerly GDF Suez) for the invoicing of BRED's energy consumption on the same basis as the other Group entities. One of the objectives is to optimise traceability in order to manage and reduce energy consumption.

BRED has two electric vehicles in its service fleet (Zoé Renault).

(16) 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.
(17) 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.

ENERGY CONSUMPTION[18]

	2016		2015		2014	
	kWh	€ (*)	kWh	€ (*)	kWh	€ (*)
Total final energy consumption	**30,406,914**	**3,735.7**	33,998,625	4,182.5	34,946,397	3,914.3
Total electricity consumption	**26,488,120**	**3,405.9**	28,791,710	3,800.7	27,590,433	3,418.3
Total gas consumption *(in KWh HHV(**))*	**2,538,734**	**127.1**	3,863,796	203.8	6,145,275	326.3
Total consumption of steam-heat network	**1,380,060**	**155.3**	1,343,119	156.9	1,210,689	140.7
Annual fuel oil purchases *(based on 9.86 kWh per litre)*	**861,537**	**47.4**	295,849	21.1	340,347	29.0
Total energy consumption (excluding fuel oil) per m²	**215.9 kWh/m²**		203.6 kWh/m²		209.4 kWh/m²	
Total surface area	**140,830 m²**		166,987 m²		166,858 m²	
o/w branches and business centres	**90,515 m²**		90,487 m²		89,134 m²	

The proportion of renewable energies in total final energy consumption is not known.
(*) in thousands of euros incl. VAT
(**) GCV: Gross Calorific Value (thermal energy released during combustion on one kilogramme of fuel.)

Business transport

In 2015, BRED assigned the management of business travel to Havas Voyage in order to fully cover all business travel and make travel reservation arrangements more efficient and to improve travel management in order to reduce our ecological footprint. Havas Voyage has provided BRED with a precise follow-up for business travel using a dashboard display indicating kilometres per transportation type.

The business travel policy defined by BRED encourages using trains for appropriate journey distances rather than flying, in view of the lower environmental impact.

MEASURES TAKEN TO REDUCE TRANSPORT-RELATED ENERGY CONSUMPTION

Indicators	2016	2015	2014
Total petrol consumption by company cars (in litres)	**6,407**	5,155	457
Total diesel consumption by company cars (in litres)	**79,465**	116,772	100,499
Business travel in personal cars (in km)*	**1,836,224**	1,949,948	2,154,476
Business travel by train (in km)	**263,633**	247,018	404,787
Business travel by short-haul air travel (in km)	**46,625**	30,371	1,923,945
Business travel by long-haul air travel (in km)	**6,307,500**	5,268,489	8,188,805

** Consumption by BRED employees in mainland France*

3.2.3 Sustainable use of resources

Paper consumption

The banking industry uses paper to inform its customers, send them account statements and for general day-to-day activities.

BRED is taking steps to reduce paper consumption, making increasing use of digital to inform customers and making an effort at head office premises to minimise paper use by using e-mail rather than notes and shared printers.

Paper consumption has therefore been stable over the past three years.

(18) 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 – particularly due to the staff restaurant – against 2,691,558 kWh in 2015.

PAPER CONSUMPTION

Indicators	2016	2015	2014
Total consumption of paper (tonnes)	719	766	767
Total consumption of paper for entire workforce (kg/FTE)	202	224	195
Total consumption of recycled or FSC/PEFC certified paper for entire workforce (kg/FTE)	0	0	0

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, installation of intelligent taps).

WATER CONSUMPTION

Indicators	2016	2015	2014
Total spending on water (n €k incl.VAT)	143.3	176.7	190.2
Total water consumption (in m^3)	34,066	41,957	47,488

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.

Pollution prevention

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.
The same applies to issues regarding emissions into water, air and soil, given the nature of its activities (regarding greenhouse gas emissions, please refer to section 3.2.2 "Climate change"). In terms of light pollution, BRED applies the regulations that have limited light pollution, energy consumption and nocturnal lighting in non-residential buildings since 1 July 2013[19].

Waste management and recycling

BRED complies with recycling regulations and requires similar compliance from its subcontractors in terms of prevention, recycling and re-utilisation and other forms of recovery and elimination, namely:
- waste arising from work on its buildings;
- waste electrical and electronic equipment (WEEE);
- office furniture;
- light bulbs;
- management of liquid refrigerants;
- office consumables (paper, printed material, ink cartridges, etc.).

BANKING BUSINESS WASTE[20]

Indicators	2016	2015	2014
Total spending on waste management services (*in €k excl.VAT*)	431	259	267
Volume of waste produced by the entity (tonnes) *Paper/cardboard/plastic and WEEE (mainly IT equipment)*	510	665	659

(19) See Order of 25 January 2013 covering the functioning of non-residential lighting, notably from offices, shops, frontages and windows. Source : http://www.legifrance.gouv.fr/.
(20) Since 2013 we have been improving the traceability of our waste, both internally and in line with our providers.

3.2.4 Managing environmental and societal risks

It is an acknowledged fact that BRED's service-based activities do not have any major direct impact on the environment. Environmental risks mainly arise from the company's banking business. These risks arise when environmental criteria are not taken into account in the business projects being financed. In France, the law requires that these criteria are taken into account. In addition, businesses and facilities that 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 2016, 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.

Examples of actions promoting an environmentally friendly policy

IT: *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 IT hardware - is processed by an adapted business, ATF Gaia, an organisation that helps disabled people return to work, which reconditions and resells functional hardware and destroys the remainder by sorting materials for recycling. In 2016 we recycled 3,456 IT devices via ATF Gaia.*

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.*

Waste recycling: *BRED recycled some 227.4 tonnes of paper in 2016 using our waste collector. Scraps of blank 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.*

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. BRED favours maritime transport to the overseas departments.*

3.3 Procurement and supplier relations

3.3.1 Responsible 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 has been 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 purchasing managers regularly take part in training on responsible 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;

- With equivalent selection criteria, preference is given to local suppliers in both mainland France and French overseas territories. In 2016, for example, we selected a trading desk telephony services provider that produces its equipment in France and has its R&D based in the EU;
- Currently, our calls for 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.

3.3.2 Subcontracting policy

Outside workers

The use of temporary staff is relatively rare, and corresponds to less than 3% of the total headcount, demonstrating the ongoing search for a fit between jobs, the workload and the staff allocated to them.

The position of outsourcing and compliance with the fundamental conventions of the International Labour Organization.

BRED undertakes contractually with our suppliers and our subcontractors to ensure compliance with the conditions of employment law. 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

SUBCONTRACTING TO THE PROTECTED WORKER SECTOR

Indicators	2016	2015	2014
Number of full-time equivalent (FTE) jobs in the protected worker sector	23.58	19.64	11.14
Amount of purchases from the protected worker sector (€k excl.VAT)	558	377	275

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.

Among the most significant partnerships between BRED and companies in the protected worker sector there is "Le Petit Plus", which collects sorted waste from the head office premises in Joinville, and Fastroad, which makes daytime deliveries between BRED and BPCE Group buildings.

4. 2016 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 27, along with a cross-reference table showing national regulatory obligations and international standards.

4.1 Indicators used

BRED's CSR report refers to a common set of core indicators used by all BPCE Group entities. 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 BPCE Group 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 the BPCE Group's ad hoc working group;
- remarks made by the Independent Third Party Bodies in the framework of their auditing work for previous periods for the CSR items, in the management report from the BPCE Group;
- 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 methodological guide for environmental data and an information gathering system (SPIDER) provided by BPCE.

4.2 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 and other forms of pollution, land use: 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.

4.3 Period of the report

Published information concerns the period from 1 January 2016 to 31 December 2016.
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. No estimates were made for 2016.

4.4 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 be achieved gradually. The reporting scope for the 2016 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.

Compared to the 2014 report, the 2015 report also included 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.

The 2016 report includes all the subsidiaries in the 2015 report, with the addition of Fripomer, a French subsidiary, and BRED IT, in terms of headcount.

For information, the subsidiaries yet to be incorporated are as follows: BCI Mer Rouge, BIC BRED Suisse, BRED Bank Fiji Ltd, EPBF Bruxelles, NJR Invest-Bruxelles, NJR Finance BV – Brussels, Brd China Ltd Chongquing – China, Foncière du Vanuatu – Republic of Vanuatu, and IRR Invest - Brussels.

Subsidiaries consolidated for accounting purposes using the equity method are not included in the reporting scope.

The 2016 scope covers 90.8% of BRED Group's headcount.

4.5 Additional information on HR data

- The data on staff covers those on the books as at 31 December 2016. This data includes people on permanent contracts, those on fixed-term contracts, professional training 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 2016 from the outside or from within another BPCE entity. A move from a fixed-term contract or work experience contract 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 under new hires if this person was still present at 31 December 2016. 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 the BPCE Group, when the term "transfer" is used in connection with recruitments or departures it means that the employee moved to or came from a BPCE Group 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 include 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.

4.6 Additional information on environmental data

The environmental data covers BRED headquarters, i.e. for 2016 the main buildings located in Paris and Joinville- le-Pont and consumption by branches in France and in French overseas territories. In addition, the energy consumption reported is based on invoices.

4.7 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.

4.8 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.

This being the case, 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 downplays the CSR performance of cooperative banks in favour of merchant 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.

5. REPORT BY ONE OF THE STATUTORY AUDITORS DESIGNATED AS AN INDEPENDENT THIRD PARTY ON THE CONSOLIDATED COMPANY, ENVIRONMENTAL AND CIVIC INFORMATION INCLUDED IN THE MANAGEMENT REPORT

Financial year ended 31 December 2016

To the shareholders,

In our capacity as one of the statutory auditors of BRED Banque Populaire S.A., 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 company, environmental and civic information for the financial year ended on 31 December 2016 presented in the management report (hereinafter the "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code.

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 regulatory texts, our professional code of ethics and the provisions of article L.822-11-3 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 and with laws and regulations.

Responsibility of the independent third-party body

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 presence 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 six people; this took place between December 2016 and April 2017, 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 conducted the work described below in accordance with the Order of 13 May 2013 setting out the terms under which the independent third-party body conducts its assignment and with the professional standards issued by the ***Compagnie nationale des commissaires aux comptes*** (National company of statutory auditors) relating to our work and, concerning the reasoned opinion on fairness, with the international standard ISAE 3000(22).

1. Attestation of presence of the CSR Information

Nature and scope of the 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 in the section entitled "4/-2016 CSR Reporting Methodology" in the management report.

(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

Conclusion

On the basis of this work and taking account of the limits mentioned above, we confirm that the CSR Information required is in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of the 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 practice 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 head office [24] we conducted interviews to verify the proper application of the procedures and to identify any omissions, and used sampling techniques to perform detailed tests designed to verify the calculations and cross-check data against supporting documents. The sample selected accordingly covers 95% of the workforce considered to be representative of the HR aspect, 100% of environmental data considered to be representative of the environmental aspect and 100% of the civic data considered to be representative of the civic aspect.

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, 1 April 2017.

Anne Garans	**Marie-Christine Jolys**
Partner *Sustainability services*	*Partner*

(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: Electricity consumption; gas consumption; fuel oil consumption; hot and cold consumption (steam/cooled water); energy-related CO2 emissions. 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; occupational health and safety conditions; 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; fair practice.
(24) Sites in Joinville-le-Pont and Quai-de-la-Rapée.

6. COMPARISON TABLE BETWEEN THE CSR DATA PRODUCED AND NATIONAL REGULATORY OBLIGATIONS (art. 225 Grenelle 2 Act)(25)

6.1 Human resources information

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	ANNUAL REPORT INDICATORS	PAGE
EMPLOYMENT		
Total headcount and breakdown of employees according to gender, age and geographic location	Breakdown of employees as at 31/12 according to: • region • contract (permanent, fixed-term, work-study) • grade (management, non-management) • by gender	P. 256-257-261
	Breakdown of employees as at 31/12 according to age and gender (age pyramid)	P. 257
Recruitments and dismissals	New hires according to: • contract (permanent, fixed-term, work-study) • grade (management, non-management) • gender	P. 257
	Departures from permanent positions, according to reason	P. 258
Changes in compensation	Basic average salary of employees with permanent contracts according to grade and gender, and average M/F salary ratio	P. 261
ORGANISATION OF WORK		
Organisation of working time	Percentage of part-time employees (permanent contracts only), including the percentage of women	P. 262
	Average weekly working hours on an annual basis	P. 262
	Breakdown of permanent contracts as at 31/12 according to working hours	P. 264
Absenteeism	Absenteeism rates	P. 263
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. 263
	Number of meetings: health and safety committee (CHSCT), personnel representatives, works council	P. 263
Summary of collective agreements	Descriptive text	P. 263
HEALTH AND SAFETY		
Health and safety conditions in the workplace	Description of health and safety conditions in the workplace	P. 262
Review of agreements signed with trade union organisations and employee representatives concerning health and safety in the workplace		P. 262
Accidents in the workplace, including their severity and frequency, and occupational illnesses	No. of accidents in the workplace	P. 263
	Monitoring of reasons for accidents in the workplace	P. 263

(25) 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	ANNUAL REPORT INDICATORS	PAGE
TRAINING		
Training policies implemented	Percentage of payroll allocated to training	P. 259
	Amount of training expenditure (euros)	P. 259
	Breakdown of employees on permanent contracts as at 31/12 who received training, according to category and gender	P. 259
	Total volume of training expenditure as a % of total payroll % of workforce trained	P. 259
Total number of training hours	Total number of training hours	P. 259
GENDER EQUALITY		
Measures taken in favour of gender equality	Description of gender equality policy	P. 242-260
	See all indicators by gender, notably: average salary M/W; age pyramid	P. 257
Measures taken to promote the insertion and employment of people with disabilities	Description of policy on employment of people with disabilities	P. 262
	Rate of employment of people with disabilities (direct and indirect)	P. 262
	Number of new hires and adapted workstations	P. 262
Anti-discrimination policy	Description of anti-discrimination policy	P. 260
PROMOTION AND COMPLIANCE WITH THE ILO's FUNDAMENTAL CONVENTIONS REGARDING		
Respect of freedom of association and the right to collective bargaining		P. 264
Elimination of discrimination in respect of employment and occupation		P. 264
Elimination of forced or compulsory labour		P. 264
Effective abolition of child labour		P. 264

6.2 Environmental information

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	ANNUAL REPORT INDICATORS	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. 264
• Actions to train and inform employees on the protection of the environment	Description of actions to train and inform employees on the protection of the environment	P. 259
• Resources allocated to the prevention of environmental risks and pollution		P. 264
• Amounts of provisions and guarantees for risks related to the environment		P. 264
POLLUTION		
• Measures for the prevention, reduction and improvement of air, water and soil emissions 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. 268
• Management of noise pollution and any other type of pollution caused by a specific activity	Not applicable given our business activities	NA
CIRCULAR ECONOMY		
Waste prevention and management		
	Measures for the prevention, recycling and elimination of waste	P. 265
	Action in the fight against food waste	P. 264
Sustainable use of resources		
• Water consumption and water supply in light of local restrictions	Total water consumption	P. 268
	Total water-related expenditure	P. 268
• 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. 268
	Consumption of blank paper per FTE	P. 268
	Total paper consumption	P. 268
	Total consumption of recycled and/or FSC or PEFC certified paper	P. 268
	Total consumption of blank paper	NA
• Energy consumption, measures taken to improve energy efficiency and use of renewable energies	Total energy consumption per m^2	P. 267
	Description of products and services in terms of energy performance of buildings	P. 264
	Total business travel by car	P. 267
	Description of initiatives to reduce energy consumption and greenhouse gas emissions	P. 266
• Land use	Not applicable given our business activities	NA

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	ANNUAL REPORT INDICATORS	PAGE
CLIMATE CHANGE		
• Significant items of greenhouse gas emissions generated as a result of the company's activities, notably via the use of the goods and services it produces	Direct greenhouse gas emissions (Scope 1)	P. 266
	Indirect greenhouse gas emissions (Scope 2)	P. 266
	Indirect greenhouse gas emissions generated as a result of the company's activities, notably via the use of the goods and services it produces (Scope 3)	P. 266
• Adaptation to the consequences of climate change	Description of measures taken	P. 265-266
PROTECTION OF BIODIVERSITY		
• Measures taken to preserve or increase biodiversity	Description of strategy implemented with regard to biodiversity management policy	P. 268

6.3 Civic information

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	ANNUAL REPORT INDICATORS	PAGE
LOCAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES		
• Regional lending	Loans to individuals: annual production, as an amount	P. 244
	Loans to professionals and firms: annual production, as an amount	P. 244
• To neighbouring populations	Number of branches/sales outlets/business centres (including stand-alone ATMs)	P. 243
	Number of branches in priority and rural areas	P. 243
	Number of branches with disabled access (2005 Disability Act) as a proportion of all branches	P. 248
RELATIONS WITH INDIVIDUALS AND ORGANISATIONS CONCERNED BY THE ACTIVITIES OF THE COMPANY, 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. 240
• Partnership and sponsorship initiatives	Amount of donations made over the financial year to organisations eligible for tax treatment under the sponsorship system	P. 239
SUBCONTRACTORS AND SUPPLIERS		
• Consideration of social and environmental issues in the procurement policy	Amount of purchases from the protected sector (2013 estimate)	P. 270
	Number of full-time equivalent (FTE) jobs in the adapted and protected work sector	P. 270
	Description of responsible procurement policy	P. 243-269
	Training in responsible purchasing	NA
• Scale of subcontracting and consideration of suppliers' and subcontractors' social and environmental responsibility	Description of measures taken	P. 243-269
FAIR PRACTICES		
• Action taken to prevent corruption	Percentage of employees (management and non-management) trained in anti-money laundering policy	P. 247
	Description of the current policy and procedures to prevent internal and external fraud	P. 247
• Measures taken to protect consumers' health and safety	Description of the CSR analysis of new products and services	P. 248
	Measures taken to facilitate access by people with disabilities or reduced mobility	P. 250

6.4 Business indicators

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	PAGE
RESPONSIBLE PRODUCTS AND SERVICES		
Green credit solutions	Zero-rate ecological loan (Eco-PTZ): stock (number and amount) as at 31/12	P. 246
SRI	SRI and supporting funds: outstanding loan amount of funds marketed as at 31/12/2013	P. 244
LDD (sustainable development passbook savings accounts)	Sustainable development passbook savings accounts (LDD): stock (in number and amount) as at 31/12	P. 246
Micro-financing	ADIE professional micro-loans: annual production in number and amount	P. 251

7. CROSS-REFERENCE TABLE BETWEEN FRENCH REGULATORY OBLIGATIONS AND INTERNATIONAL STANDARDS

AREA/REFERENCE DOCUMENTS	EQUIVALENCE GRI 3.1	EQUIVALENCE GRI 4 (26)	EQUIVALENCE Art. 225 French Grenelle 2 Act	EQUIVALENCE FRENCH NRE	GLOBAL COMPACT
STRATEGY					
Reporting scope	1.8, 3.6, 3.7, 3.8, 3.9, 3.10, 3.12, 3.13	G4-20, G4-21, G4-22, G4-32, G4-33	Art R. 225 105		
Sustainable Development Strategy	1.2, 4.8, 4.12, 4.13, 4.9	G4-2, G4-56, G4-15, G4-16, G4-45, G4-47	Art. R. 225-105-1-I 2° a)	Art. 148-3.3°	
			Art. R.-225-105-1-I 2° a)		
			Art. R. 225 105-1-I 3° b)		
ENVIRONMENT					
Materials	EN1/EN2	G4-EN1, G4-EN2	Art. R. 225 105-1-I 2° c)	148-3 1°	7/8/9
Energy	EN3 to EN7	G4-EN3 to G4-EN7	Art.R. 225 105 -1-I 2° c)	148-3 1°	
Water	EN8 to EN10	G4-EN8 to G4-EN10	Art. R. 225-105-1-I 2° c)	148-3 1°	
Biodiversity	EN11/EN12	G4-EN11; G4-EN12	Art. R. 225-105-1-I 2° e)	148-3 2°	
Emissions, effluent and waste	EN16 to EN18	G4-EN15 to G4-EN19	Art. R. 225-105-1-I 2° d)	148-3 1°	
	EN22	G4-EN23	Art. R. 225-105-1-I 2° b)	148-3 1°	
Products and services	FS2/FS11/FS7/FS8	FS2/FS11/FS7/FS8	Art. R. 225-105-1-I 3° d)		
Transport	EN26	G4-EN27	Art. R. 225-105-1-I 3° d)		
	EN29	G4-EN30		148-3 1°	
Environmental actions			Art. R. 225-105-1-I 2° a)	148-3 5°	7/8/9
SOCIETY					
Communities	SO1/SO9/SO10	G4-S0/G4-S02	Art. R. 225-105-1-I 3° a)		
	FS14	FS14			
Anti-money laundering procedures	SO2/SO4	G4-SO3	Art. R. 225-105-1 I 3° d)		10
PRODUCT LIABILITY					
Product and service labelling	FS16/FS15		Art. R. 225-105-1-I 3° b)		8
Responsible marketing	PR1		Art. R. 225-105-1-I 3° d)		
Compliance with laws and regulations	PR9			148-3 6°	10

(26) For the purposes of the CSR section of this document, we have used the standardised international sustainable development indicators, known as GRI, with regard to the 42 areas defined by law. The Global Reporting Initiative (GRI) was created in 1997 by the Coalition for Environmentally Responsible Economies (CERES), in partnership with the United Nations Environment Programme (UNEP).
This international process involves companies, environmental and social NGOs, accounting firms, trade union organisations and investors. 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 DOCUMENTS	EQUIVALENCE GRI 3.1	EQUIVALENCE GRI 4 (26)	EQUIVALENCE Art. 225 French Grenelle 2 Act	EQUIVALENCE FRENCH NRE	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) and c) and d)	Art. 148-2.1° a)	1/3/4/5/6
Health and safety in the workplace	LA9		Art. R. 225-105-1-I 1° d)	Art. 148-2.1° a) and b)	
	LA8/LA7		Art. R. 225-105-1-I 1° b) and d)	Art. 148-2.2°	
Training and education	LA10		Art. R. 225-105-1-I 1° e)	Art. 148-2.6°	
	LA11		Art. R. 225-105-1-I 1°e)		
Diversity and equal opportunities	LA13/LA14		Art. R. 225-105-1-I 1°f)	Art. 148-2.3°	
HUMAN RIGHTS					
Freedom of association and right to collective bargaining	HR5		Art. R. 225-105-1-I 1° g)	Art. 148-2.4°	2/3/4/5
Prohibition of child labour	HR6				
Abolition of forced or compulsory labour	HR7				

General Meeting

ORDINARY GENERAL MEETING OF 30 MAY 2017

Agenda

1. Management report by the Board of Directors on the 2016 financial year and reports by the Statutory Auditors on the annual company and consolidated financial statements;
2. Approval of the company financial statements for FY 2016; Discharge to the Board of Directors;
3. Approval of the consolidated financial statements for FY 2016; Discharge to the Board of Directors;
4. Assignment of the results of the 2016 financial period; Establishing the interest rate for the shares;
5. Statutory Auditors' special report and approval of the agreements and undertakings referred to in articles L.225-38 et seq. of the French Commercial Code;
6. Consultation on the aggregate amount of compensation of any kind paid in the 2016 financial year to the directors and categories of staff members – article L.511-71 of the French Monetary and Financial Code;
7. Approval of the principles for determining, allocating and awarding fixed, variable and exceptional elements constituting total compensation and benefits of all kinds awarded to the Chairman of the Board of Directors;
8. Approval of the principles for determining, allocating and awarding fixed, variable and exceptional elements constituting total compensation and benefits of all kinds awarded to the CEO;
9. Determination of the amounts paid to members of the Board;
10. Renewal of the term of office of a director;
11. Ratification of the co-opting of two directors;
12. Renewal of the mandate of the Statutory and Alternate Auditors;
13. Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares;
14. 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 Ordinary General Meeting

Approval of the 2016 financial statements (Resolutions 1 and 2)

Your Board asks you to approve its management report as well as the annual individual company and consolidated for the 2016 financial period.

Appropriation of income and determination of interest to be paid on shares (Resolution 3)

Concerning the assignment of the company results for the financial period, which come out at €221,020,501.23, you are firstly asked, taking account of the capital increases made in 2016, to assign the legal reserve up to a tenth of the share capital, i.e. €11,051,025.06.

Given that the retained earnings account shows a positive balance of €110,000,000, the distributable profit stands at €319,969,476.17. We propose that you proceed as follows:

- pay interest on cooperative shares at a rate of 1.75% of the average par value of cooperative shares in 2016, i.e. €0.179 on each of the shares with rights accruing from 1 January 2016, i.e. a total amount of €11,642,714.06;
- allocate €198,326,762.11 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 members' shares	Number of cooperative investment certificates	Total interest paid out on shares	Grand total of dividends paid out to cooperative investment certificates	Amounts eligible for rebate of 40% (1)
2013	56,758,441	10,405,715	€11,238,171.38	€207,954,415(2)	€11,238,171.38
2014	61,488,311	-	€11,067,895.99	-	€11,067,895.99
2015	66,647,978	-	€11,354,840.74	-	€11,354,840.74

(1) For natural persons

(2) Repurchase of cooperative investment certificates

Regulated agreements and commitments (Resolution 4)

We ask you to approve the Statutory Auditors' report on the agreements and commitments covered by article L.225-38 of the Commercial Code.

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 2016 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 company's risk profile.

The staff regulated by BRED Group consisted of 185 persons for the 2016 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 2016 includes a substantial portion corresponding to payments made for previous financial years.

After review by the Remunerations Committee, the aggregate amount of the compensation actually paid during the financial period ended 31 December 2016 amounted to €26,564,701. This amount includes the remunerations established for 2016, the non-deferred variable remunerations paid in 2016 for the 2015 financial period, the deferred variable remunerations paid in 2016 for previous financial periods and amounts associated with social benefits.

Components of the compensation of the Chairman of the Board of Directors and CEO (Resolutions 6 and 7)

In accordance with article L.225-37-2 of the Commercial Code, we ask you to approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits of all kinds to be awarded to the Chairman of the Board of Directors and the CEO for the 2017 financial year.

The principles of the BRED Group remuneration policy are set out in this annual report on page 34 et seq.

In accordance with legal provisions, it is specified that the payment of the variable and exceptional components of remuneration are subject to your approval at the General Meeting of 2018.

Determination of amounts paid to members of the Board of Directors (Resolution 8)

You are also asked to establish at 774,000 euros the annual overall amount of compensatory payments for time passed for the current financial period.

The functions of corporate officers are set out in the "Governance" section of the annual report.

Board of Directors (Resolutions 9 to 11)

The mandate of a member of your Board of directors, Mr Jean-Pierre Fourès, expires on conclusion of this meeting. We ask you to renew the mandate for a term of six years, to expire on conclusion of the General Meeting convened to approve the financial statements for the 2022 financial year.

We also ask you to approve the co-opting of Mrs Isabelle Pastoret and Mrs Nadine Calves to the posts of Director. These mandates end at the end of the General Meeting called to approve the financial statements for the 2019 financial period.

Statutory Auditors (Resolutions 12 to 15)

The mandates of the Statutory Auditors expire on conclusion of this meeting. We ask you to approve the renewal of the mandates of PricewaterhouseCoopers and KPMG as Statutory Auditors and to renew the mandates of Mr Etienne Boris and KMPG AUDIT FS I as Alternate Auditors.

Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares (Resolution 16)

The purpose of the sixteenth 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 8,145,863 shares.
The objective of this provision is to improve the liquidity of the market for cooperative shares.

The shares thus bought by BRED should, within five years of their acquisition, be offered to cooperative 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 17)

Lastly, the seventeenth resolution concerns the granting of powers to carry out all publications and legal formalities laid down by law in relation to the General Meeting.

Resolutions

First resolution: Approval of the company financial statements

After reviewing the management report by the Board of Directors, the general report by the Statutory Auditors and the company financial statements for the 2016 financial year, the members approve the 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 2016.

Second resolution: Approval of the consolidated financial statements

After reviewing the management report by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements for the 2016 financial year, the members approve the 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 2016.

Third resolution: Appropriation of income and determination of interest to be paid on the cooperative shares

The members note that a profit of €221,020,501.23 was recorded in 2016 and resolves to allocate it as follows, in accordance with the proposals of the Board of Directors:

In euros

Profit for the financial year	221,020,501.23
Allocation to the legal reserve	-11,051,025.06
Retained earnings	110,000,000.00
Distributable profit	319,969,476.17
Interest on cooperative shares	-11,642,714.06
Allocation to other reserves	-198,326,762.11
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 2016 financial period, an interest payment of €0.179 for each dividend-bearing cooperative share from 1 January 2016.

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 2017. 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 members' cooperative shares	Number of cooperative investment certificates	Total interest paid out on shares	Grand total of dividends paid out to cooperative investment certificates	Amounts eligible for rebate of 40% (1)
2013	56,758,441	10,405,715	€11,238,171.38	€207,954,415(2)	€11,238,171.38
2014	61,488,311	-	€11,067,895.99	-	€11,067,895.99
2015	66,647,978	-	€11,354,840.74	-	€11,354,840.74

(1) For natural persons
(2) Repurchase of cooperative investment certificates

Fourth resolution: Approval of agreements referred to in article L.225-38 et seq. of the French Commercial Code

Having reviewed the special report by the Statutory Auditors on the agreements and commitments covered by articles L. 225-38 et seq. of the Commercial Code and having voted on the report, the General Meeting notes that previously concluded and authorised agreements continue to be in force.

Fifth resolution: Consultation on the overall amount of remunerations of all kinds paid to the categories of persons covered by article L.511-71 of the 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 2016 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 €26,564,701.

Sixth resolution: Approval of the principles and criteria for determining, allocating and awarding the components of the compensation of the Chairman of the Board of Directors.

After reviewing the report by the Board of Directors on remuneration policies and practices, the members meeting approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the compensation of the Chairman of the Board of Directors to be awarded for the 2017 financial year, as set out in the remuneration policy on page 34 et seq. of the 2016 annual report.

Seventh resolution: Approval of the principles and criteria for determining, allocating and awarding the components of the compensation of the CEO

After reviewing the report by the Board of Directors on remuneration policies and practices, the General Meeting approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the compensation of the CEO to be awarded for the 2017 financial year as set out in the remuneration policy on page 34 et seq. of the 2016 annual report.

Eighth 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 €774,000 for 2017;
- notes that this amount covers compensation for the directors and Chairman of the Board of Directors.

Ninth resolution: Renewal of the mandate of a director

The General Meeting renews, for a period of six years, the mandate of Jean-Pierre Fourès as director.

This mandate ends at the end of the General Meeting called to approve the financial statements for the 2022 financial period.

Tenth resolution: Ratification of the co-opting of Isabelle Pastoret as director

The General Meeting ratifies the decision taken by the Board of Directors at its meeting of 3 October 2016 to co-opt Isabelle Pastoret to the post of director, replacing Jean-Claude Boucherat, who has resigned, for the remaining term of the mandate of her predecessor, namely until the conclusion of the General Meeting convened to approve the financial statements for the 2019 financial year.

Eleventh resolution: Ratification of the co-opting of Nadine Calves as director

The General Meeting ratifies the decision taken by the Board of Directors at its meeting of 5 December 2016 to co-opt Nadine Calves to the post of director, replacing Jacques Szmaragd, who has resigned, for the remaining term of the mandate of her predecessor, namely until the conclusion of the General Meeting convened to approve the financial statements for the 2019 financial year.

Twelfth resolution: Renewal of the mandate of a Statutory Auditor

The General Meeting renews the mandate of the Statutory Auditor PricewaterhouseCoopers Audit for a term of six financial years.

This mandate ends at the end of the General Meeting called to approve the financial statements for the 2022 financial period.

Thirteenth resolution: Renewal of the mandate of a Statutory Auditor

General Meeting renews the mandate of the Statutory Auditor KPMG for a term of six financial years.

This mandate ends at the end of the General Meeting called to approve the financial statements for the 2022 financial period.

Fourteenth resolution: renewal of the mandate of an Alternate Statutory Auditor

The General Meeting renews the mandate of the Alternate Statutory Auditor Etienne Boris of PricewaterhouseCoopers Audit for a term of six financial years.

This mandate ends at the end of the General Meeting called to approve the financial statements for the 2022 financial period.

Fifteenth resolution: Renewal of the mandate of an Alternate Statutory Auditor

The General Meeting renews the mandate of the Alternate Statutory Auditor KPMG AUDIT FS1 of KPMG for a term of six financial years.

This mandate ends at the end of the General Meeting called to approve the financial statements for the 2022 financial period.

Sixteenth 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 by the Statutory Auditors setting out their assessment of the conditions for setting the acquisition price;

and ruling in accordance with the provisions of article L.225-209-2 of the Commercial Code:

1. 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 8,145,863 cooperative shares;
2. 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;
3. resolves that the purchase price will correspond to the par value of the cooperative shares as set out in the company's articles of association on the day this delegation of authority is used;
4. establishes that this delegation of authority will remain valid for 12 months from the date of this General Meeting;
5. 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;
6. 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 the decisions taken pursuant to this delegation of authority;

7. 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.

Seventeenth resolution: Powers

The General 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 2016

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 R.225-31 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 R.225-31 of the Commercial Code on the performance during the period under review of any agreements that were previously approved by the General Meeting.

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

We inform you that we have not been advised of any authorised agreement or commitment for the period under review to be submitted to General Meeting for approval in accordance with the provisions of article L.225-38 of the Commercial Code.

Agreements already approved by General Meeting

Agreements authorised during the period under review

Furthermore, we have been informed of the execution during the period under review of the following agreements already approved by the General Meeting of 26 May 2016 following the special report dated 3 May 2016 issued by the Statutory Auditors.

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

This agreement was approved at Ordinary General Meeting on 26 May 2016 and gave rise to a payment of 91,291.68 euros in 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 specify that the initial lease and its renewal were authorised by the Board of Directors on 29 March 2016 and approved by the Ordinary General Meeting on 26 May 2016, giving rise to the payment of 86,558.76 euros in 2016. By way of an amendment concluded on 1 October 2016, this lease was renewed under similar conditions and charges.

Agreements approved during previous periods which continued to be in force during the period under review

In accordance with article R225-30 of the Commercial Code, we have been informed of the continued execution of the following agreement, already approved by the General Meeting during earlier years, during the period under review..

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.

Type and purpose

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. It was approved by the Ordinary General Meeting of 23 May 2013.

Terms and conditions

This agreement did not have any impact on the 2016 financial statements of BRED Banque Populaire.

Paris La Défense and Neuilly-sur-Seine, 28 April 2017

The statutory auditors

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

EXTRAORDINARY GENERAL MEETING OF 30 MAY 2017

Agenda

1. Modification of the articles of association as a result of the French law on the social solidarity economy (***Economie Sociale et Solidaire***),
2. Addition of a new article and renumbering of the articles,
3. Adoption of the modified articles of association,
4. 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 General Meeting

Ladies and Gentlemen,

Dear members,

The purpose of the General Meeting is to submit for your approval the modifications made to our company's articles of association.

Legislative or regulatory developments since 2014 require the text of the articles to be updated.

The articles of association of your bank are written in accordance with the standard model. Please find enclosed the draft resolutions submitted for your approval and the draft amendments to the articles of association.

We ask you to adopt each of the modifications (first resolution), to renumber the articles as a result of the addition (second resolution), to adopt the new articles of association in their entirety (third resolution) and to provide all necessary powers for completing the administrative formalities (fourth resolution).

The purpose of the first resolution is to take account of the changes resulting from:

The provisions of the law dated 10 September 1947 as modified by the law dated 31 July 2014 relating to the social solidarity economy, known as the ESS law

It is proposed:

- to introduce a fourth case of the loss of status as cooperative shareholder .This constitutes the ability of the Board of Directors to withdraw the status of cooperative member due to the loss of the required qualities or the disappearance of their cooperative commitment, and therefore to be able to determine the objective criteria of any such case of withdrawal (articles 12 and 18);
- implementation of the principle of non-remuneration of functions, leading to directors' fees and remuneration of the Chairman of the Board of Directors and observers being replaced by compensation for time spent on the exercise of their functions (articles 22-23-24);
- adaptation of the article covering Ordinary General Meetings to take account of the above changes in terminology (article 34).

Recent legislative developments regarding boards of directors and regulations applicable to credit institutions

It is proposed to adapt the role devolved to the Chairman by the supervisory authorities (article 14) by removing the approval of BPCE for the election and renewal of their term of office.

The new wording of article L.225-39 of the Commercial Code

The purpose of the modification is to take account of the simplification of the regulations applicable to agreements concluded between companies where one is wholly owned by the other (article 27).

New technology

This development introduces the ability to sign meeting attendance sheets by all reasonable means, including electronic means (article 32).

Correction of an incorrect text reference and editorial improvements

The change covers the reference to provisions of the Monetary and Financial Code regarding allocation of the asset surplus in the event of the disappearance of BRED Banque Populaire (article 41).

Modifications covered by the second resolution relate to:

The creation of an article relating to cooperative audit

Following article 25, the creation of a new article rendered mandatory by the ESS law of 31 July 2014 setting out cooperative audit (***révision coopérative***) within cooperatives meeting certain size criteria;
The introduction of this new article has led us to ask you to approve the renumbering of the articles.

We ask you to adopt each of the modifications, to renumber the articles as a result of the addition and to adopt the new articles of association in their entirety (third resolution).

Finally, the purpose of the fourth resolution is to grant all necessary powers for completing administrative formalities.

Resolutions

First resolution: Modification of the articles of association

After reviewing the report by the Board of Directors, the members meeting decides to modify articles 11, 12, 14, 18, 19, 20, 22, 23, 24, 27, 32, 34 and 41.

- In article 11: Introduction of a 3rd paragraph as follows: "*The Board of Directors sets a ceiling for the number of cooperative shares permitted to be held by a member who is a natural person. This ceiling may vary by member category. Where the Board of Directors determines a subscription ceiling for legal entities, it may delegate to general management the task of defining the rules for implementing the ceiling*", the rest of article 11 remains unchanged.

- In article 12: Introduction of a new point as follows "*4. On recognition by the Board of Directors of the loss of required qualities or of the disappearance of the member's cooperative commitment*", the rest of article 12 remains unchanged.

- In article 14: Deletion of the final paragraph as follows: "*In accordance with article L.512-107 of the Monetary and Financial Code, the election and renewal of the term of office of the chairman are subject to approval from BPCE.*"

- Addition to article 18–II of a 2nd paragraph as follows: "*It shall determine the objective criteria for the disappearance of the cooperative commitment and shall announce all deletions*", the rest of article 18 remains unchanged.

- In article 19, 2nd paragraph: Deletion of the words "*and like the CEO, he/she represents the company vis-à-vis the company's supervisory and control authorities.*"

- In article 20, 2nd paragraph: replacement of the word "*shareholders*" with "*cooperative members*"

- The heading of article 22 is modified as follows "*Compensation of the general management*", the words "*of the chairmanship and*" are deleted and, consequently, the deletion within the body of the article of the words "*of the chairman of the board of directors and*", the rest of article 22 remains unchanged.

- In article 23: Deletion of the former text, replaced by: "*In accordance with the provisions of article 6 of the law of 10 September 1947, the functions of the members of the Board of Directors are performed free of charge.*

However, the members of the board are entitled to reimbursement of their expenses on production of receipts.

Alongside the chairman, they may also receive compensation for the time spent on the administration of the company, the total amount of which is to be voted on each year at the General Meeting." *This compensation shall be allocated by the board in compliance with rules set out by BPCE in line with objective criteria, notably taking into account time spent training and attending committee meetings.*"

- In article 24, 5th paragraph: Deletion of the concept of attendance fees and adoption of the new wording as follows: "*With a consultative role, observers take part in board meetings. The Board of Directors may allocate compensation for time spent by observers on the exercise of their functions, taken from the total amount approved each year at General Meeting for the members of the Board of Directors.*"

- Modification of article 27 relating to regulated agreements now worded as follows: "*Unless specified otherwise in article L.225-39 of the Commercial Code, all agreements between the company and one of its members of the Board of Directors or the CEO and, more generally, any person covered by article L.225-38 of the Commercial Code, are subject to the procedure of prior approval from the Board of Directors followed by subsequent ratification at General Meeting of the members in line with legal and regulatory provisions.*', the rest of article 27 remains unchanged.

- Article 32 in the 3rd paragraph: Addition of the words: "*Signature may take place by any electronic means.*"

- Article 34: Replacement of the terms "*set the amount of attendance fees*" with "*annually set the total amount of compensation payments*" and addition of the three following powers:
  - "*appointment of the cooperative auditor*",
  - "*take note of the report produced by the cooperative auditor*",
  - "*ratify the deletions proposed by the board due to the disappearance of the cooperative commitment.*"

- Article 41, 2nd paragraph: Deletion of the references to articles L.512-8 and L.512-9 of the Monetary and Financial Code, replaced by the term "*provisions*".

Second resolution: Addition of a new article and renumbering of the articles

After reviewing the report by the Board of Directors, the General Meeting decides:

1. To introduce after article 25 a new article relating to cooperative audit, with the following wording: "*Article 26: cooperative audit*

Every five years under the conditions set out in the law dated 10 September 1947 and in its implementing legislation, the company shall be subject to a cooperative audit in order to verify the compliance of its organisational structure and modes of operation with cooperative principles and rules, and propose any necessary corrective action.";

2. Renumber the articles as required as a result of this addition.

Third resolution: Adoption of modified articles of association

After reviewing the report by the Board of Directors, as a result of the adoption of the receding resolutions the members meeting:

1. adopts article by article and subsequently as a whole the text of the new articles of association which shall now govern BRED Banque Populaire, a copy of which is appended to these minutes;

2. decides that the new articles of association shall come into force as of today's date.

Fourth 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.

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.

Paris Trade and Companies Register and APE code

552 091 795 Paris Trade and Companies Register
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:

1. 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.

2. 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;

3. The Company may make all investments in real or movable property required for the performance of its activities, subscribe to or acquire any 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

The Company's current capital amounts to €839,838,568.09. It is divided into 81,458,639 cooperative shares with a par value of €10.31, 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 (€10.31) by account to account transfer following approval by the Board of Directors.

The number of cooperative members as at 31 December 2016 was 164,800.

Dividend policy

Interest paid on cooperative shares was:
- €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.
- €0.184 for the 2015 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 2016	€400,000,000 by the issue of cooperative shares	26 months	As of the publication date of this report, no transaction has taken place on the basis of this authorisation.

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:

	01.01.2016	During 2016	31.12.2016
SAS PERSPECTIVES ET PARTICIPATIONS	0.0	100	100
SCI LAGON LOCATION 1	0.0	99.99	99.99

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www.bred.fr
Registered office: 18, Quai de la Rapée - 75012 Paris
Tel: +33 (1) 48 98 60 00

BRED
ADDITIONNER LES FORCES
MULTIPLIER LES CHANCES
BANQUE POPULAIRE