ANNUAL REPORT
2017

BRED
ADDITIONNER LES FORCES
MULTIPLIER LES CHANCES
BANQUE POPULAIRE

GROUPE BPCE

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MESSAGE FROM THE CHAIRMAN

STÈVE GENTILI
Chairman

"Responsible development"

BRED once again this year reported strong business momentum. These results – which are remarkable given that the financial environment, new regulation and the boom in competition are forcing major banks to contract – are inseparable from the cooperative values of proximity, solidarity and entrepreneurship that constitute our identity. These values guide our management team and employees and inform our actions.

At the heart of the real economy

Upholding a model of responsible development, we use the resources collected in the regions to support their growth.

In 2017 alone our outstanding loans increased 12%. As a company created by local players to facilitate their access to credit, our actions are consistent with our historic vocation. Immersed in local life wherever we operate, we finance players in the real economy, men and women who day after day contribute to the economic vitality of their regions, be they private individuals, self-employed tradespeople, shopkeepers, farmers, professionals or company heads. We also finance regional structures of the social economy.

Mindful of the social environment of the regions

As a cooperative company, we are duty bound to be mindful not just of the economic environment but the social environment, too. In our operating regions, we support initiatives fostering social cohesion through insertion and equal opportunities together with general-interest initiatives in culture and sports. We are also involved in the development of micro-loans.

An entrepreneurial and innovative approach

Our cooperative ideal is nourished by an entrepreneurial spirit and open to innovation. The question today is what kind of bank and economy we desire in the digital age. At BRED, we place digital technology at the service of people. The digitalisation of products and services enables customers today to take care of operations on line rather than at a branch. But this does not make human relations superfluous. Quite the contrary.

"Our cooperative ideal is nourished by an entrepreneurial spirit and open to innovation"

We have opted for bespoke support rather than standardised advice. Our idea of "banking without distance", as promoted by our General Management, reinvents relational proximity in the digital environment. On line or at our branches, advice is the very essence of our business. We offer high-quality advice based on in-depth knowledge of the projects and needs of our customers.

A bank that belongs to its cooperative members

This strategy calls for an even higher-quality investment in people and logistics.
Every year, over 90% of our employees complete at least one training course. Rather than reduce our local branch network, which is modernised regularly, we are optimising its organisation structure to bring each customer the finest expertise. Naturally, we are devoting our every effort to improving access to our services and enhancing their practicality through digital media. As a cooperative bank, we are supported in this strategy by our cooperative members, who are the sole owners of our capital. Through your support, reflected in the success of our recent capital increase, we will continue to invest in staff training, the enhancement of our technologies and the improvement of our services, all to the benefit of our customers. We will pursue our development while remaining more than ever attached to our values, focusing on human relations and combining humanism with efficiency and performance with professional ethics. In this way, we will be prepared to take on the challenges that are sure to arrive despite the increased momentum of the global economy.

"The question today is what kind of bank and economy we desire in the digital age"

MESSAGE FROM THE CEO

"Banking without distance, the driving force behind our development"

"For the fifth consecutive year, BRED's NBI increased across all its business activities. Commercial Banking France contributed two-thirds of NBI growth."

How would you review 2017?

For the fifth consecutive year, BRED's NBI increased across all its business activities. It totalled €1,152 million in 2017, up 5.2%. Our core activity, Commercial Banking France, contributed two-thirds of BRED's NBI growth. The 4% rise in its consolidated NBI is remarkable given the low interest rates. Its balance sheet and fees trended dynamically, together with an impressive contribution by our Corporate Banking business. The major commercial efforts rolled out by the network with the support of our subsidiaries Prépar (insurance) and Promepar (asset management) had a positive effect on sales and fees. Our customer-centric Trading Desk posted a €15 million year-on-year rise in NBI, for an increase of 14%.

The income generated by our business activities in French Overseas Territories, including our international trade financing activity, were also highly encouraging, up 7%. This is especially remarkable given that our banks are still very young and thus have the capacity to make much more progress. BRED Group expenditure rose 2% on a like-for-like basis, excluding exceptional items. The cost of risk came out at €93.6 million, attaining the average percentage of the cost of risk of NBI of the last five years.

What strategic choices drove these performances?

Our results have increased every year for the last five years, gaining 43% since 2012. This confirms the relevance of our "banking without distance" approach. This development strategy is supported by considerable investments. We have an ambitious policy on staff training, the implementation of digital solutions, the upgrading of our information systems and the modernisation of our branch network.

What is your definition of "banking without distance"?

Banking without distance is the promise we make to our customers of a global proximity model integrating the digital revolution. This global proximity model is based on relevant and personalised responses provided over the long term to all the needs of our customers in each of their practical situations and at each moment in their lives or business activities. This expertise is based in turn on a substantial investment in training, which at BRED accounts for 6% of payroll, some six times higher than the legal minimum. In addition, our advisers communicate with their customers at branches, but also via telephone and digital media, this last serving to enhance the relationship of proximity.

You are opening several new branches in mainland France and French Overseas Territories. Does this mean you are convinced that the physical network is not a thing of the past?

Yes, if we adapt it to new lifestyles. We are stepping up our digitalisation process through long-term investments. As everyday transactions are made in self-service areas, on line, via apps and by telephone, bank managers have more time to analyse the needs of their customers and contact them to propose needs-adapted solutions, helping them to prepare for and manage their projects.

OLIVIER KLEIN
CEO

"Banking without distance is the promise we make to our customers of a global proximity model integrating the digital revolution."

Naturally we are working on our physical network. The "new concept" branches are gradually replacing the former branches with their three clearly identified spaces: self-service, waiting, and advice. We also recently divided our Normandy network into two regional departments to boost relational proximity with customers and adapt as precisely as possible to the specific characteristics of these regions. We will soon be doing the same thing in Seine-et-Marne, which is a very large department. And we are continuously optimising the presence of our sales forces, in all their forms, relative to each type of customer and in all our regions.

What space is given to international activities in BRED's strategy?

We are present in Asia, the Pacific, the Horn of Africa, and Switzerland. Strengthened by the experience acquired in the West Indies and Indian Ocean, we moved into the French Overseas Territories in 2007 in New Caledonia. We then set up business outside France, in Vanuatu, Fiji, Djibouti and Laos, followed by Cambodia and the Solomon Islands a few months ago. We also have a representation office in Addis-Abeba in Ethiopia and are present in Burma, in Rangoon. We are moving into under-banked countries with strong growth prospects.
And in each one we carry out our commercial banking business. We are the only French, and even European, bank present, and we are always supported by the local authorities.
In all our territories, we seek to bring our customers the best international standards.

BRED will be celebrating its centenary in 2019. To what extent does your cooperative status remain adapted to your development model?

Our status as a cooperative bank, owned by its cooperative members in the form of shares not subject to the vagaries of the markets, is an opportunity and a strength because we can look to the future and think in the long term. The specificity of the cooperative model is that our member customers play a central role in our governance system. Their interests are represented by our Board Members, all of them BRED cooperative members, elected at the Annual General Meeting of Members. This means that they are involved in our choices and support them, as demonstrated by the success of each one of our recent capital increases.
To further strengthen these bonds, we invite our cooperative members to our branches to dialogue with them and gather their thoughts and opinions. The extremely close relationship cultivated with our member customers is fully consistent with "banking without distance", the driving force behind our development.

1

Corporate governance

Board of Directors

OLIVIER LENDREVIE
Deputy Chief Executive Officer

LEÏLA TURKI
Director

BRUNO BLANDIN
Secretary to the Board

PHILIPPE NOYON
Director

OLIVIER KLEIN
CEO

ISABELLE GRATIANT
Director

FRANÇOIS MARTINEAU
First Deputy Chairman

PATRICIA LEWIN
Director

STÈVE GENTILI
Chairman

GÉRARD KUSTER
Deputy Secretary

JEAN-PIERRE FOURÈS
Director

ISABELLE PASTORET
Director

MICHÈLE CLAYZAC
Deputy Secretary

BENOIT BAS
Director

NADINE CALVES
Director

GEORGES TISSIÉ
Second Deputy Chairman

NATHALIE BRIOT
Director

RAPHAËL POCHET
Director

MICHEL CHATOT
Director

MARIE LOULETTE PETIT
Central Works Council Delegate

MARIE-PASCALE VARENE
BPCE Delegate

ALSO ATTENDING BOARD MEETINGS:

Anne Bay	Director
Éric Montagne	Deputy Chief Executive Officer
Jean Desvergnes	Honorary Chairman
Rémi Chataignier	Company Secretary

Central Works Council Delegate
Xavier Devichi

Report of the Board of Directors on Corporate Governance

Established in application of Articles L. 225-37 et seq. of the French Commercial Code.

Ladies and Gentlemen, Cooperative Members,

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, the General Management and external auditors. This report was approved by the Board of Directors on 19 March 2018.

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 policy 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 l 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 socioeconomic categories that form the bank's customer base and the various regions in which it operates are fairly represented. In accordance with the provisions of the articles of 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 the provisions on gender equality, the proportion of directors of each sex was equal to or above 44% at 31 December 2017.
The following individuals also attend Board meetings: the Chief Executive Officer, the two Deputy Chief Executive Officers, the Company Secretary and the Central Works Council delegates. 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

The 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. 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.
The bureau of the Board is made up of six members: Stève Gentili, as Chairman; François Martineau and Georges Tissié, Vice-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.

1.4 - Work carried out by the Board in 2017

The Board of Directors held six meetings in 2017, as required by the articles of association, with an attendance rate by directors of 91%.

Strategy, 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 was informed on multiple occasions of the management directions favoured by the CEO.
It was regularly informed of the economic and market situation and paid particular attention to the constraints of the banking sector, notably the trend in interest rates.
It was informed about the deployment of the digitalisation solutions selected by the General Management and about reorganisations, made in particular to the various functions.
It reviewed the bank's international growth strategy and results in line with the international development policy it has defined.The Board 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.

Governance

The Board noted the resignation of Pierre Murret-Labarthe from his functions as director and proceeded with the co-opting of Benoit Bas as director. This last is subject to ratification by the General Meeting.
Considering that the remit imparted to him on his appointment in 2012 has been entirely fulfilled, as demonstrated by the increase in results generated over the period, and that it is in the company's interest to pursue the strategy in place and still to be implemented, the Board renewed the term of the Chief Executive Officer for a period of five years.
Consistent with the work of the Appointments Committee, the Board proceeded with its self-assessment and heard the results analysed by said committee.

Internal control, risks, compliance

At the beginning of the year, the Board was informed of the permanent controls carried out in 2016 by the second-level permanent control functions and took note of the planned controls and action plans for 2017.
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 2017 annual audit plan and the plan for future years, as well as the follow-up of recommendations.
The Board heard the results of the monitoring by permanent control of the various natures of risk and a review of their limits.
To define the risk level that the entity is prepared to accept in the performance of its activities, the Board approved the review of 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 and was informed of 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 2016 internal control report and took note of changes to internal control resources.
It was informed of the 2016 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 2016 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 report of the Board of Directors established in respect of 2016.
The Board examined the company and consolidated financial statements for the first three quarters of 2017 and the outlook for the end of the year and approved the medium-term plan for 2018-2020.

Remuneration

The Board regularly reviewed summaries of the Compensation Committee's work.
On the basis of a proposal by the Compensation Committee, the Board approved the compensation policy for traders, risk control officers and accountable managers, and established the principles and criteria for determining, distributing and attributing compensation items to the Chief Executive Officer.
The Board examined the policy on gender equality and equal pay.

1.5 - Board committees

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

1.5.1 - Role and tasks of the committees

The Audit and Accounts Committee

In accordance with Article L. 823-19 of the French 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 the certification of the accounts as set out in Article L. 822-11-2 of the French 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 heads of the financial department, the Head of Audit, the Head of Risk, Compliance & Permanent Control are regularly invited to their meetings.
The Audits and Accounts Committee is chaired by Gérard Kuster and has seven members. Gérard Kuster was selected by the Board of Directors as an independent member with the requisite expertise in financial and accounting matters and ethics.
Its activities are governed by a charter approved by the Board of Directors.

The Risk Committee

The Risk Committee performs the responsibilities assigned to it under Articles L. 511-92 et seq. of the French 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 the 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 Audit and Accounts Committee is chaired by Gérard Kuster and has seven members.
Its activities are governed by a charter approved by the Board of Directors.

The Compensation Committee

The Compensation Committee performs the responsibilities assigned to it under Articles L. 511-102 of the French Monetary and Financial Code.
It assists the Board of Directors in defining the principles of the compensation policy in accordance with the provisions 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.

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

The Appointments Committee

In accordance with articles L. 511-98 et seq. of the French 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;
- ensuring balance in terms of gender equality among Board members;
- regularly assessing the structure, size, composition and performance of the Board and submitting appropriate recommendations.

The Appointments Committee is chaired by Georges Tissié and has five 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.

1.5.2 - The work of the committees in 2017

The Audit and Accounts Committee

The Audit and Accounts Committee met four times in 2017.

It reviewed the process for preparing financial information, the findings of the controls conducted in 2017 by Financial Audit and the 2018 control plan.
It examined the results of the call for bids following the end of the mandates of two statutory auditors and issued a recommendation for the Board with the effect of renewing the two statutory auditors in place.

It took note, in accordance with the provisions set out in Order 2016-315 of 17 March 2016 on statutory auditors, of the services other than the certification of accounts and proposed their approval by the Board.

It held discussions with the statutory auditors, covering the 2016 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 monitored the implementation of IFRS 9, effective from 1 January 2018, and assessed the issues and the main impacts on the accounts in the coming years.

It was informed that, in accordance with provisions on the rotation of signatory associates stemming from audit reform, Nicolas Montillot will no longer be a signatory associate for PricewaterhouseCoopers from the end of 2017.
It reviewed the company and consolidated financial statements of BRED.

The Risk Committee

The Risk Committee met six times in 2017.
It was regularly informed of the findings of assignments conducted by BRED Group Audit, BPCE and the supervisory authorities, including follow-up of the implementation of recommendations. It reviewed the 2017 audit plan and the multi-year audit plan.

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 reviewed the single business continuity plan and the strategy on securing the information systems.
It was regularly informed about the main legislative developments and their implementation at the BRED Group, notably as regards credit.

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 Compensation Committee met once in 2017.
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 L. 511-102 of the French Monetary and Financial Code.
It took note of changes in the standards issued by BPCE relative to risk takers.

It prepared draft resolutions submitted to the approval of the Annual General Meeting and relative to compensation.
It reported on its work to the supervisory body.

The Appointments Committee

The Appointments Committee met twice in 2017.
The committee noted:

- the proper application of the Copé Zimmerman regulation on the balanced representation of men and women on the Board of Directors;
- the breakdown of Board members by age and gender, as well as the renewal dates of terms of office, and observed that the number of directors aged over 68 currently represents one-third of the directors on the Board;
- the update of an information note presenting the appointment forms for directors and executives submitted to the ACPR and the European Central Bank guide on the assessment of the repute, competence and experience of directors (the “fit and proper” procedure).

The committee took note of the end of the term of Pierre Murret-Labarthe, effective from July 2017.
After reviewing the applications submitted to it, the committee proposed to the Board the co-opting of Benoit Bas following a review of his application and his aptitude to carry out the duties of a director.
Finally, it continued with the process of assessing members of the Board of Directors.

1.6 - Information on corporate officers

(Article L. 225-102-1 para.4 of the French 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 (SAS) of Perspectives Entreprises.
- Deputy Chairman of the Board of Banque Franco-Lao.
- Director of: Promepar Asset Management, COFIBRED (Compagnie Financière de la BRED), BRED Gestion, PREPAR IARD, BRED Bank Fiji, Banque Internationale de Commerce – BRED (BIC-BRED), Banque Internationale de Commerce-BRED (Switzerland), BRED Bank Cambodia.
- Member of the Supervisory Board of PREPAR VIE.
- 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 Lussan Société d'Avocats.
- 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

- Social affairs advisor for a professional organisation
- 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 Canal Overseas, Port Autonome de Guadeloupe, F.E.D.O.M (Federation of French Overseas Territories), SEM Patrimoniale Région Guadeloupe, GIE C2B, GIE CBI.
- Honorary Consul for Germany in Guadeloupe, Martinique and Guyana.

Deputy Secretaries

Michèle Clayzac

- Deputy Chairwoman of ACEF Paris and its region.
- Director of BRED Banque Populaire.
- Director of 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.
- Director of BRED Banque Populaire.
- Director of: PREPAR Courtage, Promepar Asset Management.
- Director of: Transparency International France, Cercle de la Compliance, Forum Francophone des Affaires.

Directors

Benoit Bas

- Corporate Affairs and Communication Director at JT International.
- Director of BRED Banque Populaire.

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.

Nadine Calves

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

Raphaël Pochet

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

Leïla Turki

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

Michel Chatot

- Co-Manager of Sec Sarl.
- Director of BRED Banque Populaire.
- Director of: BRED Gestion, Banque Internationale de Commerce – BRED, Banque Internationale de Commerce-BRED (Switzerland).
- Chairman of the Board of Cooperative Members of BRED Banque Populaire de Paris Est and BRED Banque Populaire de Seine-Saint-Denis.
- Director of Fondation Hospitalière Sainte Marie.
- Director of the national association of the members of the National Order of Merit, Chairman of the ANN ONM Monde Committee.
- Director of Rougier Gabon.

Isabelle Gratiant

- Professor (university).
- Director of BRED Banque Populaire.
- Director of: Click and Trust, Prepar Courtage.
- Chairman of the Board of Directors of BRED COFILEASE.

Patricia Lewin

- Outreach Delegate, DGRIS, French Ministry of the Armed Forces.
- Director of BRED Banque Populaire.

Pierre Murret-Labarthe

- Honorary Advisor (Conseiller Maître honoraire) at the Court of Auditors (Cour des Comptes).
- Director of BRED Banque Populaire (terminated).
- Director of: Promepar Asset Management.
- Chairman of the Comité National de Gestion des Risques en Agriculture, Assad XV.

Philippe Noyon

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

Isabelle Pastoret

- General Controller at the Ministry of Finance, Trade and Industry.
- Director of BRED Banque Populaire.
- Member of the Economic and Social Council of the Île-de-France (CESR).

1.7 - Significant agreements (L. 225-102-1 of the French Commercial Code)

In accordance with the articles of association of BRED, agreements made either directly or via an intermediary between the company and one of its Board members or the CEO and, more generally, any person addressed by article L. 225-38 of the French Commercial Code, are subject to the procedure of prior approval from the Board of Directors followed by the subsequent ratification at the General Meeting of the members in line with legal and regulatory provisions.

The same applies for any agreement made between the company and another company if the CEO or one of the directors of the company is the owner, indefinitely liable partner, manager, director, member of the supervisory board or, generally speaking, the head of said company.
These agreements are submitted to the approval of the next Ordinary General Meeting of the members.
Agreements concerning ordinary operations and concluded under normal conditions are not subject to this procedure.
No agreement concluded by the bank was subject to these requirements in 2017.

2 - GENERAL MANAGEMENT

2.1 - Composition of the General Management and the Executive Committee

OLIVIER KLEIN
CEO

ÉRIC MONTAGNE
DEPUTY CEO

OLIVIER LENDREVIE
DEPUTY CEO

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

RÉMI CHATAIGNIER
COMPANY SECRETARY

JEAN-PAUL JULIA
DIRECTOR OF CORPORATE BANKING

STÉPHANE MANGIAVACCA
HEAD OF RISK, COMPLIANCE AND PERMANENT CONTROL

THIERRY MOREAU
OVERSEAS NETWORK DIRECTOR

ÉRIC POGU
DIRECTOR OF ORGANISATION AND PROJECT MANAGEMENT

MARC ROBERT
DIRECTOR OF INTERNATIONAL

CHRISTIAN SCHELLINO
COMMITMENTS DIRECTOR

STÉPHANE VANONI
HUMAN RESOURCES DIRECTOR

PIERRE VEDRINES
DIRECTOR OF CAPITAL MARKETS

ANTOINE BOULAY
DIRECTOR OF CORPORATE COMMUNICATIONS, INTERNAL COMMUNICATIONS AND MEDIA RELATIONS

2.2 - Appointment procedure

On a proposal by the Chairman, the Board of Directors appoints a CEO for a five-year term. The CEO is chosen from outside of the Board of Directors. The CEO's term of office is renewable.

In accordance with Article L. 512-107 of the French Monetary and Financial Code, the election and renewal of the term of office of the CEO are subject to BPCE approval.

2.3 - The Board'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. where the net weighted risk exceeds 25% of the consolidated members' equity, calculated in accordance with CRB Regulation 90-02.
He or she 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 this last.

3 - ANNUAL GENERAL MEETINGS

3.1 - Convening meetings

Annual 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.
Proxy is valid for one General 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 L. 512-5 of the French Monetary and Financial Code, the voting rights attached to the shares held directly and/or indirectly in person or through a proxy-holder by any single cooperative 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.

3.4 - Delegations granted by the General Meeting to the Board of Directors relating to capital increases (Article L. 225--37-4, paragraph 3, 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
AGM of 27 May 2016	€400,000,000 by the issue of shares	26 months	Capital increase made on 14 December 2017 to the amount of €155,585,993.91, increasing share capital from €839,838,568.09 to €995,424,562.00: - by the issue at par of €14,810,661 new shares at €10.31, for a total €152,697,914.91; - by the incorporation of €2,888,079, deducted from free reserves, and the correlative increase of the nominal amount of the old and new shares from €10.31 to €10.34.

4 - STATUTORY AUDITORS

The company's accounts are controlled by at least two statutory auditors appointed for six financial years by the Ordinary General Meeting and carrying out their duties in the conditions provided for by law.
Their mandate will expire at the Ordinary General Meeting that will rule in 2023 on the accounts of the financial year ending 31 December 2022.
Statutory auditor fees are determined according to the conditions set out in regulatory provisions.
Statutory auditors are entrusted with the functions and powers conferred to them by legal and regulatory provisions.
Statutory auditors are convened to all the General Meetings of cooperative members no later than the convening of the members. Statutory auditors must be convened to the Board meeting at which the accounts of the financial year are approved. They may be convened to any other meeting of the Board of Directors where their presence is deemed appropriate.

Statutory auditors	Signatory partners	Alternate auditors	Signatory partners
PricewaterhouseCoopers Audit (appointed in 1996)	Anik Chaumartin Nicolas Montillot	Etienne Boris	
KPMG (appointed in 2005)	Marie-Christine Jolys	KPMG Audit FS 1	Isabelle Goalec

2

Activity Report

ECONOMIC ENVIRONMENT

After three years of under-performance, the growth of France's GDP has neared that of the Euro zone, with growth of 1.9% in 2017 versus 1.1% in 2016. This dynamism can be explained among other things by the recovery of certain sectors, such as tourism, transport equipment, agriculture and production of electricity. Industrial production saw a clear improvement boosted by the strength of global growth. In this context, the business climate reached historic levels. The unemployment rate, although still high (9.3%) is down 0.5 points thanks to strong job creation (292,000 positions created in 2017). The rebound in productive investment continued, driven by the improvement in companies' profit margins. Household investment also continued its recovery from 2016 after a cumulative drop of more than 20% over eight years.

Given the favourable economic environment (oil, rates, exchange rates), the growth of the Euro zone accelerated in 2017 (+2.4% GDP). Germany remains the most advanced country in the European cycle, with GDP growth of 2.5% in 2017. Spain, despite problems with the weakness of its banking system and high public debt, recorded GDP growth of 3.3% thanks to the competitiveness of its exports and strong investment. Italy showed encouraging signs of consolidation with GDP growth of 1.7% in 2017 versus 0.9% in 2016. Finally, the United Kingdom, which was penalised by the decline in consumption and the uncertainty surrounding Brexit, recorded GDP growth of 1.5%.

Global growth also benefited from the resilience of the American and Chinese economies as well as the end of recessions in Russia and Brazil. Thus, the global GDP should show growth of 3.7% in 2017 versus 3.1% in 2016, without any notable inflation. However, uncertainties remain in the international context on several fronts, with geopolitical situations that are still unstable in the Middle East and Korea and the weakened leadership of the US.

After the Fed in 2014, the European Central Bank began its own progressive normalisation of its unconventional monetary policy by reducing its asset purchase programme by €60bn per month, a trend that should continue in 2018 before possibly returning to the driving rates in 2019. The current rate curve, however, is still unfavourable for banks, which struggle to pass on the negative short-term rates on their customers' deposits while suffering the effects of the drop in long-term rates on the return of their assets.

COMMERCIAL BANKING STRATEGY

Faced with regulatory constraints and a context of low rates, changes in its customers' behaviour and the arrival of new actors like the new-banks or *fintechs*, BRED is continuing and intensifying its strategy that it has developed over the last five years.
With this strategy, we aim to always offer our customers a better bank and stand out against the competition. To do so, we invest intensely in human and digital capital, with two objectives:

- capitalising on relational banking, life project banking and consulting
- automating transactional banking and day-to-day banking services.

Since 2016, this global qualitative approach can be summarised by the multi-faceted concept called "Banking Without Distance", which consists of offering a bank that is close to its customers not only geographically but also and even more importantly on a relationship level. 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.

Increasingly practical transactional banking

To make banking easier, Bred regularly expands upon the tools it makes available to its customers.
The Bred.fr website and mobile app now allow customers to perform the vast majority of their day-to-day transactions simply and securely.

The features were expanded in 2017, and customers were given the option to aggregate all of their accounts, savings or loans held with other banks in their Bred app. How practical to be able to view all of your assets with all your banks with a single click!
The Bred app is constantly evolving to offer customers increasingly comprehensive services, as demonstrated by the ratings in the app stores, which rate the app as one of the best on the market.
All of our branches have a comprehensive self-service area with extended hours (6:00 a.m. to 10:00 p.m.) with a range of ATMs that allow you to safely deposit cash or checks.
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 of advisers made available to our customers facilitate 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, with banking advisers available to take charge of requests and respond to customers' day-to-day enquiries.

Enhancing the customer and employee experience

Focussing on dealing with customer enquiries, irrespective of the channel used, is of fundamental importance. The responsiveness and after-sales service offered to customers are 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 our 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 2017, BRED continued the digitalisation of its processes and deployed new systems in order to offer both its customers and relationship managers greater speed and efficiency.
It is now easier to open accounts, and customers may choose a remote or face-to-face route with a 100% digitalised process with electronic signature.
Other pathways have been digitalised such as the fund ordering process, which gives customers the opportunity to order notes and coins from their mobile app and be notified when the funds are available at the branch.

A proactive bank that anticipates and supports its customers' personal and business projects

Knowing customers, anticipating their personal 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.
Because customers have high expectations regarding the expertise of their advisors, BRED invests in ongoing vocational training for its employees.

A BRED Advisors Academy is now in place to train and support new advisors for a period of three months after their arrival at BRED, helping them to acquire the technical and relational skills and knowledge of the tools that are needed to properly assist customers.

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 2017, efforts continued to expand the customer relationship management (CRM) platform. The objective is to enhance the relevance of the tools available to advisors even further by improving customer knowledge.

An open an innovative bank that is attentive to the market and its customers

Over the past few years, BRED has been developing a customer feedback system through recurring or one-time surveys. In addition to the biannual satisfaction ratings, unannounced visits and on-the-spot surveys of our customers after each meeting with their advisor, the system now includes a daily customer questionnaire sent randomly to users of the Bred.fr site and the BRED app. This new survey allows users of the site or app to rate the quality of the service provide and the ease of use of the app and share their opinion and suggestions for improvement.
The entire feedback system offers us to enter BRED into a process for the continual improvement of the services rendered and customer pathways.
In addition, a participatory innovation mechanism was launched in 2017: the BRED Factory. It provided support for a dozen projects initiated by teams of the bank's employees, simultaneously helping to launch the design of new value-added services for our customers and develop the entrepreneurial values that are dear to BRED.

The achievements of 2017 include:
- the design and launch of innovative services for commercial customers, Jump Pro and Fid Pro, KYC tools and turnover accelerators;
- the launch of a “KYC” solution by Vialink, one of BRED's subsidiaries, which is designed to digitalise and automate the preliminary controls performed when entering into a 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, 182,000 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 (55 meetings in 2017). 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 three fields: the fight against social inequality, transmission of knowledge, and art and culture. 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.

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 2017, BRED, a bank on the human scale, accelerated its recruitment programme with the hiring of 500 new employees, including 275 individuals for the commercial network. Their integration and prospects of success are supported by a vocational training programme (see the BRED Academy of Advisors, above) 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 €153 million being oversubscribed at €209.7 million, some 137.3% of the objective and 12,649 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 private bank with 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 four years, to include:

- the reinforcement of the teams and enhancement of their expertise;
- the modernisation of our brand image (new logo, new website, etc.);
- increased visibility thanks to our wealth management centre located in Opéra and the deployment of management centres conveying a high-end image and offering customers an optimum in-branch experience;
- the development of our external communications by organising prestigious events at our regional departments.

Favouring an open architecture model, the management product range has also been extended. Thanks to close ties with our specialised subsidiaries and our Trading Desk, BRED Banque Privée is able to offer some of the best investments and bespoke solutions on the market.
In addition, the synergies with the network of branches continue to be enhanced through the generalisation of a double relationship for customers with assets over €150K: a private in-branch advisor for “day-to-day banking” services and an investment advisor in the Wealth Management Unit for “consulting and management banking” operations.
Finally, we continually strive to enhance the expertise of all of our advisors, enabling them to cover all their customers areas of concern and offer them personalised and effective responses.

Working closely with corporate customers

BRED engages in the projects necessary to optimise the SME market in terms of organisation, expansion of its offering, customer pathways and enhancement of its employees’ expertise.
Thanks to its business centres (BC) and synergies with the other entities of the bank, BRED wishes to reinforce its positions on the corporate market.

An excellence training programme is offered to the employees of the BCs to ensure that each employee can provide an expert's view of the financial situation of corporate customers and the feasibility of their projects, support the customers’ strategic considerations and be able to create bespoke solutions with the support of the specialised departments.

BRED positions itself as the partner bank of directors, a front-line Senior Banker:

- by anticipating its customers’ needs;
- by offering advice and support over the long-term for issues related to business and wealth;
- by working closely with the various specialised structures of the bank (BRED Banque Privée, Financing Solutions, Trading Desk, flow experts, international experts, subsidiaries, etc.) to offer a true value-added service.

The organisation of the SME market was reviewed with the goal of improving the management of all customer segments and positioning the right correspondents for the right customers. The scope of the BCs was expanded and the segmentation was refined through the creation of a Small Companies segment (turnover of between €1.5M and €5M) and a SME/midcap segment > €5M - €200M and ad hoc commercial management.

Corporate Banking Department

Corporate Banking continued to deploy its growth strategy based on 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. With respect to companies, the CBD developed its commercial relationships in terms of their diversity and intensity as a function of its quality of service and understanding of the markets. Finally, in the real estate market, activities have been developed while still maintaining rigorous risk management.

The Trading Desk available to clients enables SMEs, large companies and institutional investors to benefit from its operations, including foreign exchange, interest rate management, money market investments and bonds. The development of private equity activities continued in 2016, supporting equity development projects, high-growth businesses transfers and bespoke financing solutions.

A bank with an international focus

BRED is present internationally through its retail banking activities in the South Pacific, South East Asia and the Horn of Africa, and it also is active in international trade financing through offices in Paris and Geneva through which it offers its customers (companies and banking establishments) financing in the form of documentary credits or unsecured loans.

In 2017, BRED continued its strategy of targeted development for the establishment of regional hubs in the areas in which the Group is already established, opening a bank in Cambodia and the Solomon Islands. The regional hubs thus benefit from the Group's experience in the territories in which it is active as well as the resources that are already deployed, allowing them to benefit from development synergies.

BRED Espace: a 100% online bank

BRED Espace is BRED's online bank. It deploys an original development model by offering a full range of online banking products and services intended for customers whose remote management is conferred to a qualified advisor. BRED Espace constitutes a vehicle for growth for BRED's overall activity; it alone represents more than 5,300 new accounts in 2017.
In parallel with BRED's network of branches, BRED Espace developed strong expertise in certain affinity-based customer targets, including: students, including students at the top universities; overseas residents travelling between the overseas departments and metropolitan France; non-residents; French representations abroad and the liberal professions. Each of these customer segments is managed by a dedicated team with in-depth knowledge of the specific issues encountered. The geographical proximity of the BRED Espace teams, which are located in the Joinville offices, also allows them to work synergistically.

Because each customer is managed in a portfolio by a dedicated advisor, BRED Espace is capable of providing premium on-line services that is part of its proximity relationship with its customers.
Relying on BRED's range of products and services, BRED Espace is currently capable of supporting its customers in all of their projects, even the most complex, and in particular their needs for financing.

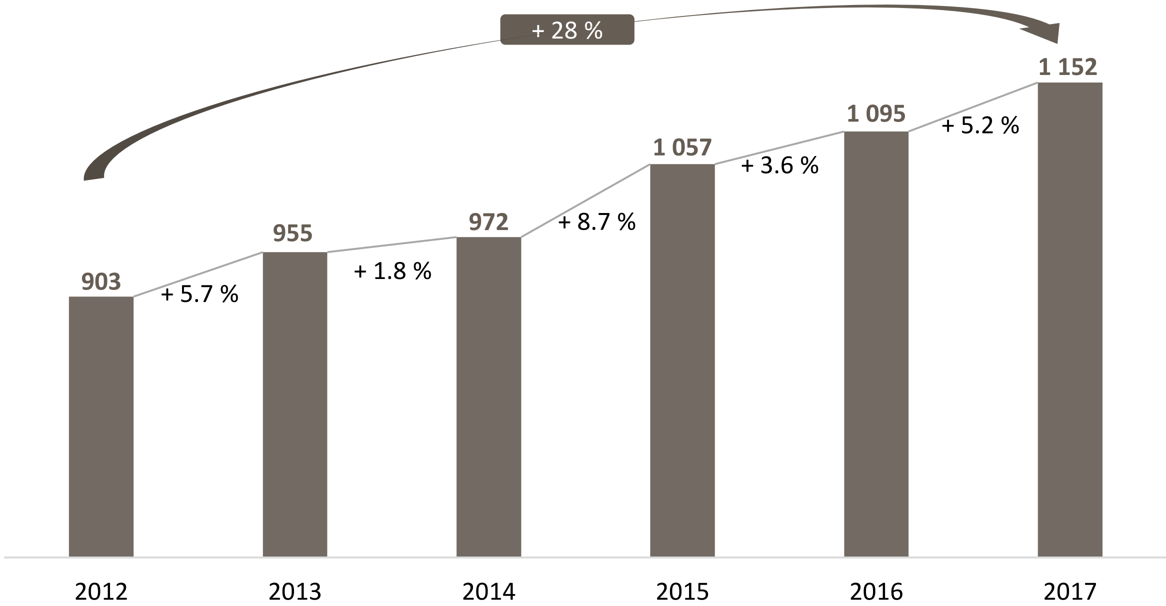
CONSOLIDATED INCOME STATEMENT: KEY FIGURES

Accounting and management presentation, IFRS

In €M	2016	2017	2017-2016	2016	2017	2017-2016
				Excluding non-recurring items with constant taxation policies		
Net interest margin and similar income	673.0	717.1	6.5%			
Fee income	422.0	435.0	3.1%			
Net banking income	1,095.0	1,152.1	5.2%	1,080.1	1,130.7	4.7 %
Personnel costs (excluding Cambodia/Solomon Islands)	-382.6	-399.1	4.3%			
External services (excluding Cambodia/Solomon Islands)	-202.4	-210.8	4.1%			
Taxes and duties	-40.8	-39.6	-2.9%			
Amortisation and depreciation (excluding Cambodia/Solomon Islands)	-39.4	-36.7	-6.8%			
Total operating expenses at constant scope	-665.2	-686.3	3.2%	-665.2	-678.7	2.0%
Expenses for sites in Cambodia and the Solomon Islands	-2.0	-6.5	na			
Total operating expenses	- 667.2	- 692.8	3.8 %	- 664.9	- 685.9	3.2 %
Gross operating profit	427.8	459.3	7.4 %	415.2	444.8	7.1 %
Operating ratio	60.9%	60.1%	- 0.8 pts	61.6%	60.7%	- 0.9 pts
Cost of risk	- 73.5	- 93.6	27.2 %			
Operating profit	354.3	365.8	3.2 %	341.7	351.3	2.8 %
Share of profits of associates accounted for under the equity method	26.2	30.2	15.0 %			
Gains or losses on other assets	21.8	-2.3	N/A			
Change in value of product	- 0.9	- 1.2	N/A			
Pre-tax profit	401.4	392.4	- 2.2 %	371.8	377.9	1.7 %
Income tax	- 133.6	- 136.0	1.8 %			
Net profit	267.8	256.5	- 4.2 %	256.7	259.4	1.1 %
Minority interests	- 1.4	0.8	N/A			
Net profit attributable to the group	266.4	257.2	- 3.5 %	255.3	260.2	1.9 %

BRED's consolidated net banking income has increased for the fifth consecutive year, to €1,152M (+5.2%). Restated for non-recurring items, the growth in NBI comes to 4.7%, a figure that confirms the continued sustainable development of the activities of BRED and its subsidiaries.

Change in BRED's consolidated net banking income
(in millions of euros)



Commercial Banking France, one of BRED's core activities, contributes to three-quarters of the consolidated NBI excluding non-recurring items and two-thirds of its growth (+€33M, or +4%). However, the BRED's development is also based on additional engines that significantly contribute to revenue growth, in particular the capital markets activities (+ €15M, or + 14%) and the international and overseas division (+ €4M, or +7%).

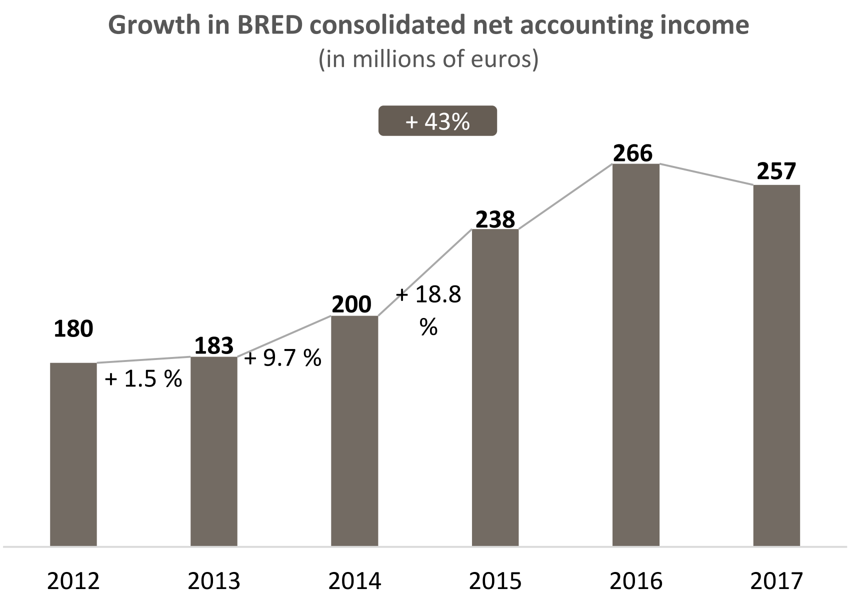
The expenses of the BRED Group are up 2.0% over 2017 at a constant scope, excluding non-recurring items. The non-recurring items include the increase in the BPCE contribution (+ €4.9M) as well as the contribution to the Single Resolution Fund (€2.7M). The consolidated expenses increased by 3.8%.
The cost of risk is up €20M as a result of certain significant dossiers on large company customers related in particular to two situations involving large-scale accounting irregularities. At 8% of the NBI, the cost of risk, however, is still consistent with the average level observed over the last five years.

The profit of companies accounted for under the equity method comprised of the BRED's share of the profit of the banks in the overseas territories, Asia and South East Asia in which it has equity interests continues to increase, to reach €30.2M.
Financial year 2016 was marked by disposals of real estate assets that generated €22M in capital gains, which were recorded as a non-recurring item. Such operations were not reproduced in 2017.

The profit for the financial year is also penalised by:

- The devaluation of the accrual method as a result of the future decrease in the corporate tax rate resulting in an additional expense of nearly €5M;
- A non-recurring surcharge of 5 tax points on companies generating €8.5M in additional taxes.

Restated for non-recurring items, which in particular include the capital gains earned on two significant securities sales and the aforesaid tax impacts, the net profits of the BRED Group reached €260.2M (or +1.9%). The consolidated net accounting income is reported at €257M versus €266M one year earlier, after being penalised by the non-recurring surcharge implemented in the amending finance act.

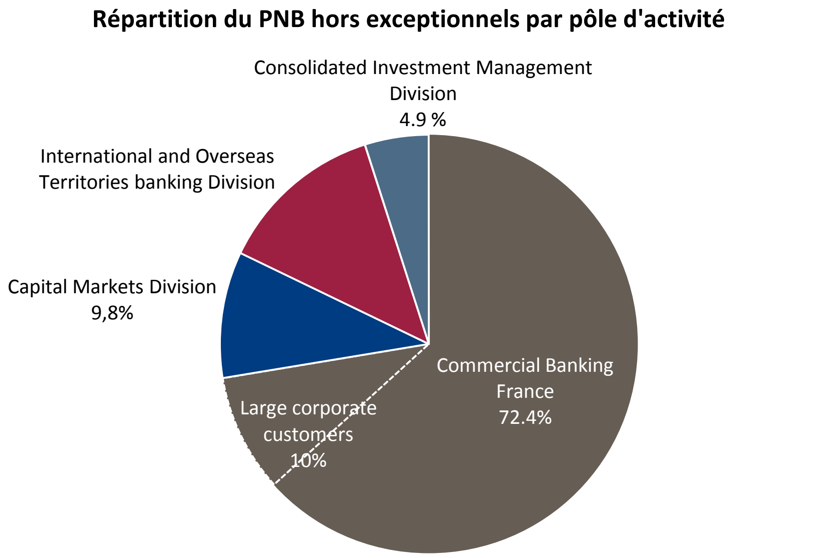


ANALYSIS OF RESULTS

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

- Commercial Banking France, which includes the activities of the branches, wealth management centres, business centres, corporate banking and commercial subsidiaries affiliated with these business lines, as well as Asset/Liability Management (ALM);
- International and Overseas Territories banking, which includes the various international subsidiaries, international trade financing activities (BIC BRED) and corresponding banking;
- Capital Markets Department;
- Consolidated Investment Management.

The contribution of each of these business divisions to the IFRS consolidated net banking income of the BRED Group is presented below, after restatement for non-recurring items. The NBI of the subsidiaries and holdings is treated here in accordance with the percentage of the holding independently of the accounting treatment method.



** Including ALM*

COMMERCIAL BANKING FRANCE

Income statement: management presentation, excluding non-recurring items

In €M	2016	2017	2017 - 2016
Net interest margin and similar income	450.2	458.7	1.9%
Fee income	397.4	421.8	6.1%
Net banking income	847.6	880.5	3.9%
Operating expenses	-572.4	-582.5	1.8%
Gross operating profit	275.3	297.9	8.2%
Cost of risk (excluding collective impairment)	-50.2	-80.9	61.3%
Net operating income	225.1	217	-3.6%
Share of profit (loss) of companies accounted for under the equity method	1.2	0.9	-23.2%
PROFIT ON ORDINARY ACTIVITIES (excluding collective impairment)	226.2	217.9	-3.7%

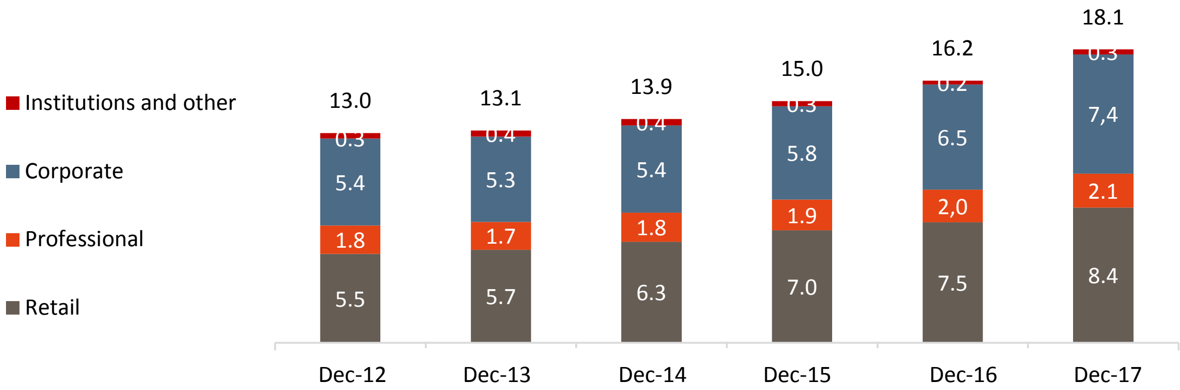
At the end of 2017, BRED's Commercial Banking France network comprised 343 local branches (including 89 in French overseas departments and territories), 16 business centres (including 5 overseas), 13 asset expertise centres (including 3 overseas) and a wealth management unit.

The Commercial Banking France division also includes corporate banking and subsidiaries whose businesses are connected to commercial banking (insurance, personal protection funds, asset management, etc.).

Uses of funds of commercial banking France and its subsidiaries

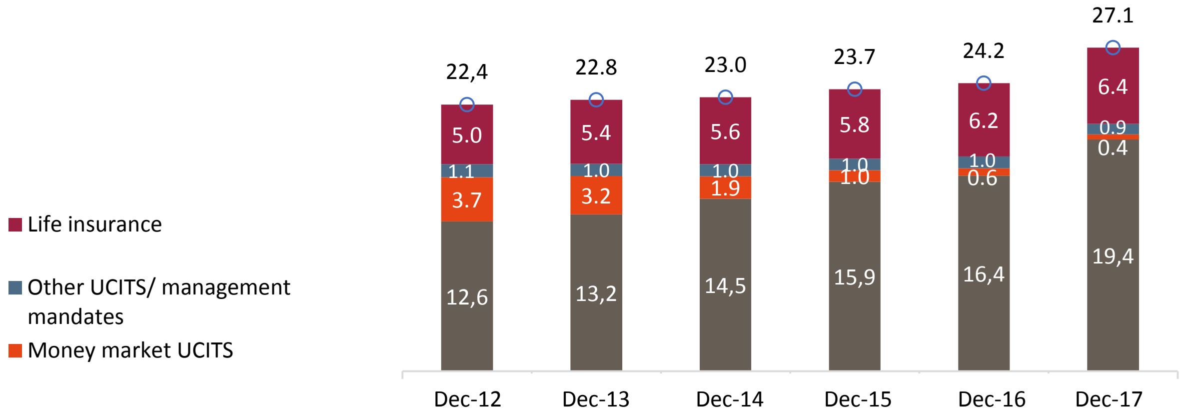
(in billions of euros, average value in December)

Excluding financial customers



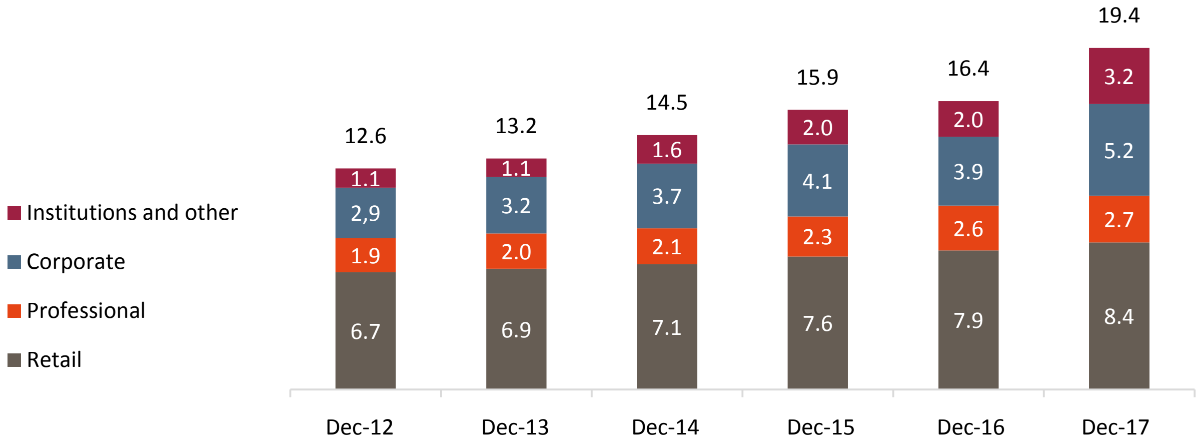
Loans increased by 12% over the financial year, reaching €18.1bn, with this growth coming both from the corporate market (+ €0.9bn) and the retail market (+ €0.8bn).

Customer resources of commercial banking France and its subsidiaries
(in billions of euros, average value in December)
Excluding financial customers, Capital Markets Division and Promepar money market UCITS

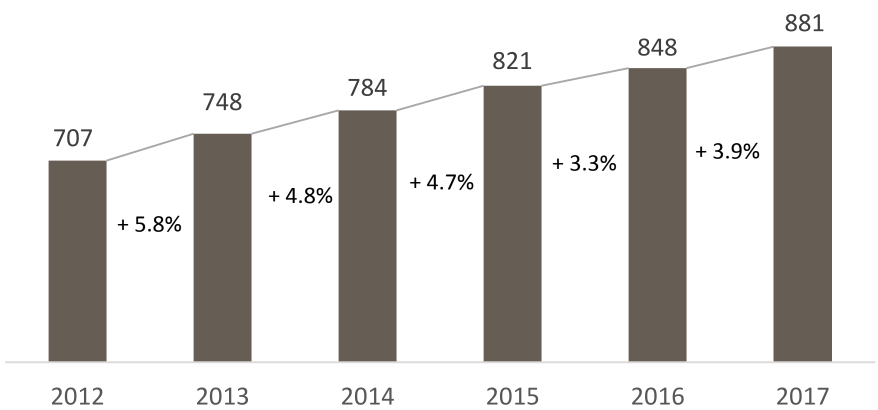


Cash deposits are up by more than 18% at €19.4bn thanks to significant collection from companies (+ €1.3bn) as well as institutional customers (+ €1.2bn). Life insurance assets increased to €6.4bn (+ €0.2bn).

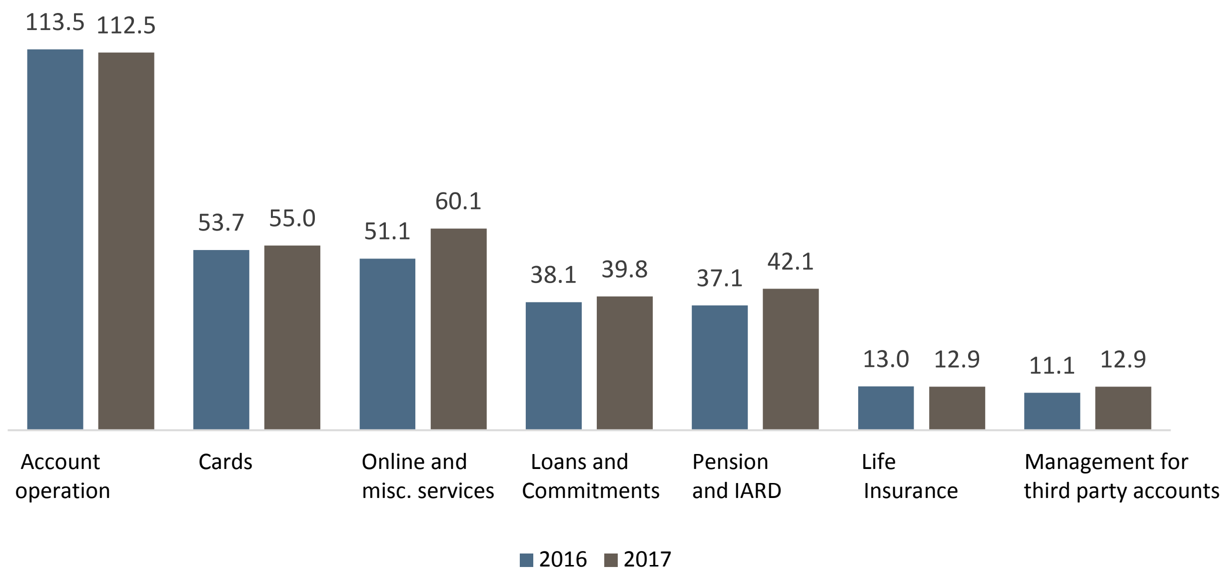
DEPOSITS OF COMMERCIAL BANKING FRANCE and its subsidiaries
(in billions of euros, average value in December)
Excluding financial customers and Capital Markets Division



Change in NBI of Banque Commerciale France (including ALM) excluding non-recurring items
(in millions of euros)



In an unfavourable context with low interest rates and increasing competition in the banking sector, the NBI of Commercial Banking France increased by nearly 3.9% in 2017 with the divisions posting mixed results.
The net interest margin (NIM) was heavily penalised by the low rates, with the average return on loans losing 40 cents while the average rate of resources only dropped 10 cents, for a NIM loss of €58M at constant volume, which was only slightly offset by a gain of €9M on the ALM rate hedging portfolio. The growth of loans, however, generated €55M in positive volume effects and thus allowed the NIM to increase by approximately 2%.
Fees increased vigorously in 2017, posting an increase of 6.1% (+ €24.4). In particular, the increases in fees associated with the marketing of IARD and personal protection insurance products (+ €5M or +13%) and telematic services (+ €9M or +18%) are noted.



The expenses of Commercial Banking France, excluding non-recurring items, increased by 1.8% in 2017, reflecting the assertive employee training policy, with a budget of 6% of the total payroll (or more than six times the legal minimum), and investments in digital solutions, overhaul of the information systems and modernisation of the branch network.
The cost of risk amounts to €81M and has increased as a result of certain significant dossiers on large company customers.
Pre-tax profit on ordinary activities stands at €218 million, a decline of - 3.7%.
The summary income statements (not adjusted for non-recurring items) of the Commercial Banking France division are presented below:

Prépar Vie (wholly-owned subsidiary)

Life insurance and personal protection

Income statement: IFRS accounting presentation

In €M	2016	2017	2017 - 2016
Net banking income	45.1	50.6	12 %
Operating expenses	- 17.9	- 18.2	2 %
Gross operating profit	27.2	32.4	19 %
Corporate income tax	- 12.3	- 12.0	- 3 %
Net profit	14.9	20.4	37%

Prépar Vie designs and manages life insurance and personal protection products for the customers of BRED and its partners.
In 2017, given the context of low interest rates, Prépar Vie continued its development thanks in part to the successful launch of the Prépar Avenir product, which uses the Euro growth formula.
With regard to borrower's insurance, the penetration rate of Prépar contracts accompanying loans granted by BRED nearly doubled over the last three years. The overhaul of the contract in terms of rates and cover allowed it to obtain the 2017 award of excellence from Dossiers de l'Épargne.
On a stagnant life insurance market, Prépar Vie reports a decrease in its collection (-9%) concentrated on the Euros funds (-27%) after a record 2016 financial year.
Prépar Vie reported more than 567,000 personal protection contracts in its portfolio at the end of 2017 (+1.9%) and more than 234,000 savings contracts (+2.6%).
These achievements allowed Prépar Vie's NBI to clear the €50M bar (+ €5.5M or +12%) as a result of reversals of provisions, a baseline effect and a favourable markets effect.
The increase in expenses was limited to 2%, well below the increase in NBI, which allowed the gross operating profit to grow by 19%.

Therefore, Prépar Vie reports an excellent financial year with a net profit up by 37%, amounting to €20.4M.

Prépar IARD (wholly-owned subsidiary)

Non-life insurance

Income statement: IFRS accounting presentation

In €M	2016	2017	2017 - 2016
Net banking income	8.1	6.6	- 19%
Operating expenses	- 0.7	- 0.5	- 21%
Gross operating profit	7.4	6.1	- 18%
Corporate income tax	- 2.5	- 2.2	- 13 %
Net profit	5.0	3.9	- 21 %

Prépar IARD held a portfolio of more than one million policies at the end of December 2017, mainly covering financial loss and accidental death. Prépar IARD recently positioned itself in the individual and collective healthcare sector with multiple partners. The cost of entry into this new activity impacted the 2017 accounts but should have a positive contribution in future financial years.
Penalised by the increase in the claim rate, the NBI is down by 19%. The operating expenses were reduced by more than 20%. The net profit decreased by 21%.

Promepar Asset Management (wholly-owned subsidiary)

Asset management

Income statement: IFRS accounting presentation

In €M	2016	2017	2017 - 2016
Net banking income	14.0	10.2	- 27%
Operating expenses	- 6.8	- 6.2	- 9%
Gross operating profit	7.1	4.0	- 44%
Corporate income tax	- 2.4	- 1.5	- 39%
Net profit	4.7	2.5	- 47 %

Promepar Asset Management, a division specialising in asset management, offers investment financial management solutions through open funds, bespoke funds or mandates (securities accounts, PEA, life insurance contracts). It services more than 8,000 institutional customers, companies, associations and private customers.
The portfolio under management amounted to 2 billion euros at the end of 2017. The assets increased by €340M between the end of 2016 and the end of December 2017, or +20%. Growth was reported in all 3 management activities: management under mandate (+ €45M), management of mutual funds (+ €25M) and management under insurance contract (+ €270M with average unit-linked rates of 50%).
The net banking income was down 27% as a result of the unfavourable baseline effect related to a non-recurring outperformance fee of €6.2M for 2016. Adjusted for this effect, the NBI rose by 26%.
Expenses are down 9%, since Promepar reinforced its management teams and reduced its expenses for external services.

The net profit amounts to €2.5 million. After adjusting for the unfavourable baseline effect related to the outperformance fees from 2016, Promepar's net profit is up €1.9M, excluding outperformance fees.

Sofider (wholly-owned subsidiary)

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

Income statement: IFRS accounting presentation

In €M	2016	2017	2017 - 2016
Net banking income	19.4	19.7	1 %
Operating expenses	- 6.1	- 6.3	2 %
Gross operating profit	13.3	13.4	1 %
Cost of risk	0.6	0.9	57 %
Net operating income	13.8	14.3	3 %
Corporate income tax	- 5.2	- 5.1	- 2 %
Net profit	8.6	9.2	7 %

Sofider, a major lender in Réunion, is active in housing financing in all of its forms, including social home ownership, and also offers a range of personal loans. Alongside Reunion companies, SOFIDER has developed expertise in providing support to Social Housing, Spatial Planning and Local Authorities operators as well as to real estate professionals.
In order to continue its development and win market shares in a very competitive environment, the “Sofider auto” activity for vehicle lending was launched in the fourth quarter of 2017.

The activity remains strong in the Sofider network, with production of €252M, up 37%. This dynamic is particularly strong on the professionals market as well as consumer credit and financial engineering activities. In addition, the IARD activity launched in 2016 continues its development with 290 contracts signed at 31 December 2017.

With a slight increase in its NBI and contained growth of its expenses, the gross operating profit amounts to €13.4M (+1%).
The cost of risk has shown a turnaround of nearly €1M after the regularisation of several accounts.
Sofider confirms its positive 2016 performance with a net profit reaching more than €9M.

BRED Cofilease (wholly-owned subsidiary)

Finance lease

Income statement: IFRS accounting presentation

In €M	2016	2017	2017 - 2016
Net banking income	8.9	8.0	- 10 %
Operating expenses	- 1.9	- 2.2	15 %
Gross operating profit	7.0	5.8	- 17 %
Cost of risk	0.6	- 0.3	N/A
Net operating income	7.6	5.5	- 27 %
Corporate income tax	- 2.7	- 2.0	- 26%
Net profit	4.9	3.5	- 28 %

Cofilease continued its development with more than 1,000 active contracts at 31 December 2017 and a 5% increase in production, reaching €89M. Martinique and Réunion are responsible for more than two-thirds of production. The synergy between the BRED teams and Sofider is on the rise: the portion of the production earned in partnership increased from 73% at the end of 2016 to 76% at the end of 2017. The NBI, adjusted for the €900K non-recurring profit from 2016, is stable and reached €8M at 31 December 2017. Expenses increased by 15% as a result of the increase in rebilling of personnel costs and maintenance costs for the accounting software. The cost of risk amounted to - €0.3M versus a recovery of €0.6M at the end of December 2016. The net operating income shows a decline of 5.1% excluding non-recurring items (-27% in accounting presentation) in connection with the increase in expenses.

INTERNATIONAL AND OVERSEAS TERRITORIES BANKING

Income statement: management presentation, excluding non-recurring items, IFRS

In €M	2016	2017	2017 - 2016
Net banking income	67.3	71.7	7%
Operating expenses	-50.3	-53.7	7%
Gross operating profit	16.9	18.0	6%
Cost of risk	-28.7	-17.5	-39%
Net operating income	-11.8	0.5	N/A
Share of profit (loss) of companies accounted for under the equity method	29.6	29.3	-1%
Profit on ordinary activities (excluding collective impairment)	17.8	29.8	N/A

BRED developed its retail banking activities outside of the French territory in geographic areas with particularly high growth (Oceania, South East Asia, Horn of Africa). The International and Overseas Territories Banking division comprises:

- Foreign retail banking activities: BCI Mer Rouge, BRED Vanuatu, Banque Franco-Lao, BRED Bank Fiji, BRED Bank Cambodia, as well as the BRED IT platform based in Thailand.
- Equity interests in banks in foreign countries and overseas territories: Banque Calédonienne d'investissement (49.9%), Acleda in Cambodia (12.25 %) and in Myanmar (15%), BCEL Public in Laos (10%) and Socredo in Tahiti (15%). These equity interests are treated using the equity method.
- A correspondent banking activity on behalf of foreign banking institutions.
- An international trade financing activity based in Paris and Geneva (BIC BRED).

Based on the experience in Laos and Vanautu, BRED continued its targeted development policy in South East Asia and Oceania by opening a bank in Cambodia as well as a branch in the Solomon Islands.

The NBI of the division increased by 6.6% in 2017 and has an excellent outlook for growth in the coming years. The profit on ordinary activities increased by nearly €12M, excluding non-recurring items, thanks in particular to the normalisation of the cost of risk after a 2016 financial year that was marked by a major impairment for a customer in the oil sector.

The development of new sites should continue in 2018 with the following main goals:

- Ensuring the profitability of the most recently created subsidiaries;
- Enhancing the dynamism of the older subsidiaries;
- Continuing development within a secure framework;
- Seizing new development opportunities.

OCEANIA

Banque Caledonienne d'Investissement (49.9% owned subsidiary)

Income statement: accounting presentation, French standards, at constant exchange rates

In €M	2016	2017	2017 - 2016
Net banking income	89.4	91.6	2.5 %
Operating expenses	- 39.8	- 41.8	4.9 %
Gross operating profit	49.6	49.8	0.5 %
Cost of risk	- 6.4	- 4.3	- 32.5 %
Net operating income	43.2	45.5	5.3 %
Other items	- 0.4	- 1.1	N/A
Corporate income tax	- 18.1	- 19.1	5.2 %
Net profit	24.7	25.3	2.6 %

New Caledonia, whose economy relies in large part on nickel mining, remains weakened by the drop in global prices as well as the lack of any new major sites. However, the increase in the volume of nickel extracted as well the growth in tourism are a testament to the resilience of the territory’s economy.
Banque Calédonienne d’Investissement takes advantage of its dynamism and a dense network of branches with 33 points of sale and presence in 14 out of the 28 municipalities of the territory. The BCI is the leading bank in the territory both in terms of outstanding loans to customers and loans granted, collection, profits and reach of its banking network. It has more than 72,000 customers for an estimated population of 280,000 residents.
The net banking income increased by nearly 2.5% thanks to the strong growth in fees, reaching nearly €92M at 31 December 2017.
The operating expenses are up by 4.9%, as a result of the growth in outsourced services (increased technical support for electronic payments following technical and regulatory changes involving non-recurring bank cards, subcontracting of all of its customer accounts).

The cost of risk improved significantly (- €2.1M) thanks to reversals on key accounts and was reported at - €4.3M. Compromised and non-performing loans are stable compared to 2016 and represent 3.64% of the gross total outstandings compared to 4.09% at the end of 2016.

Accordingly, BCI NC posted net income of €25.3 million, a rise of 2.6%.

NET BRED Vanuatu (85 % owned subsidiary) PROFIT

Income statement: accounting presentation, French standards, at constant exchange rates (2017 average rate)

In €M	2016	2017	2017 - 2016
Net banking income	11.2	12.8	15 %
Operating expenses	- 6.5	- 9.1	41 %
Gross operating profit	4.7	3.7	- 21 %
Cost of risk	- 1.1	- 1.5	33 %
Net operating income	3.6	2.2	- 37 %
Corporate income tax	- 0.3	-0.1	N/A
Net profit	3.2	2.1	- 34%

Until 2015, Vanautu experienced several years of regular economic growth before it was hit by tropical storm Pam, which caused damages estimated at two-thirds of the GDP by the Asian Development Bank (ADB). The country has sense shown a strong capacity for resilience with a growth rate of nearly 4% in 2016 and 2016 due to very good results in the tourism sector.

In 2017, the bank consolidated its positions in the Vanautu territory and continued its investments in connection with the creation of a branch in the Solomon Islands. The branch has more than 20,600 customers (or +8%) and three branches in the two territories. The branch in the Solomon Islands thus benefits from the experience and resources that have already been deployed in Vanautu. The new bank is the fourth operational commercial bank and the first European bank in the Solomon Islands, a country that is under served by banks and shows dynamic growth (between 3% and 4% the last few years). BRED Bank Solomon will develop a range of services dedicated to individuals, professionals and companies.
In total, customer lending increased by nearly 7%, while collection increased by nearly 3%.

The NBI amounts to €12.8M, most of which comes from activities in the territory of Vanautu, since the branch in the Solomon Islands is still in the start-up phase. The expenses, after adjustment for the investments associated with this new site (€2.1M) amount to €7M.

As 31 December 2017, the net profit reached €2.1M, €3.9M of which was related to the BRED Vanautu activity (+8.5%).

BRED Bank Fiji (wholly-owned subsidiary)

Income statement: accounting presentation, IFRS standards, at constant exchange rates (average 2017 rate)

In €M	2016	2017	2017 - 2016
Net banking income	5.5	6.7	21 %
Operating expenses	- 6.6	- 6.1	- 8%
Gross operating profit	- 1.0	0.6	N/A
Cost of risk	- 0.3	- 0.3	0 %
Net operating income	- 1.3	0.3	N/A
Corporate income tax	0.0	0.0	N/A
Net profit	- 1.3	0.3	N/A

With the second largest economy in the Pacific Islands, Fiji is the most industrially advanced island particularly in the manufacturing and services sectors. The country also acts as a platform for the zone's exports.

With a portfolio of nearly 33,000 customers (or +10%), Bred Bank Fiji operates 6 branches in the territory. The portfolio of customer loans reached more than €146M at the end of 2017 (or a growth of +24%), while customer deposits grew by +38%, reaching more than €170M. The loan/resource coefficient therefore is 86.5%.

The NBI grew by €1.2M (or + 21%) in connection with the increase in the NIM (+ 20%). Although the activity is growing with the opening of a sixth branch in 2017, among other things, the expenses have decreased by 8% as a result of the end of depreciation of the IT tool for the financial year.
The cost of risk remains rather low at - €300K.
With a positive result of €300K, the subsidiary has therefore become profitable only five years after its creation.

SOUTHEAST ASIA

Banque Franco-Lao (54% owned subsidiary)

Income statement: accounting presentation, IFRS standards, at constant exchange rates (average 2017 rate)

In €M	2016	2017	2017 - 2016
Net banking income	8.1	8.7	9 %
Operating expenses	- 6.3	- 5.9	- 7 %
Gross operating profit	1.8	2.9	63 %
Cost of risk	- 0.4	- 1.6	N/A
Net operating income	1.4	1.3	- 7%
Corporate income tax	- 0.3	- 0.3	N/A
Net profit	1.0	1.0	- 7%

Surrounded by powerful neighbours (China, Thailand and Vietnam), Laos benefits from the regional dynamism and attracts foreign investors in the key sectors of energy and mining. Since 2015, its GDB has hovered around 7%. This performance makes its economy one of the most dynamic of the ASEAN since the financial crisis of 2007-2008 with Cambodia, particularly due to the boom in services and infrastructure building.

BFL is the only French or European bank in the country and operates a network of 21 branches in 6 different cities in the country. The number of its customers increased 7% in 2017 with 5,000 new accounts opened. The lending portfolio increased significantly in 2017 (+19%), particularly for the companies segment: + 36% (+ €15M).
With NIB of €8.7M in 2017, BFL reported solid growth in 2017 at 9% with a constant exchange rate as a result of the growth of its loan portfolio.

The operating expenses are down nearly 7% in connection with the decrease in investments necessary to get the activity started, the optimisation of the network and the end of depreciation of large-scale IT projects.
The gross profit shows significant growth of more than 63%. With the provisioning of key accounts on the companies market in the second half of the year, the cost of risk increased for financial year 2017, amounting to - €1.6M at 31 December 2017. Penalised by such a strong increase, the net profit is stable compared to 2016 at €1M.

BRED Bank Cambodia (wholly-owned subsidiary)

Income statement: accounting presentation, IFRS standards, at constant exchange rates (average 2017 rate)

In €M	2016	2017
Net banking income	-	1.3
Operating expenses	- 1.4	- 4.4
Gross operating profit	- 1.4	- 3.1
Cost of risk	-	- 0.4
Net operating income	- 1.4	- 3.5
Corporate income tax	-	1
Net profit	- 1.4	- 2.5

The economy of Cambodia reports growth estimated by the World Bank at nearly 7% in 2017 and is based on four pillars: construction, agriculture, tourism and the textile industry. Growth is driven in particular by exports, which often depend on foreign companies (Chinese for textiles, Japanese for industrial production).

As the only French or European bank in Cambodia, BRED Bank Cambodia posted positive results in its first few months of activity in a very competitive market. The bank's portfolio amounts to €44M in loans, primarily to companies, and nearly €40M in deposits at the end of December 2017. In total, the subsidiary has already opened more than 1,000 accounts after only a few months of operation. Most of the products and services are offered to customers regardless of the segment (individuals, professionals and companies). The mobile banking and Visa card offerings have aroused significant interest (card ownership rate of nearly 100%).

The opining of BRED Bank Cambodia validates the strategy of clustering several banks in very dynamic zones, creating the opportunity to capitalise on experience gained and benefit from synergies in order to quickly make this new site profitable. The NIB amounts to €1.3M at the end of 2017, including €1M for the net interest margin, which is experiencing constant growth. The operating expenses amount to €4.4M, including nearly €2M in personnel costs needed to support the bank's growth. The cost of risk corresponds to a local regulatory provision (1% of the performing portfolio – any doubtful or irrecoverable debts at the closing date).
BRED Bank Cambodia therefore reports a promising first financial year with limited losses of - €2.5M.

HORN OF AFRICA

BCI Mer Rouge (51% owned subsidiary)

Income statement: accounting presentation, local standards, at constant exchange rates (average 2017 rate)

In €M	2016	2017	2017 - 2016
Net banking income	23.7	24.0	2 %
Operating expenses	- 14.7	- 13.8	- 6%
Gross operating profit	9.0	10.2	14 %
Cost of risk	- 7.8	- 9.6	24 %
Net operating income	1.2	0.6	- 47%
Non-recurring items	- 0.5	- 0.1	N/A
Pre-tax profit on ordinary activities	0.7	0.5	- 23%
Corporate income tax	- 0.3	- 0.3	- 3%
Net profit	0.4	0.3	- 35%

The Djiboutian government pursues a growth model based on the development of the railway and port infrastructure (Doraleh multi-purpose port, port of Tajourah) and connection to the Ethiopian electrical grid. The Republic of Djibouti hopes to benefit from its geostrategic position in the Gulf of Aden, which is at the crossroads of major maritime corridors, to transform the country into an essential hub for the transit of minerals and goods with Ethiopia as well as for logistical, commercial and financial services. Projects are supported by foreign investments, particularly from China. BCI Mer Rouge is the leading European bank in the Horn of Africa with more than 21,000 customers, 11 points of sale and two foreign representation offices.

The balance sheet total shows an increase of 21%, which is explained by an increase in deposits by corporate customers. The NIB increased by 2% in 2017 thanks to the growth in the net interest margin (+ 4%), which offset the decline in fees in connection with the drop in interbank transactions. The increase in resources coupled with the positive evolution in investment rates allowed BCI Mer Rouge to increase the profitability of its surplus resources. The interest received on loans also shows positive development thanks to the renewal of the lending portfolio. Proper control of expenses as well as the end of depreciation of an IT project resulted in a 6% decrease in operating expenses.
The gross operating profit is up 14% but the 24% increase in the cost of risk related to a cautious management policy for doubtful debt penalises the operating profit, which shows a decline of 47%.
The net profit amounts to €300K (vs €400k in 2016).

International Trade Financing

Income statement: management presentation, excluding non-recurring items, IFRS

In €M	2016	2017	2017 - 2016
Net banking income	10.9	13.5	24 %
Operating expenses	- 8.4	- 8.4	1 %
Gross operating profit	2.5	5.1	100 %
Cost of risk	- 18.1	- 4.5	N/A
Profit on ordinary activities	- 15.6	0.6	N/A

The International Trade Financing (BIC) division consists of two teams located in Paris and Geneva that offer short-term investment products for international trade activities. In France, the customers are mainly traders and medium-sized agri-food groups specialising in milk, meat and fertilisers. The bank's customers in Geneva essentially consist of commodity traders (metals, oil) and banking establishments.
The growth of the activity in Geneva (+33%) as well as in Paris (+22%) brings the NIB to €13.5M (+ 24%).
The cost of risk normalised after large provisions allocated in 2016 on an oil sector account.
The profit on ordinary activities amounts to €0.6 million.

CAPITAL MARKETS

Income statement: management presentation, excluding non-recurring items, IFRS

In €M	2016	2017	2017 - 2016
Net banking income	104.2	118.8	14 %
Operating expenses	- 37.1	- 42.3	14 %
Gross operating profit	67.1	76.5	14 %
Cost of risk	0.0	0.0	-
Profit on ordinary activities	67.1	76.5	14 %

In 2017, the Capital Markets Department intensified the diversification of its money market activities:

- seeking out new institutional customers, issuers and non-resident investors (in Europe as well as in South America, Asia and Africa);
- expanding its clientèle to public entities in order to limit its dependence on management companies;

The short-term deposits of these money market customers have continued to be replaced, in accordance with internal segregation rules, with liquid sovereign debt securities under repurchase agreements or short-term borrowing of stock or bonds or [borrowed from] the Central Bank.
The bond distribution activity, which is primarily focused on the secondary market, maintained its volumes despite the fact that this market dried up as a result of the quantitative easing of the ECB.
Finally, the foreign exchange activity for BRED's corporate customers managed to maintain the high level that it had reached in 2016 despite a euro/dollar parity that was much less volatile.

CONSOLIDATED MANAGEMENT OF INVESTMENTS

Income statement: management presentation, excluding non-recurring items, IFRS

In €M	2016	2017	2017 - 2016
Net banking income	59.9	60.2	0.5%
Operating expenses	-5.1	-7.4	44.3%
Gross operating profit	54.8	52.9	- 3.6%
Cost of risk	1.7	-1.1	N/A
Change in value of product	-0.9	-1.2	N/A
Gain or loss on other assets	0.2	- 2.3	N/A
Profit on ordinary activities	55.9	48.3	- 13.6%

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 excluding non-recurring items stands at €48.3 million. The main components of its NBI consist of dividends on the BPCE securities, capital gains of generated by the portfolio of BRED securities and the contribution of NJR (see presentation of this subsidiary below). The financial year was marked by the disposal of long-held Visa and Kyriba securities, which respectively generated €15M and €14M in capital gains, which are classified as non-recurring items.

NJR (wholly-owned subsidiary)

Income statement: accounting presentation, local standards

In €M	2016	2017	2017 - 2016
Net banking income	13.1	11.9	- 9%
Operating expenses	- 1.0	- 0.9	- 6 %
Gross operating profit	12.1	11.0	- 9%
Corporate income tax	- 2.4	- 3.8	59 %
Net profit	9.7	7.2	- 26%

The asset-backed securities (ABS) market experienced a tightening of spreads in 2017. The average spread of the portfolio at 31 December 2017 declined to 62 cents compared to 80 cents at the end of 2016. Following a defensive strategy, NJR reduced the maturity of its portfolio from 2.7 years to 2.3 years. The NJR's fixed-income securities portfolio, which amounts to nearly €1.1bn, is primarily invested in ABSs (including €850M that is ECB eligible). NJR's strategy consists of concentrating on very highly rated assets and financing the purchase of these assets through repurchase agreements. The NIB amounts to €11.9M (-9%) and was penalised by impairment provisions of - €2.1M in 2017 related to a Spanish securitisation fund dealing with a situation of fraud. The increase in corporation tax is the result of the decrease in the deduction rate for Belgian notional interest applied on an equity basis (1.13% in 2016 and 0.23% in 2017). In total, the net profit amounts to €7.2M (-26%).

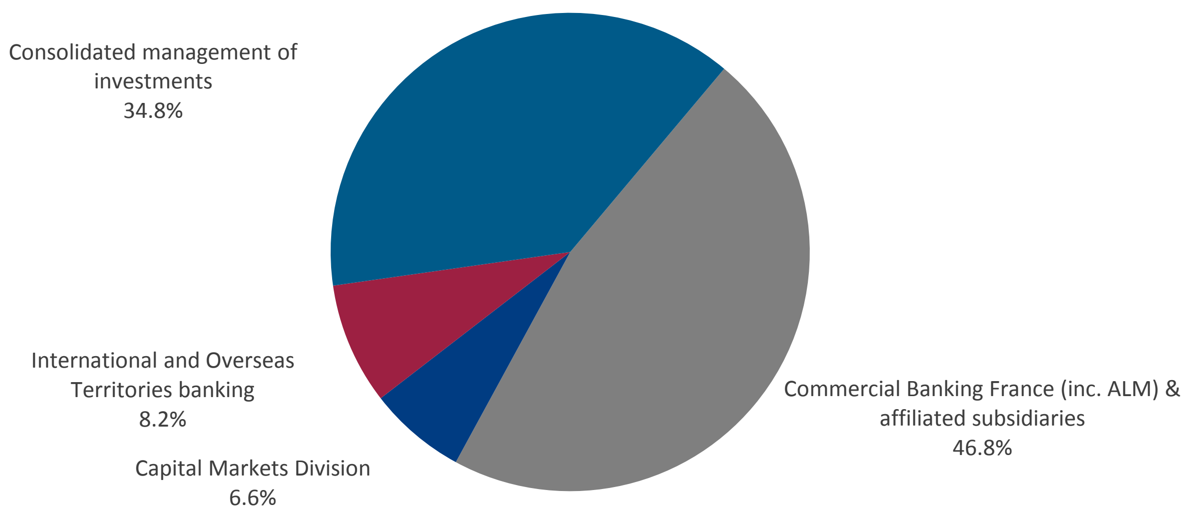
RETURN ON EQUITY OF THE BUSINESS DIVISIONS

Group posted return on regulated equity of 9.8 % (excluding non-recurrent items). As a proportion of equity as a whole, net income realised by BRED Group generated a return of 6.4 %.

In €M	Net income [1] 2017	Capital	Return on capital [2]
Commercial Banking France [3] & affiliated subsidiaries	148.9	1,242.8	12.0%
International and Overseas Territories banking [4]	32.2	218.3	14.8%
Capital markets division	50.2	175.3	28.6%
Consolidated management of investments	28.9	1,018.4	2.8%
Total (allocated equity)	**260.2**	**2,654.7**	**9.8%**
Unused equity		1,413.8	
BRED total	260.2	4068.5	**6.4%**

(1) Net profit attributable to the group excluding non-recurring items
(2) Equity requirement calculated as at 31/12/2017
(3) Including ALM
(4) Including international trade financing

Breakdown of equity utilisation



CONSOLIDATED BALANCE SHEET

Assets

In bn€	2016	2017
Cash and amounts due from central banks	8.5	8.6
Financial assets at fair value through profit or loss	9.8	8.4
Hedging derivatives	0.2	0.1
Available-for-sale financial assets	13.5	14.3
Loans and receivables due from credit institutions	10.8	11.8
Loans and receivables due from customers	18.6	21.1
Held to maturity financial assets	0.8	0.8
Current and deferred tax assets	0.1	0.2
Accrued income and other assets	2.2	2.2
Investments in associates	0.3	0.3
Investment property	0.2	0.3
Tangible and intangible assets	0.3	0.3
Total assets	65.3	68.4

Liabilities

In bn€	2016	2017
Financial liabilities at fair value through profit or loss	3.9	2.9
Hedging derivatives	0.4	0.2
Amounts due to credit institutions	10.5	8.3
Amounts due to customers	31.8	35.0
Debt securities	5.9	8.1
Re-measurement adjustments on interest-rate risk hedged portfolio	0.1	0.0
Current and deferred tax liabilities	0.0	0.0
Accrued expenses and other liabilities	1.6	2.2
Technical reserves of insurance contracts	7.0	7.1
Provisions	0.2	0.2
Subordinated debt	0.3	0.2
Shareholder’s equity	3.8	4.1
Total liabilities	65.3	68.4

Up €3.1bn, the total consolidated balance sheet of BRED Group amounts to €68.4bn at 31 December 2017. The breakdown of the balance sheet by item is generally stable when compared to 2016. However, in the assets, a slight growth can be noted in customer loans and receivables (31% of the total balance sheet vs 28% in 2016) as well as a slight decrease in the weight of financial assets at fair value through profit or loss (12% vs 15% in 2016). Concerning the total liabilities of the balance sheet, amounts due to customers represent 51% (vs 49% in 2016) and amounts owed to credit institutions represent 12% (vs 16% in 2016). As a result of the significance of the deposits, which were temporarily high at the end of the financial year, and therefore replacements with the European Central Bank, the item Cash from central banks amounts to €8.6bn (vs. €4.3bn at 30/06/2017 and €5.6bn at 30/09/2017).

The decline of €1.4bn in assets at fair value essentially is the result of a decrease in fixed-income securities equal to €2bn, including €1.3bn for negotiable debt securities. The €0.8bn increase in financial assets available for sale comes from the purchase of OATi for €1bn.
Loans and receivables from credit institutions are up by nearly €0.9bn as a result of the increase in repurchase transactions (+ €0.7bn). In the liabilities section, the impact of these operations amounts to - €1.9bn as a result of the decrease in securities given through term repurchase agreements with credit institutions, resulting in a decrease of €2bn in amounts due to credit institutions.
The customer loans and receivables item shows the strongest growth (+ €2.6bn) in connection with the increase in production, particularly of short-term credit facilities (+ 24% or + €0.7bn), housing loans (+ 9% or + €0.7bn) and equipment loans (+10% or + €0.5bn). In 2017, the BRED Group reported the strongest production in consumer, housing and professional loans since 2009. The amounts due to customer increased by €3.2bn in the same period of time due to the increase in deposits to current accounts, which represent nearly €4bn as a result of the low levels of return of the savings accounts. The fixed-term deposits still represent more than one third of the total deposits, with growth of 2% over the financial year.
In the liabilities section, the debt securities increased by €2bn as a result of the increase in negotiable certificates of deposit issued.
The shareholder's equity of the BRED Group amounts to €4,098M, showing an increase of €346M as a result of the allocation to reserves of the 2017 profit of €257M, capital strengthening and related premiums equal to €155.6M (including €152.7M in share issues and €2.9M in capitalisation of reserves), a decrease in unrealised capital gains and other reserves of €50M as well as the distribution of €11.6M in interest earned for financial year 2016. Minority interests amount to €36M as at 31/12/2017 (down by €5M compared to 2016).

Given the consolidated profit for financial year 2017 of €257.2M and a balance sheet total of €68.4bn, the asset return ratio amounts to 0.38%.

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. It relates 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 a 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 counter-cyclical buffer for France at 0%. With the majority of exposures being in countries with a countercyclical rate set at 0%, the overall counter-cyclical buffer is close to 0.
For 2017, the minimum capital ratios to follow are thus 5.75% for the CET1 ratio, 7.25% for the Tier 1 ratio and 9.25% for the overall establishment ratio.

Capital

In accordance with regulatory definitions, the total capital is divided 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 €M	2016 2015 B3 phased in	2017 2015 B3 phased in
Capital	839.8	995.4
Retained earnings and issue premiums	2,386.7	2,638.7
IAS/IFRS impact on retained earnings	218.2	188.1
Net profit for the year	266.4	257.2
Proposed distribution of dividends	-11.4	-11.4
Consolidated equity	3,699.8	4,068.1
Intangible fixed assets and other deductions	-25.8	- 35.0
Equity instruments held in financial sector entities to be deducted from CET1	-479.4	- 464.5
Difference between provisions and expected losses as per Basel III prudential calculations	-77.8	- 105.0
Additional value adjustments in respect of prudent measurement of the trading portfolio’s positions	-11.5	-9.1
Transitional CET1 adjustments on capital gains and losses on equity and debt instruments (l)	-88.4	- 39.8
Transitional CET1 adjustments linked to minority interests (2)	16.2	7.1
Other transitional CET1 adjustments	75.4	44.7
Items deducted from Tier 2 exceeding Tier 2 capital	-95.7	- 46.3
Deferred tax assets on temporary differences not covered by the allowance (3)	0.0	0.0
Other adjustments to deductions	-31.1	- 25.8
Common Equity Tier 1 (CET1)	2,981.7	3,394.3
Additional Tier 1 (AT1) instruments	0.0	0.0
Tier 2 capital before deductions	62.8	17.4
Equity instruments held in financial sector entities to be deducted from Tier 2	-106.0	-25.7
Other transitional Tier 2 adjustments	-55.7	-40.6
Items deducted from Tier 2 exceeding Tier 2 capital	95.7	46.3
Other adjustments (4)	3.1	2.6
Tier 2 capital	0.0	0.0
Total regulatory capital	2,981.7	3,394.3

(1) *The new regulations eliminate most of the prudential filters and more specifically the filter concerning capitals gains and losses on equity instruments and debt securities available for sale. Since 2015, unrealised capital gains are progressively integrated into the tier 1 core capital every year by tranches of 20%. As far as the capital losses, they have been integrated since 2014.*

(2) *The capped or excluded portion of the minority interests is progressively deducted from each capital category by tranche of 20% each year starting in 2014.*

(3) *Deductions related to deferred tax assets corresponding to future income related to temporary differences and financial investments greater than 10% are also only taken into account by progressive tranches of 20% starting in 2014. The remaining 20% tranche in 2017 is treated in accordance with the CRDIII directive. Furthermore, items covered by the allowance are weighted at 250%.*

(4) *The asset maintenance clause: certain instruments are no longer eligible as equity since the new regulations took effect. In accordance with the asset maintenance clause, these instruments are progressively excluded over a period of 8 years, with a decrease of 10% per year.*

<u>Responsibility in terms of solvency</u>
First, as a credit institution, Bred is responsible for its level of solvency, which it must maintain above the minimum regulatory standard. It possesses different levers for this purpose: issue of shares, allocation to reserves during appropriation of annual earnings, subordinated loans and management of weighted risks.

Second, as a result of its affiliation with the central body of the Group, its solvency is also guaranteed by BPCE SA (*see Monetary and Financial Code, Article L511-31).* Thus, as necessary, an affiliated establishment may benefit from the implementation of a guarantee and shared support mechanism specific to the BPCE Group (*see Monetary and Financial Code, Article L512-107, paragraph* 6), which brings together the capital of all of the establishments of the Banque Populaire et Caisse d'Epargne networks.

Common Equity Tier 1 (CET 1)

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 2017, CET1 capital after deductions stood at €3,394.3 million:

31/12/2016 – in M€	2,981.7
Issue of shares and incorporation of reserves	155.6
Net profit after proposed distribution of dividends	245.8
Other items	11.2
31/12/2017 – in millions of euros	3,394.3

Share capital stands at €995 million, a rise of €156 million over the year due to the capital increase,
Reserves stand at €2,639 million before appropriation of 2017 earnings, an increase of €252 million over 2016,
The decrease in unrealised capital gains and other recyclable reserves for a total of €30M primarily related to the sale of assets.
The deductions stood at €674M at the end of 2017. The deduction net of allowance on equity interests stands at €465 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%.

Tier 2 (T2) capital

Tier 2 capital equates to subordinated debt instruments of a minimum duration of five years. At the end of 2017, BRED held Tier 2 capital consisting of subordinated debt amounting to 17 million euros. This capital is fully consumed by regulatory deductions. Tier 2 capital deductions amount to €20 million.

Capital requirements:

For the purposes of regulatory solvency calculations, three types of risks must be measured: credit risks, market risks and operating risks. 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.

At the close of 2017, BRED Group weighted risks stood at €21,410.9 million under the Basel III regulations (i.e. capital requirement of €1,712.9 million), an increase of €1,339 million. This rise is the result of the continued dynamism of the credit business in 2017 and by the further growth of the BRED Group in France and abroad.

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

- €8.9 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.
- €79 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%.

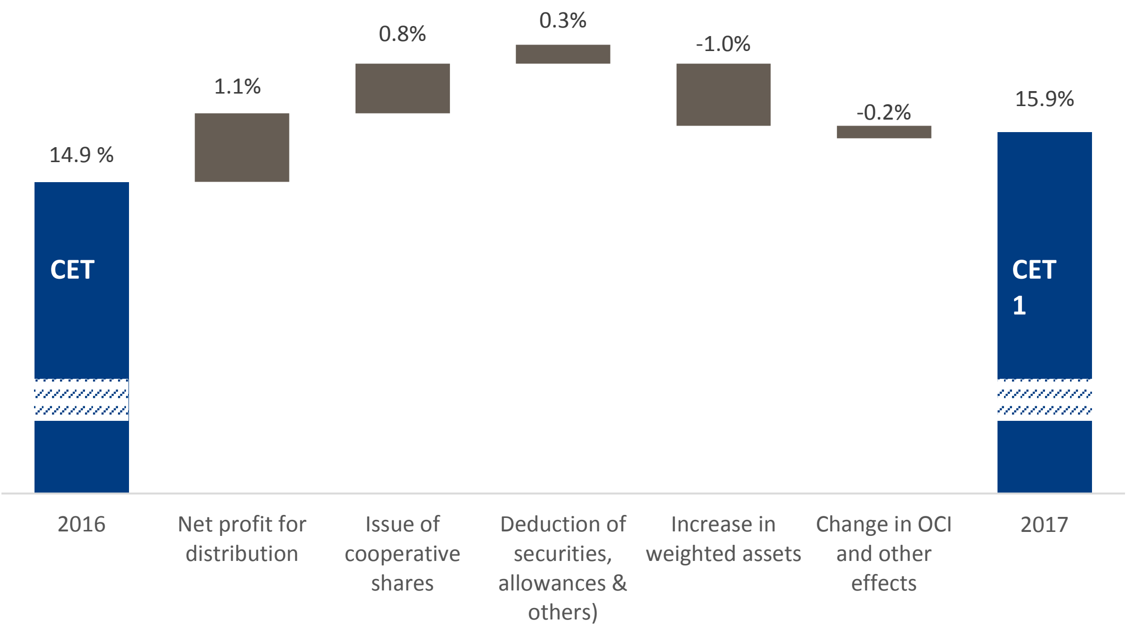
Capital adequacy ratio

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 15.85% at the end of the period (higher than the regulatory minimum for 2019), a rise of 0.99 points over the year.

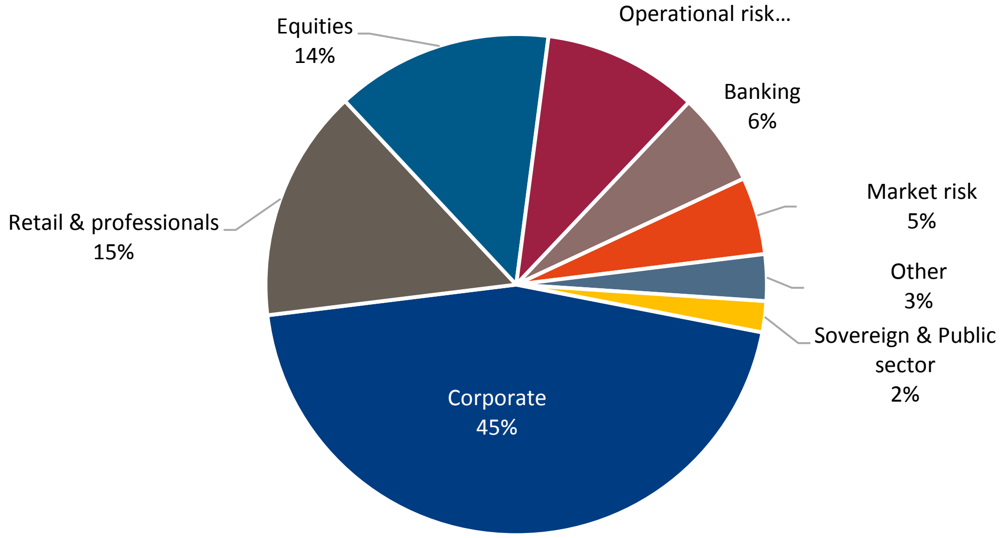
In €M	2015 2015 B3 phased in	2016 2015 B3 phased in	2017 2015 B3 phased in
Common Equity Tier 1 (CET 1) capital	2,668.0	2,981.7	3,394.3
Additional Tier 1 (AT1) instruments	0.0	0.0	0.0
Tier 2 capital after deductions	0.0	0.0	0.0
Regulatory capital	2,668.0	2,981.7	3,394.3
Credit and counterparty risk	16,012.8	17,166.5	18,594.0
Market risk	1,000.7	1,093.0	961.7
Operational risk	1,680.8	1,812.4	1,855.1
Total requirements	18,694.2	20,071.9	21,410.9
Overall ratio	14.27 %	14.86%	15.85 %
of which, Common Equity Tier 1 ratio	14.27 %	14.86%	15.85 %

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: 2017 vs. 2016



Weighted risks excluding solvency ratio allowance Basel 3
Total RWA: €21.4bn, including €2.4bn in 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 2017, BRED Group's leverage ratio based on Tier 1 capital taking into account transitional provisions stood at 5.46% against 5.30% at 31 December 2016. The increase of 0.2 points results from the capital strengthening in 2017 and an increase in exposures.

In €M	2016 2015 B3 phased in	2017 2015 B3 phased in
Tier 1 core capital	2,981.7	3,394.3
Leverage exposures	56,254.8	62,128.9
Leverage ratio	5.30 %	5.46 %

Liquidity

2017 was marked by a sharp rise in customer loans (December average outstandings up 12%).

The loans/deposits ratio excluding financial customers benefited from the good performance of mobilisations of funds and stood at 82% at the end of December, i.e. surplus funds of €4.7 billion.
During financial year 2017, Bred strengthened its collateral through two securitisation operations involving housing loans for €2.8bn. These operations were a reflection of BRED's intention to secure its access to liquidity in case of crisis via the Central Bank.

BRED’s LCR stood at 128 % at 31 December 2017 for a minimum regulatory requirement of 80%, raised to 100% with effect from 1 January 2018.

CONTROL AND MANAGEMENT PROCEDURES RELATED TO ACCOUNTING AND FINANCIAL INFORMATION

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

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

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.

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.

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.

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.

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.

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. It reports functionally to the Risk, Compliance & Permanent Control Director.
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. 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 that it determined as a function of 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.

OUTLOOK

Once again in 2018, the French banking sector must deal with a rate structure that will have a negative impact on the net interest margin in a highly competitive environment with ever increasing reinforcement of the regulatory framework.

BRED's positive results reinforce its strategy of combining physical branches with digital services in a logic of complementarity to offer the best banking branch enhanced with all of the digital capabilities. This Banking Without Distance model is focused on relational proximity with customers over time by offering high level value-added services and will facilitate the sustainable development of the activity.
The growth of new subsidiaries abroad validates BRED's choice of location, which is also guided by the desire to support the economic development of these new territories through the experiences gained on the various markets on which it operates. The expansion of the network at these new sites and especially in Cambodia through a plan to open several branches over a period of three years starting in 2018 will allow the subsidiaries to intensify their development.
The confidence that BRED has earned from its corporate customers, as demonstrated by the successful capital increases in 2016 and 2017, gives it the means to achieve its ambitions.

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.

PAYMENT DEADLINES FOR CUSTOMERS AND SUPPLIERS

Suppliers are paid in a timely manner. As at 31 December 2017, the accounting department did not have any unpaid invoices. Customer payments are closely monitored. As at 31 December 2017, no significant payment delays were brought to the attention of the Accounting Department concerning invoices issued.
The schedules for customer payments in connection with loans granted or services billed are established contractually. The terms of payment of loan repayment instalments may be the subject of contractual options that modify the initial payment schedule (such as early repayment options or deferred payment options). Compliance with the contractual payment provisions is monitored as part of the bank's risk management procedures.

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 31/12/2017
Number of inactive accounts open in the institution's books	53,022
Total outstandings recorded in the said inactive accounts	€31,589,012.28
Number of accounts whose credit balances have been deposited with Caisse des Depots et Consignations	7,603
Total amount of funds deposited with Caisse des Depots et Consignations	€9,014,915.07

3

Consolidated Financial

IFRS CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

1.1 - Consolidated balance sheet

Assets

in thousands of euros	***Notes***	**31/12/2017**	**31/12/2016**
Cash and amounts due from central banks	*5.1*	8 641 214	8 503 533
Financial assets at fair value through profit or loss	*5.2.1*	8 420 207	9 770 204
Hedging derivatives	*5.3*	134 414	160 375
Available-for-sale financial assets	*5.4*	14 281 882	13 482 724
Loans and receivables due from credit institutions	*5.6.1*	11 758 296	10 810 377
Loans and receivables due from customers	*5.6.2*	21 149 404	18 568 811
Re-measurement adjustments on interest-rate risk hedged portfolio		4 425	6 626
Held to maturity financial assets	*5.7*	769 790	824 164
Current tax assets		46 448	1 367
Deferred tax assets	*5.9*	104 229	130 392
Accrued income and other assets	*5.10*	2 182 542	2 196 683
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*	346 530	329 861
Investment property	*5.13*	258 128	237 448
Tangible assets	*5.14*	255 806	258 254
Intangible assets	*5.14*	30 051	20 616
Goodwill	*5.15*	0	0
TOTAL ASSETS		**68 383 366**	**65 301 435**

Liabilities

in thousands of euros	***Notes***	**31/12/2017**	**31/12/2016**
Amounts due from central banks		6	0
Financial liabilities at fair value through profit or loss	*5.2.2*	2 933 088	3 916 041
Hedging derivatives	*5.3*	192 223	350 989
Amounts due to credit institutions	*5.16.1*	8 343 840	10 471 047
Amounts due to customers	*5.16.2*	35 010 203	31 761 810
Debt securities	*5.17*	8 085 360	5 899 861
Re-measurement adjustments on interest-rate risk hedged portfolio		44 431	60 750
Current tax liabilities		1 422	4 850
Deferred tax liabilities	*5.9*	12 653	18 391
Accrued expenses and other liabilities	*5.18*	2 186 138	1 609 760
Liabilities directly linked to non-current assets held for sale		0	0
Technical reserves of insurance contracts	*5.19*	7 067 637	6 971 555
Provisions	*5.20*	193 304	210 448
Subordinated debt	*5.21*	215 147	273 793
Shareholder's equity		**4 097 914**	**3 752 140**
Equity attributable to equity holders of the parent company		**4 062 172**	**3 711 171**
Capital and share premium account		1 002 907	847 321
Retained earnings		2 613 915	2 379 255
Gains and losses posted directly in other comprehensive income		188 133	218 170
Profit and loss for the period		257 217	266 425
Non-controlling interests	*5.23*	35 742	40 969
TOTAL LIABILITIES AND NET EQUITY		**68 383 366**	**65 301 435**

1.2 - Consolidated income statement

in thousands of euros	*Notes*	2017 financial year	2016 financial year
Interest and similar income	*6.1*	903 271	859 071
Interest and similar expense	*6.1*	-281 795	-251 609
Fee and commission income	*6.2*	448 118	417 723
Fee and commission expense	*6.2*	-130 671	-119 444
Net gains or losses on financial instruments at fair value through profit or loss	*6.3*	200 992	200 427
Net gains or losses on available for sale financial assets	*6.4*	117 260	70 912
Income from other activities	*6.5*	755 643	821 601
Expenses from other activities	*6.5*	-860 722	-903 670
Net banking income		**1 152 096**	**1 095 011**
Operating expenses	*6.6*	-655 449	-627 756
Depreciation, amortisation and impairment for property, plant and equipment and intangible assets		-37 332	-39 477
Gross operating profit		**459 315**	**427 778**
Cost of risk	*6.7*	-93 561	-73 525
Operating profit		**365 754**	**354 253**
Share of net profit of companies accounted for under the equity method	*8.2*	30 166	26 230
Net gains or losses on other assets	*6.8*	-2 324	21 800
Net profit of activities discontinued or being sold		0	0
Change in the value of goodwill	*6.9*	-1 181	-875
Profit before tax		**392 415**	**401 408**
Income tax expense	*6.10*	-135 955	-133 592
Net profit		**256 460**	**267 816**
Non-controlling interests	*5.23*	757	-1 391
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**257 217**	**266 425**

1.3 - Comprehensive income

in thousands of euros	2017 financial year	2016 financial year
Net profit	**256 460**	**267 816**
Revaluation differences on defined-benefit pension schemes	3 308	-14 650
Revaluation of credit risk associated with financial liabilities designed at fair value through profit or loss	0	0
Taxes	-1 554	3 908
Share of gains or losses recognised directly in other items of the comprehensive income of associates that cannot be reclassified in income	29	-28
Items that cannot be reclassified in income	**1 783**	**-10 770**
Translation differences	-7 080	-3 168
Change in the value of available-for-sale financial assets	-40 537	116 656
Change in the value of hedging derivatives	-11 279	-2 560
Taxes	22 203	-1 771
Share of gains or losses recognised directly in other items of the comprehensive income of associates that can be reclassified in income	-233	-855
Items that can be recycled in income	**-36 926**	**108 302**
GAINS AND LOSSES POSTED DIRECTLY IN OTHER ITEMS OF COMPREHENSIVE INCOME (NET OF TAXES)	**-35 143**	**97 532**
COMPREHENSIVE INCOME	**221 317**	**365 348**
Attributable to equity holders of the parent company	227 179	363 218
Non-controlling interests	-5 862	2 130

1.4 - Statement of changes in members' equity

in thousands of euros	Capital and share premium account		Reserves consolidated
	Capital [1]	Premiums [1]	
Equity at 1 January 2016	**683 808**	**7 482**	**2 381 844**
Movements linked to relations with members			
Capital increase	156 031		-4 073
Reclassification			0
Change of accounting method			
Capital increase arising from business combinations	0	0	
Impact of movements on minority interests			
Reduction of capital			
Sub-total	***156 031***	***0***	***-4 073***
Gains or losses recognised directly in equity			
Change in gains or losses recognised directly in equity, taken to income			
Other changes			
Sub-total	***0***	***0***	***0***
Other changes			
Profit for the year			
Other changes			1 484
Sub-total	***0***	***0***	***1 484***
Equity at 31 December 2016	**839 839**	**7 482**	**2 379 255**
Appropriation of 2016 profit			**254 782**
Equity at 1 January 2017	**839 839**	**7 482**	**2 634 037**
Movements linked to relations with members			
Capital increase	155 586		-2 888
Reclassification			0
Change of accounting method			
Capital increase arising from business combinations	0	0	
Impact of movements on minority interests			
Reduction of capital			
Sub-total	***155 586***	***0***	***-2 888***
Gains or losses recognised directly in equity			
Change in gains or losses recognised directly in equity, taken to income			
Other changes			
Sub-total	***0***	***0***	***0***
Other changes			
Profit for the year			
Other changes			-17 233
Sub-total	***0***	***0***	***-17 233***
Equity at 31 December 2017	**995 425**	**7 482**	**2 613 916**

(1) 2017: Bred completed a capital increase, which is described in the "Significant events" section (note 1.1)

Gains or losses recognised directly In equity				Net profit Attributable to equity holders of the parent company	Total capital Attributable to equity holders of the parent company	Equity attributable to non-controlling interests	Total consolidated capital
	Change in the fair value of instruments						
Translation reserves	Revaluation reserve on social liabilities	Financial assets available for sale	Hedging derivatives				
5 040	**-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	0	0
					0	24	24
					0		0
0	***0***	***0***	***0***	***0***	**151 958**	***24***	***151 982***
	-10 769	112 295	-977		100 549	18	100 568
-3 755					-3 755	720	-3 035
-3 755	***-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***	***0***	***266 425***	**267 909**	***1 392***	***269 300***
1 285	**-16 548**	**221 038**	**12 396**	**266 425**	**3 711 171**	**40 969**	**3 752 141**
				-266 425	-11 643	**-185**	-11 828
1 285	**-16 548**	**221 038**	**12 396**	**0**	**3 699 528**	**40 785**	**3 740 313**
					152 698	0	152 698
					0		0
					0		0
					0	0	0
					0	-48	-48
					0		0
0	***0***	***0***	***0***	***0***	***152 698***	***-48***	***152 650***
	1 783	-22 138	-6 606		-26 960	-37	-26 998
-3 078					-3 078	-5 068	-8 146
-3 078	***1 783***	***-22 138***	***-6 606***	***0***	***-30 038***	***-5 105***	***-35 143***
				257 217	257 217	-757	256 460
					-17 233	868	-16 365
0	***0***	***0***	***0***	***257 217***	***239 984***	***111***	***240 095***
-1 793	**-14 765**	**198 900**	**5 791**	**257 217**	**4 062 172**	**35 742**	**4 097 914**

1.5 - Statement of cash flows

in thousands of euros	2017 financial year	2016 financial year
Profit before tax	**392 415**	**401 408**
Depreciation and amortisation of property, plant, equipment and intangible assets	37 276	39 352
Goodwill impairment	1 181	875
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	356 387	403 450
Share of profit of companies accounted for under the equity method	-17 633	-15 632
Share of net profit (loss) of associates	-54 269	-70 102
Net loss (gain) on investing activities		
Other movements	634 342	-92 337
Total non-cash items included in profit before tax	**957 283**	**265 606**
Cash flows arising from transactions with credit institutions	-3 094 225	402 384
Cash flows arising from transactions with customers	627 987	1 237 672
Cash flows arising from other transactions involving financial assets or financial liabilities	1 304 468	1 371 131
Cash flows arising from other transactions involving non-financial assets or non-financial liabilities	-15 056	-559 347
Tax paid	-143 944	-95 445
Net increase/(decrease) in operating assets and liabilities	**-1 320 769**	**2 356 395**
Net cash from (used in) operating activities (A)	**28 928**	**3 023 409**
Cash flows related to financial assets and equity interests	107 112	76 730
Cash flows related to investment property	-16 514	-15 834
Cash flows related to property, plant, equipment and intangible assets	-45 928	-20 290
Net cash from (used in) investing activities (B)	**44 670**	**40 606**
Cash flows from (to) the equity holders	140 927	140 345
Cash flows from financing activities	-58 671	-32 839
Net cash from (used in) financing activities (C)	**82 257**	**107 506**
Effect of changes in foreign exchange rates (D)	**-32 573**	**1 287**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**123 282**	**3 172 808**
Cash in hand and at central banks	**8 503 533**	**4 867 397**
Cash and net balance of accounts with central banks (assets)		
Net balance of demand transactions with credit institutions	**-407 654**	**55 673**
Overdrafts on current accounts (1)		647 877
Demand accounts and loans		1 973
Demand accounts in credit		-594 177
Demand repurchase agreements		
Cash and cash equivalents at the start of the year	**8 095 878**	**4 923 070**
Cash in hand and at central banks	**8 641 208**	**8 503 533**
Cash and net balance of accounts with central banks (assets)		
Net balance of demand transactions with credit institutions	-422 048	-407 654
Overdrafts on current accounts (1)		442 924
Demand accounts and loans		1 029
Demand accounts in credit		-851 607
Demand repurchase agreements		
Cash and cash equivalents at year-end	**8 219 160**	**8 095 878**
CHANGE IN NET CASH AND CASH EQUIVALENTS	**123 282**	**3 172 808**

(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 Depots et Consignations.

NOTE 1 - GENERAL BACKGROUND

1.1 - Significant events

Increase in the capital of BRED Banque Populaire.

In December 2017, BRED Banque Populaire raised its share capital to €995,424,562.00 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 €10.31 each, i.e. €152,697,914.91.
The capitalisation of reserves amounted to €2,888,079 through the increase from €10.31 to €10.34 of the par value of the shares.

1.2 - Guarantee mechanism

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

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

BPCE therefore manages the Banques Populaires Network Fund and the Caisses d'Epargne Network Fund and has put in place the Mutual Guarantee Fund (Fonds de Garantie Mutuel).

The **Banques Populaires Network Fund** consists of a deposit of €450 million by the banks in the books of BPCE in the form of an indefinitely renewable 10-year term deposit.

The **Caisses d'Epargne Network Fund** consists of a deposit of €450 million by the Caisses in the books of BPCE in the form of an indefinitely renewable 10-year term deposit.

The **Mutual Guarantee Fund** consists of deposits made by the Banques Populaires and Caisses d'Epargne in the books of BPCE in the form of indefinitely renewable 10-year term deposits. The amount of deposits per network is €181.3 million at 31 December 2017.

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.

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 2017 under International Financial Reporting Standards (IFRS) as adopted for use by the European Union and applicable at that date, thereby excluding certain provisions of IAS 39 relating to hedge accounting [1].

2.2 - Reporting protocol

The standards and interpretations used and set forth in the annual financial statements for the year ended 31 December 2016 have been supplemented by the standards, amendments and interpretations mandatorily applicable for financial years beginning on or after 1 January 2017.

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 IFRS 9 standard “Financial instruments” was adopted by the European Commission on 22 November 2016 and will apply retrospectively from 1 January 2018.
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 and liabilities, 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 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.

(1) These standards are available at the European Commission's website at the following link: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

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:
  -There is no significant degradation of the credit risk.
  -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.
Since 2015, the IFRS 9 management programme is structured around a strategic committee that links the risk and finance divisions and meets 4 times per year with most of the members of BPCE's general management committee. The strategic committee mediates the objectives and decision-making, defines the implementation plan and consolidates the programme budget. The IFRS 9 programme also coordinates five steering committee meetings per year at which the directors and corporate officers of the local Caisses d'épargne and Banques Populaires, as well as the main subsidiaries (CFF, Natixis), are represented. The steering committee mediates the objectives and decision-making in connection with the implementation of the standard. The steering committee also reports on the progress of work carried out by the Finance, Risk, IT and Change Management departmental committees, which are convened every 6 weeks.
The second half of 2017 was focused mainly on the finalisation of functional revenues on different projects, general revenues, the preparation of the opening balance sheet (First Time Application), the finalisation of the model calibration work, the measurement of the provision impacts on T3, the completion of documentation and the adaptation of the processes in the context of change management.

In addition to the projects conducted by BPCE, BRED put in place IFRS 9 project steering through committees bringing together members of the risk and finance divisions and the back-offices concerned by the regulatory developments.

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.

- 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 shareholders' equity if they are managed under a cash flow collection and sale management model and will be maintained at amortised cost in other cases.

Reclassifications into categories of financial assets valued at amortised cost and fair value will have a net impact on the BRED 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 BRED 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 expected loss 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.

Hedge accounting:

The BRED GROUP, by aligning with 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.

Application of the IFRS 9 standard to insurance activities:

On 9 November 2017, the European Commission adopted the amendment to IFRS 4 concerning the joint application of IFRS 9 “Financial instruments” with IFRS 4 “Insurance contracts”, with specific provisions for financial conglomerates. Thus, the European regulation allows European financial conglomerates to opt to postpone application of IFRS 9 for the insurance sector until 1 January 2021 (date of application of the new IFRS 17 Insurance Contracts standard) provided that they:

- do not transfer financial instruments between the insurance sector and the other sectors of the conglomerate (with the exception of financial instruments at fair value through profit or loss for both sectors concerned by the transfer);
- provide specific additional information in the explanatory notes.

Because the BPCE Group is a financial conglomerate, it plans to apply the provision of the European Commission Regulation allowing it to extend the scope of the IFRS 4 changes to its activities in the insurance sector. Therefore, its entities operating in this sector will continue to apply IAS 39 “Financial instruments: recognition and measurement”.
For the BRED Group, the entities concerned by this measure are Prépar Vie and Prépar Iard.
For BRED, the insurance sector remaining under IAS 39 contributes 9.4% to the consolidated profit and 10.8% to the consolidated balance sheet at 31 December 2017

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 from Contracts with Customers” 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.

The amendment “Clarification of IFRS 15” published by the IASB on 12 April 2016 was adopted by the European Commission on 9 November 2017. It should also apply retrospectively from 1 January 2018.
According to this standard, income from ordinary activities must now be recorded to reflect the transfer of control over goods and services promised to customers for the amount that the entity expects to receive in return for said goods and services. Thus, IFRS 15 introduces a new general method for revenue recognition accounting consisting of 5 steps:

- Identification of contracts with customers
- Identification of distinct performance obligations (or elements) to be recognised separately
- Determination of the transaction price as a whole
- Allocation of the transfer price to the different performance obligations
- Recognition of the revenue when the performance obligations are met

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 are still in progress.

This work is based on self-appraisals performed within certain pilot establishments and subsidiaries in coordination with the group accounting division and then is subsequently transposed in all of the group's significant establishments and subsidiaries. This work identified the main items affected, primarily:

- Income from fees and commissions, including in connection with banking services when these products are not integrated into the effective interest rate, or those relating to asset management or financial engineering services
- Income from other activities, primarily in case of services performed as part of lease contracts
- Banking services rendered with the participation of the group’s partners

This work also confirmed that the Group is not particularly or not at all concerned by certain issues associated with the first application of IFRS 15 identified at other existing banking establishments such as real estate development, loyalty programmes or telephony.
Based on the work performed, the BRED GROUP does not anticipate any significant impact from the application of IFRS 15 either on the opening equity at 1 January 2018 or the income and expense items for financial year 2018.
Applying the option provided by standard IFRS 15, the Group does not plan to release any comparative information for its financial statements.

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 was adopted by the European Commission on 9 November 2017. It will be applicable from 1 January 2019.

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 of the leased asset included, as applicable, under tangible assets or investment property, and a lease liability. The lease liability corresponds to the present value of the rental payments that have not yet been paid. The Group plans to use the exception provided for by the standard by not changing the accounting treatment for short-term leases (less than 12 months) or leases involving underlying assets with a low value (new unit value of no more than 5,000 euros). The right of use will be amortised on a straight-line basis and the lease liability on an actuarial basis over the term of the lease agreement.

The expense associated with the lease debt will be included in the interest margin under net banking income, while the amortisation expense for the right of use will be recognised under operating expenses. 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 only the respective rents are recorded in profit or loss.
The GPCE Group conducted an impact analysis of the application of this standard with its publication by the IASB at the beginning of 2016. This work was continued during financial year 2017, and has entered a phase involving the analysis of structuring choices to be taken in terms of organisation and information systems. BRED was involved in this work, like the other establishments of the BPCE group.

With regard to the activities of the BRED GROUP, the implementation of IFRS 16 will have an extensive impact on real estate assets leased for use as offices or sales agencies. Therefore, an impact is expected for Tangible assets, without this changing the relatively small weight of tangible assets against the balance sheet total. For the first application of this standard, the group has selected the modified retrospective method by recognising the cumulative effect on 1 January 2019 without a comparison with the 2018 level and indicating any impacts that the standard has had on the various items of the financial statements in the explanatory notes.

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 2017, 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 drafted based on the financial statements ended 31 December 2017. The consolidated financial statements of the group for the financial year ended 31 December 2017 were approved by the Board of Directors on 19 February 2018. They will be submitted for the approval of the General Meeting of 29 May 2018.

NOTE 3 - CONSOLIDATION POLICIES AND PRINCIPLES

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 where the parties with joint control over an entity have rights to the net assets of that entity.

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

Pursuant to IFRS 3 “Business combinations” and IAS 27 “Consolidated and Separate Financial Statements”, as revised:

- 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),
  - 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 of 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

The item “Loans and receivables” includes 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”.
These liabilities are measured at fair value at the initial accounting date and at the balance sheet date. Changes in fair value over the period, interest, and gains or losses related to these instruments are recognised in “Net gain or loss on financial instruments at fair value through profit or loss”. In case of early redemption, the realised gain or loss at fair value attributable to the credit risk is transferred directly to the consolidated reserves item in equity.

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 and 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:

- variable-rate assets and liabilities; 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 macrohedging 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:
  - o interest rates and interest rate curves observable at standard intervals;
  - o implied volatilities;
  - o 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:

- o plain vanilla interest rate swaps or CMS;
- o forward rate agreements;
- o plain vanilla swaptions;
- o plain vanilla caps and floors;
- o liquid currency forwards;
- o liquid currency swaps and foreign exchange options;
- o 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:

- o 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);
- o 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 nonobservable.
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;
- Private Equity Funds;
- 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 nonobservable 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 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, 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 2017, 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 nonobservable 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 - Financial asset reclassification

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.
In case of impairment of a security after the reclassification date that was previously recognised as a financial assets available for sale, the unrealised loss recognised directly in equity under other comprehensive income at the reclassification date is reversed immediately to profit and 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 - Fixed 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:

- façades, 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 offbalance 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 transaction are recognised in full in profit and loss on completion of the transaction.

Fees and commissions that are an integral part of the effective return on a financial instrument, such as fees on financing commitments given and loan origination fees, are recognised and amortised as an adjustment to the loan’s effective return over its estimated life.Accordingly, these fees and commissions are reported as a component of interest income, not under “Fees and commissions”.
Fiduciary and similar fees and commissions are those charged in respect of assets being held or invested on behalf of individual customers, pension schemes or other institutions. In particular, fiduciary transactions cover asset management and custody activities performed on behalf of third parties.

4.8 - Foreign currency transactions

The method used to account for foreign currency transactions entered into by the Group depends on whether the assets and liabilities arising from these transactions are monetary or non-monetary items.
At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted at the prevailing exchange rate into the functional currency of the Group entity on whose balance sheet they are recognised. The exchange gains or losses resulting from that conversion are recognised as profit or loss. However, there are two exceptions to this rule:

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

The non-monetary items recognised at historic cost are valued at the exchange rate on the day of the transaction. Non-monetary items recognised at fair value are converted using the exchange rate on the day on which their fair value was determined. Foreign exchange gains or losses on nonmonetary 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 similar operations

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 lease contract gives the lessee the option to purchase the asset at a price that should be sufficiently lower than its fair value on the date on which the option is exercised so that there is reasonable certainty at the start of the lease contract that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if there is no transfer of ownership;
- at the start 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; and
- the leased assets are of such a specialised nature that only the lessee can use it without major modifications.

IAS 17 also describes three indicators of situations that, individually or collectively, could lead to a lease being classified as a finance lease:

- when the lessee may cancel the lease and the lessor’s losses resulting from the cancellation are borne by the lessee;
- when gains or losses from fluctuations in the fair value of the residual value accrue to the lessee; and
- when the lessee has the ability to continue the lease for a second period 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

A contract that is not classified as a finance lease is by default classified as a simple lease contract.
Assets under simple lease are listed in the assets section under tangible and intangible assets when they consist of movable property and under investment property when they consist of real estate. Rent earned under simple leases is recognised on a linear basis over the duration of the lease under "Income and expenses from other activities".

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 taxes

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 profitsharing 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. For the deposit guarantee fund, the cumulative amount of the contributions paid into the fund via the deposits, guarantees and securities mechanism was €29.6 million. Non-reimbursable contributions in the event of voluntary licence withdrawal amounted to €7.7 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 €21.9 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 became 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.

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. The amount of contributions paid available in the fund was €13.6 million, of which €11.6 million was recognised as an expense and €2.0 million took the form of cash guarantee deposits recorded on the assets side of the balance sheet (15% in the form of cash guarantee deposits). The accumulation of contributions recorded on the assets side of the balance sheet amounted to €5.6 million.

NOTE 5 - NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 - Cash and amounts due from central banks

in thousands of euros	**31/12/2017**	**31/12/2016**
Cash	224,015	189,403
Amounts due from central banks	8,417,199	8,314,130
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**8,641,214**	**8,503,533**

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.

in thousands of euros	31/12/2017			31/12/2016		
	Trading	Fair value option	Total	Trading	Fair value option	Total
Treasury bills and similar securities	868,442	0	868,442	2,625,497	0	2,625,497
Bonds and other fixed income securities	1,371,590	24,336	1,395,926	1,655,615	33,172	1,688,787
Fixed-income securities	**2,240,032**	**24,336**	**2,264,368**	**4,281,112**	**33,172**	**4,314,284**
Shares and other variable-income securities	**3,118,988**	**1,519,475**	**4,638,463**	**1,548,828**	**1,396,397**	**2,945,225**
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	**1,517,376**	**///**	**1,517,376**	**2,510,695**	**///**	**2,510,695**
TOTAL FINANCIAL ASSETS AT FAIRVALUE THROUGH PROFIT OR LOSS	**6,876,396**	**1,543,811**	**8,420,207**	**8,340,635**	**1,429,569**	**9,770,204**

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	24,336	0	24,336
Shares and other variable-income securities	0	1,519,475	0	1,519,475
Loans and repurchase agreements	0	0	0	0
TOTAL	**0**	**1,543,811**	**0**	**1,543,811**

Loans and receivables at fair value through profit or loss by option and credit risk

in thousands of euros	31/12/2017		31/12/2016	
	Credit risk exposure	Changes in fair value attributable to credit risk	Credit risk exposure	Changes in fair value attributable to credit risk
Loans to credit institutions	0	0	0	0
Loans to customers	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

5.2.2 - Financial liabilities at fair value through profit or loss

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

in thousands of euros	31/12/2017	31/12/2016
Securities sold short	854,896	683,297
Other financial assets	0	0
Financial assets held for trading	**854,896**	**683,297**
Trading derivatives	**2,078,192**	**3,232,744**
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	**2,933,088**	**3,916,041**

The item "Trading derivatives" includes 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	31/12/2017			31/12/2016		
	Notional amount	**Positive fair value**	**Negative fair value**	**Notional amount**	**Positive fair value**	**Negative fair value**
Interest rate instruments	95,116,328	1,186,684	1,521,295	103,368,782	1,793,450	2,078,770
Equity instruments	1,746,622	9,450	9,592	1,010,158	4,152	34,589
Currency instruments	24,156,426	292,492	366,056	20,710,003	318,228	514,948
Other instruments	3,866	597	1,122	1,250	212	205
Firm transactions	**121,023,242**	**1,489,223**	**1,898,065**	**125,090,193**	**2,116,042**	**2,628,512**
Interest rate instruments	1,489,382	19,612	17,632	9,657,777	326,414	549,239
Equity instruments	10,102,527	0	156,096	870,709	62,346	45,550
Currency instruments	709,549	7,810	5,084	1,141,633	5,116	8,225
Other instruments	0	0	0	0	0	0
Options	**12,301,458**	**27,422**	**178,812**	**11,670,119**	**393,876**	**603,014**
Credit derivatives	**38,352**	**731**	**1,315**	**242,682**	**777**	**1,218**
TOTAL TRADING DERIVATIVES	**133,363,052**	**1,517,376**	**2,078,192**	**137,002,994**	**2,510,695**	**3,232,744**

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. 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.

	31/12/2017			31/12/2016		
in thousands of euros	**Notional amount**	**Positive fair value**	**Negative fair value**	**Notional amount**	**Positive fair value**	**Negative fair value**
Interest rate instruments	20,872,295	77,999	139,679	14,395,046	114,261	335,275
Equity instruments	0	0	0	0	0	0
Currency instruments	367,463	5,633	0	0	0	0
Other instruments	0	0	0	0	0	0
Firm transactions	**21,239,758**	**83,632**	**139,679**	**14,395,046**	**114,261**	**335,275**
Interest rate instruments	0	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	**0**	**0**	**0**	**1,664**	**0**	**0**
Fair value hedges	**21,239,758**	**83,632**	**139,679**	**14,396,710**	**114,261**	**335,275**
Interest rate instruments	7,283,446	50,576	13,652	486,000	46,114	15,714
Equity instruments	0	0	0	0	0	0
Currency instruments	5,283,299	206	38,892	0	0	0
Other instruments	0	0	0	0	0	0
Firm transactions	**12,566,745**	**50,782**	**52,544**	**486,000**	**46,114**	**15,714**
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	**12,566,745**	**50,782**	**52,544**	**486,000**	**46,114**	**15,714**
Credit derivatives	**0**	**0**	**0**	**32,851**	**0**	**0**
TOTAL HEDGING DERIVATIVES	**33,806,503**	**134,414**	**192,223**	**14,915,561**	**160,375**	**350,989**

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	**31/12/2017**	**31/12/2016**
Treasury bills and similar securities	5,368,065	4,495,157
Bonds and other fixed income securities	5,913,008	6,313,782
Impaired securities	28,543	4,872
Fixed-income securities	**11,309,616**	**10,813,811**
Shares and other variable-income securities	**3,048,796**	**2,738,010**
Loans to credit institutions	**0**	**0**
Loans to customers	**0**	**0**
Loans	**0**	**0**
Available for sale financial assets, gross	**14,358,412**	**13,551,821**
Impairment of fixed-income securities and loans	-14,055	-700
Permanent impairment of equities and other variable-income securities	-62,475	-68,397
AVAILABLE FOR SALE FINANCIAL ASSETS, NET	**14,281,882**	**13,482,724**
Gains or losses recognised directly in equity on available for sale financial assets (before tax)	**758,802**	**736,422**

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 2017, 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	31/12/2017				31/12/2016			
	Price quoted on an active market (level 1)	Measurement techniques using observable data (level 2)	Measurement techniques using non-observable data (level 3)	Total	Price quoted on an active market (level 1)	Measurement techniques using observable data (level 2)	Measurement techniques using non-observable data (level 3)	Total
FINANCIAL ASSETS								
Securities	**4 647 145**	**609 863**	**102 012**	**5 359 020**	**5 012 469**	**817 471**	**0**	**5 829 940**
Fixed-income securities	*1 546 379*	*591 641*	*102 012*	*2 240 032*	*3 463 780*	*817 332*	*0*	*4 281 112*
Variable-income securities	*3 100 766*	*18 222*	*0*	*3 118 988*	*1 548 689*	*139*	*0*	*1 548 828*
Derivatives	**0**	**1 464 803**	**52 573**	**1 517 376**	**304 127**	**2 138 657**	**67 911**	**2 510 695**
Interest rate derivatives	*0*	*1 157 756*	*48 540*	*1 206 296*	*304 127*	*1 748 011*	*67 726*	*2 119 864*
Equity derivatives	*0*	*6 623*	*2 827*	*9 450*	*0*	*66 313*	*185*	*66 498*
Currency derivatives	*0*	*299 096*	*1 206*	*300 302*	*0*	*323 344*	*0*	*323 344*
Credit derivatives	*0*	*731*	*0*	*731*	*0*	*777*	*0*	*777*
Other derivatives	*0*	*597*	*0*	*597*	*0*	*212*	*0*	*212*
Other financial assets	**0**	**0**	**0**	***0***	**0**	**0**	**0**	***0***
Financial liabilities held for trading	**4 647 145**	**2 074 666**	**154 585**	**6 876 396**	**5 316 596**	**2 956 128**	**67 911**	**8 340 635**
Securities	***1 541 459***	***2 133***	***219***	***1 543 811***	***1 427 018***	***2 101***	***450***	***1 429 569***
Fixed-income securities	*23 736*	*600*	*0*	*24 336*	*32 133*	*1 039*	*0*	*33 172*
Variable-income securities	*1 517 723*	*1 533*	*219*	*1 519 475*	*1 394 885*	*1 062*	*450*	*1 396 397*
Other financial assets	**0**	**0**	**0**	***0***	**0**	**0**	**0**	***0***
Financial assets designated at fair value through profit or loss by option	**1 541 459**	**2 133**	**219**	**1 543 811**	**1 427 018**	**2 101**	**450**	**1 429 569**
Interest rate derivatives	*0*	*128 575*	*0*	*128 575*	*0*	*160 375*	*0*	*160 375*
Equity derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Currency derivatives	*0*	*5 839*	*0*	*5 839*	*0*	*0*	*0*	*0*
Credit derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Hedging derivatives	**0**	**134 414**	**0**	**134 414**	**0**	**160 375**	**0**	**160 375**
Equity interests	***0***	***26***	***940 858***	***940 884***	***0***	***1 167***	***942 032***	***943 199***
Other securities	***10 907 896***	***1 773 484***	***659 618***	***13 340 998***	***9 993 245***	***1 682 319***	***863 961***	***12 539 525***
Fixed-income securities	*9 809 102*	*1 141 549*	*344 910*	*11 295 561*	*9 088 665*	*1 178 878*	*545 568*	*10 813 111*
Variable-income securities	*1 098 794*	*631 935*	*314 708*	*2 045 437*	*904 580*	*503 441*	*318 393*	*1 726 414*
Other financial assets	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Available-for-sale financial assets	**10 907 896**	**1 773 510**	**1 600 476**	**14 281 882**	**9 993 245**	**1 683 486**	**1 805 993**	**13 482 724**
FINANCIAL LIABILITIES				0				0
Securities	***854 877***	***0***	***19***	***854 896***	***683 277***	***20***	***0***	***683 297***
Derivatives	***156 097***	***1 864 375***	***57 720***	***2 078 192***	***530 412***	***2 631 765***	***70 567***	***3 232 744***
Interest rate derivatives	*0*	*1 488 198*	*50 729*	*1 538 927*	*530 412*	*2 030 042*	*67 555*	*2 628 009*
Equity derivatives	*156 097*	*2 926*	*6 665*	*165 688*	*0*	*77 127*	*3 012*	*80 139*
Currency derivatives	*0*	*370 814*	*326*	*371 140*	*0*	*523 173*	*0*	*523 173*
Credit derivatives	0	1 315	0	*1 315*	0	1 218	0	*1 218*
Other derivatives	0	1 122	0	*1 122*	0	205	0	*205*
Other financial assets	**0**	**0**	**0**	***0***	**0**	**0**	**0**	***0***
Financial assets held for trading	**1 010 974**	**1 864 375**	**57 739**	**2 933 088**	**1 213 689**	**2 631 785**	**70 567**	**3 916 041**
Securities	**0**	**0**	**0**	*0*	**0**	**0**	**0**	*0*
Other financial assets	0	0	0	*0*	0	*0*	0	*0*
Financial assets designated at fair value through profit or loss by option	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	*0*	*153 331*	*0*	*153 331*	*0*	*350 989*	*0*	*350 989*
Equity derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Currency derivatives	*0*	*38 892*	*0*	*38 892*	*0*	*0*	*0*	*0*
Credit derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Hedging derivatives	**0**	**192 223**	**0**	**192 223**	**0**	**350 989**	**0**	**350 989**

Derivatives on level 1 trading shares were offset in 2017 for the first time after a review of the accounting procedures for this type of asset.

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

			Gains and losses reported during the period			Management events during the		Transactions during the period			
			On the income statement								
in thousands of euros	01/01/2017	Reclassifications	On transactions in progress at closing	On transactions derecognised at closing	In equity	Purchases/Issues	Sales/Redemptions	another reporting category	From and to another level	Other changes	31/12/2017
FINANCIAL ASSETS											
Securities	**0**	**0**	**-50**	**0**	**0**	**87 531**	**0**	**42 480**	**-27 949**	**0**	**102 012**
Fixed-income securities	*0*	*0*	*-50*	*0*	*0*	*87 531*	*0*	*42 480*	*-27 949*	*0*	102 012
Variable-income securities	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Derivatives	**67 911**	**0**	**-19 685**	**4 347**	**0**	**0**	**0**	**0**	**0**	**0**	**52 573**
Interest rate derivatives	*67 726*	*0*	*-23 718*	*4 532*	*0*	*0*	*0*	*0*	*0*	*0*	48 540
Equity derivatives	*185*	*0*	*2 827*	*-185*	*0*	*0*	*0*	*0*	*0*	*0*	2 827
Currency derivatives	*0*	*0*	*1 206*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	1 206
Credit derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Other derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial liabilities held for trading	**67 911**	**0**	**-19 735**	**4 347**	**0**	**87 531**	**0**	**42 480**	**-27 949**	**0**	**154 585**
Securities	***450***	***0***	***0***	***0***	***0***	***0***	***-231***	***0***	***0***	***0***	**219**
Fixed-income securities	0	0	0	0	0	0	0	0	0	0	0
Variable-income securities	450	0	0	0	0	0	-231	0	0	0	219
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial assets designated at fair value through profit or loss by option	**450**	**0**	**0**	**0**	**0**	**0**	**-231**	**0**	**0**	**0**	**219**
Interest rate derivatives	0	0	0	0	0	0	0	0	0	0	0
Equity derivatives	0	0	0	0	0	0	0	0	0	0	0
Currency derivatives	0	0	0	0	0	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Equity interests	***942 032***	***0***	***-17***	***0***	***5 324***	***10 007***	***-2 500***	***-4 631***	***841***	***-10 198***	**940 858**
Other securities	***863 961***	***0***	***-2***	***-236***	***-23 273***	***698 791***	***-748 153***	***-54 985***	***-75 999***	***-486***	**659 618**
Fixed-income securities	545 568	0	-2	-344	318	324 258	-461 652	-42 480	-20 756	0	344 910
Variable-income securities	318 393	0	0	108	-23 591	374 533	-286 501	-12 505	-55 243	-486	314 708
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Available-for-sale financial assets	**1 805 993**	**0**	**-19**	**-236**	**-17 949**	**708 798**	**-750 653**	**-59 616**	**-75 158**	**-10 684**	**1 600 476**
FINANCIAL LIABILITIES										0	
Securities	***0***	***0***	***-1***	***0***	***0***	***0***	***0***	***0***	***20***	***0***	**19**
Derivatives	***70 567***	***0***	***-15 729***	***2 882***	***0***	***0***	***0***	***0***	***0***	***0***	**57 720**
Interest rate derivatives	*67 555*	*0*	*-22 721*	*5 895*	*0*	*0*	*0*	*0*	*0*	*0*	50 729
Equity derivatives	*3 012*	*0*	*6 666*	*-3 013*	*0*	*0*	*0*	*0*	*0*	*0*	6 665
Currency derivatives	*0*	*0*	*326*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	326
Credit derivatives	0	0	0	0	0	0	0	0	0	0	0
Other derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial assets held for trading	**70 567**	**0**	**-15 730**	**2 882**	**0**	**0**	**0**	**0**	**20**	**0**	**57 739**
Securities	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	*0*	0	0	0	0	0
Financial assets designated at fair value through profit or loss by option	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0	0	0	0	0	0	0	0	0	0	0
Equity derivatives	0	0	0	0	0	0	0	0	0	0	0
Currency derivatives	0	0	0	0	0	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

At 31 December 2017, 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

in thousands of euros	From To	level 1 level 2	level 1 level 3	level 2 level 1	level 2 level 3	level 3 level 1	level 3 level 2
FINANCIAL ASSETS							
Securities		**31 937**	-	-	-	-	- **27 949**
Fixed-income securities		*14 172*	-	-	-	-	- *27 949*
Variable-income securities		*17 765*	-	-	-	-	-
Derivatives		-	-	-	-	-	-
Interest rate derivatives		-	-	-	-	-	-
Equity derivatives		-	-	-	-	-	-
Currency derivatives		-	-	-	-	-	-
Credit derivatives		-	-	-	-	-	-
Other derivatives		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
Financial liabilities held for trading		**31 937**	-	-	-	-	- **27 949**
Securities		-	-	-	-	-	-
Fixed-income securities		-	-	-	-	-	-
Variable-income securities		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
Financial assets designated at fair value through profit or loss by option		-	-	-	-	-	-
Interest rate derivatives		-	-	-	-	-	-
Equity derivatives		-	-	-	-	-	-
Currency derivatives		-	-	-	-	-	-
Credit derivatives		-	-	-	-	-	-
Other derivatives		-	-	-	-	-	-
Hedging derivatives		-	-	-	-	-	-
Equity interests		-	-	-	***841***	-	-
Other securities		***101 333***	-	***23 734***	***149 774***	- ***70 421***	- ***155 352***
Fixed-income securities		101 333	-	15 825	146 207	- 70 421	- 96 542
Variable-income securities		-	-	7 909	3 567	-	- 58 810
Other financial assets		-	-	-	-	-	-
Available-for-sale financial assets		**101 333**	-	**23 734**	**150 615**	- **70 421**	- **155 352**
FINANCIAL LIABILITIES							
Securities		-	-	-	***20***	-	-
Derivatives		-	-	-	-	-	-
Interest rate derivatives		-	-	-	-	-	-
Equity derivatives		-	-	-	-	-	-
Currency derivatives		-	-	-	-	-	-
Credit derivatives		-	-	-	-	-	-
Other derivatives		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
Financial assets held for trading		-	-	-	**20**	-	-
Securities		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
Financial assets designated at fair value through profit or loss by option		-	-	-	-	-	-
Interest rate derivatives		-	-	-	-	-	-
Equity derivatives		-	-	-	-	-	-
Currency derivatives		-	-	-	-	-	-
Credit derivatives		-	-	-	-	-	-
Other derivatives		-	-	-	-	-	-
Hedging derivatives		-	-	-	-	-	-

The level transfers observed are associated with a general review of the consistency of the levels within Groupe BRED.

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

BRED Group's fair value level 3 assets are sensitive to changes in economic conditions in France and Europe. Excluding BPCE securities, this sensitivity is estimated at €1,227,000.

The cumulative impact of the sensitivity of level 3 derivatives to the main factors (interest rates, inflation, equities, etc.) would be a decrease of €639,000 in the event of a 100 basis point rise in the underlying factors, and an increase of €588,000 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	31/12/2017	31/12/2016
Loans and receivables due from credit institutions	11,761,723	10,811,568
Individual impairment	-3,427	-1,191
Impairment on a portfolio basis	0	0
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**11,758,296**	**10,810,377**

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

Breakdown of gross loans and receivables due from credit institutions

in thousands of euros	31/12/2017	31/12/2016
Overdrafts on current accounts	699,055	444,806
Repurchase agreements	8,193,549	7,530,344
Loans and advances (1)	2,860,481	2,826,912
Securities classified as loans and receivables	0	0
Other loans and receivables due from credit institutions	0	0
Impaired loans and receivables	8,638	9,506
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**11,761,723**	**10,811,568**

(1) At 31 December 2017, the Livret A, LDD and LEP account balances centralised with the Caisse des Depots et Consignations and reported in the "Loans and advances" line amounted to €1,831.3 million (versus €1,896.5 million at 31 December 2016).

5.6.2 - Loans and receivables due from customers

in thousands of euros	31/12/2017	31/12/2016
Loans and receivables due from customers	21,878,273	19,267,899
Individual impairment	-641,258	-604,119
Impairment on a portfolio basis	-87,611	-94,969
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**21,149,404**	**18,568,811**

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	31/12/2017	31/12/2016
Overdrafts on current accounts	**1,180,135**	**1,378,753**
Loans to financial sector customers	20,396	15,504
Short-term credit facilities	3,764,986	3,033,395
Equipment loans	5,213,908	4,743,350
Home loans	8,085,149	7,388,330
Repurchase agreements	169,588	118,026
Repurchase agreements	1,429,810	766,510
Finance leases	184,856	167,721
Subordinated loans	0	0
Other credits	671,152	631,541
Other loans to customers	**19,539,845**	**16,864,377**
Securities classified as loans and receivables	**0**	**18,582**
Other loans and receivables due from customers	**0**	**0**
Impaired loans and receivables	**1,158,293**	**1,006,187**
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**21,878,273**	**19,267,899**

Detailed presentation of finance leases

in thousands of euros	31/12/2017			31/12/2016		
	Property	Movables	Total	Property	Movables	Total
Performing loans	0	184,856	184,856	0	167,721	167,721
Impaired loans	0	4,877	4,877	0	5,238	5,238
Impairment	0	-3,981	-3,981	0	-3,884	-3,884
TOTAL FINANCE LEASES	**0**	**185,752**	**185,752**	**0**	**169,075**	**169,075**

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	31/12/2017	31/12/2016
Treasury bills and similar securities	0	0
Bonds and other fixed income securities	769,790	824,164
Gross amount of held to maturity financial assets	**769,790**	**824,164**
Impairment	0	0
TOTAL HELD TO MATURITY FINANCIAL ASSETS	**769,790**	**824,164**

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

5.8 - Financial asset reclassification

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 2017**	Carrying amount at 31 December 2016	**Fair value at 31 December 2017**	Fair value at 31 December 2016
Reclassified assets at 31 December 2016					
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**	**0**	**18,582**	**0**	**18,582**
Total securities reclassified at 31 December 2016	**521,227**	**0**	**18,582**	**0**	**18,582**
Assets reclassified in 2017					
Trading financial assets reclassified as available for sale financial assets					
Trading financial assets reclassified as loans and receivables					
Available for sale financial assets reclassified as loans and receivables					
Total securities reclassified in 2017	**0**	**0**	**0**	**0**	**0**
Total securities reclassified	**521,227**	**0**	**18,582**	**0**	**18,582**

2017 results associated with reclassified financial assets

in thousands of euros	**Net banking income**	**Cost of risk**	**Total (before tax)**
Trading financial assets reclassified as available for sale financial assets			0
Trading financial assets reclassified as loans and receivables			0
Available for sale financial assets reclassified as loans and receivables	859		859
TOTAL	**859**	**0**	**859**

Change in fair value that would have been recognised if the financial assets had not been reclassified

in thousands of euros	2017 financial year	2016 financial year
Change in fair value	0	0
- that would have been recognised on the income statement if the securities had not been reclassified		
- that would have been recognised as gains or losses directly posted to shareholders' equity if the securities had not been reclassified	0	0

5.9 - Deferred taxes

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	31/12/2017	31/12/2016
Unrealised capital gains on UCITS	353	12,316
Tax EIGs		
Provisions for employee-related liabilities	21,204	23,430
Provisions for home savings products	5,109	5,324
Non-deductible customer-related provisions	9,315	12,171
Provisions for employee profit-sharing	10,421	10,677
Provisions for business goodwill and leasing rights	9,886	11,109
Provisions for sector risk	26,175	29,049
Other non-deductible provisions	12,652	10,710
Other sources of timing differences	-1,067	-1,168
Deferred tax resulting from timing differences	**94,047**	**113,617**
Deferred tax resulting from the capitalisation of tax losses carried forward	4,161	1,813
Fair value of financial instruments	-38,136	-36,466
Provisions on a portfolio basis		
Insurance provisions	8,676	10,471
IAS 19 - Post-employment benefits	4,036	5,513
Other balance sheet valuation adjustments	4,523	3,694
Deferred tax resulting from application of IFRS valuation methods	**-16,739**	**-14,975**
Deferred tax on interest-free loans	**14,268**	**13,359**
NET DEFERRED TAX	**91,576**	**112,001**
Recognised		
As assets on the balance sheet	104,229	130,392
As liabilities on the balance sheet	-12,653	-18,391

5.10 - Accrued income and other assets

in thousands of euros	31/12/2017	31/12/2016
Collection accounts	141,853	87,577
Prepaid expenses	33,181	31,426
Accrued income	13,941	24,636
Other accruals	73,487	37,783
Accruals - Active	**262,462**	**181,422**
Guarantee deposits paid	2,905	4,217
Securities settlement accounts - debit balances	0	0
Reinsurers' share of technical reserves	12,211	10,241
Other insurance-related assets		
Other debtors	1,904,964	2,000,803
Other assets	**1,920,080**	**2,015,261**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**2,182,542**	**2,196,683**

The sundry debtors include in particular the margin calls on swaps.

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

None

5.12 - Deferred profit-sharing

in thousands of euros	31/12/2017	31/12/2016
Deferred profit-sharing assets		
Deferred profit-sharing liabilities	513,584	444,420
TOTAL DEFERRED PROFIT-SHARING [1]	**513,584**	**444,420**

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

5.13 - Investment property

in thousands of euros	31/12/2017			31/12/2016		
	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Investment property measured at fair value	255,297		255,297	234,494		234,494
Investment property measured at historical cost	4,784	-1,953	2,831	5,012	-2,058	2,954
TOTAL INVESTMENT PROPERTY	**260,081**	**-1,953**	**258,128**	**239,506**	**-2,058**	**237,448**

5.14 - Fixed assets

in thousands of euros	31/12/2017			31/12/2016		
	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Tangible assets						
Land and buildings	225,256	-80,375	144,881	225,644	-77,014	148,630
Movable property made available under finance leases	0	0	0	0	0	0
Equipment, furniture and other property, plant and equipment	259,851	-148,926	110,925	259,680	-150,056	109,624
TOTAL PROPERTY, PLANT AND EQUIPMENT	**485,107**	**-229,301**	**255,806**	**485,324**	**-227,070**	**258,254**
Intangible assets						
Leasehold rights	46,793	-41,841	4,952	47,480	-42,262	5,218
Software	47,261	-37,696	9,565	46,321	-42,128	4,193
Other intangible assets	21,349	-5,815	15,534	17,007	-5,802	11,205
TOTAL INTANGIBLE ASSETS	**115,403**	**-85,352**	**30,051**	**110,808**	**-90,192**	**20,616**

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	31/12/2017	31/12/2016
OPENING VALUE	**0**	**0**
Acquisitions		
Disposals		
Impairment	**-1,181**	**-875**
Reclassifications		
Translation differences		
Other changes	**1,181**	**875**
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.

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	**31/12/2017**	**31/12/2016**
Demand deposits	1,159,546	882,400
Repurchase agreements	0	0
Related liabilities	0	0
Amounts due to credit institutions - repayable on demand	**1,159,546**	**882,400**
Term loans and deposits	6,820,127	7,279,614
Repurchase agreements	365,816	2,297,881
Related liabilities	-1,649	11,152
Amounts due to credit institutions - repayable at agreed maturity dates	**7,184,294**	**9,588,647**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**8,343,840**	**10,471,047**

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 €2,277.6 million at 31 December 2017 versus €2,440.4 million at 31 December 2016.

5.16.2 - Amounts due to customers

in thousands of euros	**31/12/2017**	**31/12/2016**
Credit balances on ordinary accounts	**16,618,947**	**12,638,617**
A booklet	1,054,875	1,048,703
Regulated home savings plans (PEL) and regulated home savings accounts (CEL)	1,802,588	1,780,264
Other regulated savings accounts	2,272,732	2,197,315
Related liabilities	0	3
Regulated savings accounts	**5,130,195**	**5,026,285**
Demand deposits and loans	6,147,689	6,457,368
Term deposits and loans	6,261,980	5,651,207
Related liabilities	33,294	33,504
Other customer accounts	**12,442,963**	**12,142,079**
Demand	0	300,000
Term	818,085	1,655,084
Related liabilities	13	-255
Repurchase agreements	**818,098**	**1,954,829**
Other amounts due to customers	**0**	**0**
TOTAL AMOUNTS DUE TO CUSTOMERS	**35,010,203**	**31,761,810**

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	31/12/2017	31/12/2016
Bonds	135,200	196,400
Interbank instruments and negotiable debt securities	7,947,434	5,701,287
Other debt securities	0	0
Total	**8,082,634**	**5,897,687**
Related liabilities	2,726	2,174
TOTAL DEBT SECURITIES	**8,085,360**	**5,899,861**

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

5.18 - Accrued expenses and other liabilities

in thousands of euros	31/12/2017	31/12/2016
Collection accounts	763,453	330,966
Prepaid income	200,278	167,557
Accounts payable	105,363	95,974
Other accruals	56,318	59,680
Accrual accounts - liabilities	**1,125,412**	**654,177**
Securities settlement accounts - credit balances	14	7
Guarantee deposits received	397	398
Sundry creditors	802,526	923,422
Other insurance-related liabilities	257,789	31,756
Other liabilities	**1,060,726**	**955,583**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**2,186,138**	**1,609,760**

Sundry creditors primarily include margin calls.

5.19 - Technical reserves of insurance contracts

in thousands of euros	31/12/2017	31/12/2016
Non-life insurance technical reserves	**9,285**	**5,754**
Technical reserves of life insurance contracts in euro	5,690,287	5,588,235
Technical reserves of life insurance contracts in unit-linked accounts	854,481	933,146
Life insurance technical reserves	**6,544,768**	**6,521,381**
Technical reserves of financial contracts	**0**	**0**
Deferred profit-sharing	**513,584**	**444,420**
TOTAL INSURANCE TECHNICAL RESERVES	**7,067,637**	**6,971,555**

Non-life insurance technical reserves include provisions for unearned premiums and outstanding claims reserves.
Life insurance technical reserves comprise mainly mathematical provisions, which correspond generally to the policies’ redemption value.

Technical reserves of financial contracts are mathematical provisions calculated by reference to the contracts' underlying assets.
Provisions for deferred profit-sharing represent unrealised investment income accruing to the policyholders that has not yet been distributed.

5.20 - Provisions

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

in thousands of euros	**01/01/2017**	**Increase**	**Use**	**Unused reversals**	**Other movements**	**31/12/2017**
Provisions for employee benefit obligations	103,674	4,521		-4,107	-3,402	100,686
Provisions for restructuring						0
Legal and tax risks	37,517	11,565	-5,617	-6,375	-586	36,504
Loan and guarantee commitments	39,469	5,036	-19,364	-420	212	24,933
Provisions for home savings products	17,539	454				17,993
Other operating provisions	12,249	346	-995	-2,391	3,979	13,188
TOTAL PROVISIONS	**210,448**	**21,922**	**-25,976**	**-13,293**	**203**	**193,304**

5.20.1 - Deposits held in regulated home savings products

Deposits held

in thousands of euros	**31/12/2017**	**31/12/2016**
Deposits held in regulated home savings plans (PEL)		
less than 4 years	241,070	842,528
more than 4 years and less than 10 years	1,008,426	350,642
more than 10 years	398,741	406,555
Deposits held in regulated home savings plans	**1,648,237**	**1,599,725**
Deposits held in regulated home savings accounts	147,945	145,092
TOTAL DEPOSITS HELD IN REGULATED HOME SAVINGS PRODUCTS	**1,796,182**	**1,744,817**

5.20.2 - Loans granted in connection with regulated home savings products

Loans granted

in thousands of euros	**31/12/2017**	**31/12/2016**
Loans granted under PEL regulated home savings plans	1,492	2,184
Loans granted under CEL regulated home savings accounts	2,521	3,786
TOTAL LOANS GRANTED IN CONNECTION WITH REGULATED HOME SAVINGS PRODUCTS	**4,013**	**5,970**

5.20.3 - Provisions for regulated home savings products

in thousands of euros	31/12/2016	Provisions / Reversals	Other	31/12/2017
Provisions for regulated home savings plans				
within the last 4 years or less	8,979	-4,799		4,180
more than 4 years and less than 10 years	1,503	4,208		5,711
more than 10 years	5,916	845		6,761
Provisions for regulated home savings plans	**16,398**	**254**	**0**	**16,652**
Provisions for regulated home savings accounts	**1,141**	**200**		**1,341**
Provisions for PEL regulated home savings loans	0			0
Provisions for CEL regulated home savings loans	0			0
Provisions for regulated home savings loans	**0**	**0**	**0**	**0**
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**17,539**	**454**	**0**	**17,993**

5.21 - 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.

in thousands of euros	**31/12/2017**	**31/12/2016**
Term subordinated debt	200,969	259,844
Undated subordinated debt	0	0
Mutual guarantee deposits	7,038	5,355
Subordinated and similar debt	**208,007**	**265,199**
Related liabilities	7,140	8,594
Revaluation of the hedged component	0	0
TOTAL SUBORDINATED DEBT	**215,147**	**273,793**

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

Changes in subordinated and similar debt during the year

in thousands of euros	01/01/2017	Issue	Repayment	Other movements	**31/12/2017**
Term subordinated debt	259,844		-58,875		200,969
Undated subordinated debt	0			0	0
Undated deeply subordinated debt	0			0	0
Preferred shares	0			0	0
Mutual guarantee deposits	5,355	1,683		0	7,038
SUBORDINATED AND SIMILAR DEBT	**265,199**	**1,683**	**-58,875**	**0**	**208,007**

5.22 - Ordinary shares and other equity instruments issued

5.22.1 Cooperative shares

	31/12/2017			31/12/2016		
in thousands of euros	**Number**	**Nominal**	**Capital**	**Number**	**Nominal**	**Capital**
Cooperative shares						
Opening value	81,458,639	10.31	839,838	66,647,978	10.26	683,808
Capital increase	14,810,661	10.31	152,698	14,810,661	10.26	151,957
Capital decrease						0
Other changes		0.03	2,888		0.05	4,073
Closing value	**96,269,300**	**10.34**	**995,425**	**81,458,639**	**10.31**	**839,838**

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 31/12/2017 (in thousands of euros)				Non-controlling interests			Subsidiaries and 100% structured entities - summarised financial information			
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-con-trolling interests	Amount of the subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Total assets	Total debts (total liabilities – members' equity)	Net profit	Comprehensive income
BRED Vanuatu	Vanuatu	15,00%	15,00%	-316	5 114	185	201 882	183 092	2 106	3 146
BCI Mer Rouge	Djibouti	49,00%	49,00%	-92	11 888		328 254	318 199	188	992
Banque Franco Lao	Laos	46,00%	46,00%	-436	14 760		117 204	100 967	949	1 756
Other entities				1 602	3 980					
TOTAL				**757**	**35 742**	**185**	**647 339**	**602 258**	**3 243**	**5 894**

Data at 31/12/2016 (in thousands of euros)				Non-controlling interests			Subsidiaries and 100% structured entities - summarised financial information			
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-con-trolling interests	Amount of the subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Total assets	Total debts (total liabilities – 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**

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

	2017 financial year			2016 financial year		
in thousands of euros	Gross	Tax	Net	Gross	Tax	Net
Revaluation differences on defined-benefit pension schemes	3,308	-1,554	1,754	-14,650	3,908	-10,742
Share of gains or losses recognised directly in other items of the comprehensive income of associates that cannot be reclassified in income	///	///	29	///	///	-27
Items that cannot be reclassified in income			**1,783**			**-10,769**
Translation differences	-7,080	///	-7,080	-3,168	///	-3,168
Change in the value of available-for-sale financial assets	-40,537	18,595	-21,942	116,656	-3,286	113,370
Change in the value of hedging derivatives	-11,279	3,608	-7,671	-2,560	1,515	-1,045
Share of gains or losses recognised directly in other items of the comprehensive income of associates that can be reclassified in income	///	///	-233	///	///	-855
Items that can be recycled in income			**-36,926**			**108,302**
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN OTHER ITEMS OF COMPREHENSIVE INCOME (NET OF INCOME TAX)			**-35,143**			**97,533**
Attributable to equity holders of the parent company			-30,038			96,794
Non-controlling interests			-5,105			738

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 agreements 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

in millions of euros	31/12/2017				31/12/2016			
	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 (transactions and hedging)	1 652	1 323	167	162	2 296	1 883	252	161
Repurchase agreements	9 624	9 533	1	90	6 981	6 976	6	0
Other assets	0	0	0	0	0	0	0	0
TOTAL	**11 276**	**10 855**	**168**	**252**	**9 277**	**8 858**	**258**	**161**

5.25.2 - Financial liabilities

Financial liabilities under netting agreements not offset in the balance sheet

in millions of euros	Net amount of financial liabilities recognised in the balance sheet	Related financial liabilities and financial instruments given as	Margin calls paid (*cash collateral*)	Net exposure	Net amount of financial liabilities recognised in the balance sheet	Related financial liabilities and financial instruments given as	Margin calls received (*cash collateral*)	Net exposure
Derivatives (transactions and hedging)	2 270	1 323	650	297	2 939	1 883	934	129
Repurchase agreements	1 184	1 166	0	18	3 902	3 901	0	1
Other liabilities	0	0	0	0	0	0	0	0
TOTAL	**3 454**	**2 489**	**650**	**315**	**6 842**	**5 784**	**934**	**129**

NOTE 6 - NOTES TO THE INCOME STATEMENT

6.1 - Interest and similar income and expenses

This heading comprises the interest income and expenses, calculated using the effective interest method, from financial assets and liabilities measured at amortised cost, which include interbank and customer loans, held to maturity assets, debt securities and subordinated debt.

It also includes accrued interest receivable on fixed-income securities classified as available for sale financial assets and hedging derivatives, it being specified that accrued interest on cash flow hedging derivatives is taken to income in the same manner and period as the accrued interest on the hedged item

in thousands of euros	2017 financial year			2016 financial year		
	Income	Expenses	Net	Income	Expenses	Net
Loans and receivables - customers	536,173	-99,770	436,403	555,905	-90,116	465,789
Loans and receivables - credit institutions	23,535	-51,105	-27,570	29,901	-31,883	-1,982
Finance leases	9,361	///	9,361	8,996	///	8,996
Debt securities and subordinated debt	///	-23,519	-23,519	///	-27,812	-27,812
Hedging derivatives	117,890	-113,179	4,711	72,043	-122,622	-50,579
Available-for-sale financial assets	187,211	///	187,211	163,757	///	163,757
Held to maturity financial assets	29,101	///	29,101	28,469	///	28,469
Impaired financial assets	0	///	0	0	///	0
Other interest income and expenses	0	5,778	5,778	0	20,824	20,824
TOTAL INTEREST INCOME AND EXPENSES	**903,271**	**-281,795**	**621,476**	**859,071**	**-251,609**	**607,462**

The interest income from loans and receivables with credit institutions totals €18.973 million (€9.610 million in 2016) 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 provision/expense of €0.454 million consisting of the net charge to the provision for regulated home savings products (reversal/income of €8.736 million in 2016).

6.2 - Fee and commission income and expenses

Fees and commissions are recorded based on the type of service rendered and on the method of accounting for the financial instrument to which the service relates.
This heading includes mainly fees and commissions receivable or payable on recurring services (commission on payment instruments, securities custody fees, etc.) and occasional services (fund transfers, payment incident penalties, etc.), commissions receivable or payable on execution of significant transactions, and commissions receivable or payable on fiduciary and similar assets held or invested on behalf of the Group's customers.
On the other hand, fees and commissions that are in the nature of additional interest and form an integral part of the effective interest rate of a financial instrument are reported as a component of net interest income.

in thousands of euros	2017 financial year			2016 financial year		
	Income	Expenses	Net	Income	Expenses	Net
Interbank and cash transactions	13,484	-756	12,728	10,712	-973	9,739
Customer transactions	158,540	-826	157,714	150,716	-603	150,113
Financial services	27,432	-8,022	19,410	30,407	-7,016	23,391
Sales of life insurance products	3,094	///	3,094	2,572	///	2,572
Payment services	194,710	-108,100	86,611	178,438	-100,173	78,265
Securities transactions	11,700	0	11,700	9,981	0	9,981
Fiduciary services	2,651	0	2,651	1,561	0	1,561
Financial instrument and off-balance sheet transactions	30,327	-6,068	24,259	27,934	-4,472	23,462
Other	6,180	-6,899	-719	5,402	-6,207	-805
TOTAL FEES AND COMMISSIONS	**448,118**	**-130,671**	**317,448**	**417,723**	**-119,444**	**298,279**

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	2017 financial year	2016 financial year
Gains or losses on financial instruments at fair value through profit or loss (excluding hedging derivatives)	**116,015**	**114,751**
Gains or losses on financial instruments held for trading	63,481	89,203
Gains or losses on financial instruments designated at fair value through profit or loss by option	52,534	25,548
Gains or losses on hedging transactions	**3,218**	**-1,454**
- Ineffective portion of fair value hedges	*3,325*	*-1,561*
** Changes in the fair value of the hedging instrument*	*133*	*-30,692*
** Changes in fair value of the hedged items attributable to the risks hedged*	*3,192*	*29,131*
- Ineffective portion of cash flow hedges	*-107*	*107*
- Ineffective portion of hedges of net investments in foreign operations	*0*	*0*
Gains or losses on foreign exchange transactions	**81,759**	**87,130**
NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**200,992**	**200,427**

	2017 financial year	2016 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
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	2017 financial year	2016 financial year
Gains on disposal	89,402	48,751
Dividends received	28,542	22,276
Impairment in value of variable-income securities	-684	-115
TOTAL NET GAINS OR LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS	**117,260**	**70,912**

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 lease operations;
- income and expenses from property development activities (revenue, purchases consumed).

	2017 financial year			2016 financial year		
in thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Earned premiums	720 349	0	720 349	790 000	0	790 000
Paid benefits and claims	0	-544 374	-544 374	0	-511 318	-511 318
Change in provisions for profit-sharing	-443	-55 155	-55 598	0	-32 644	-32 644
Change in other provisions	0	-255 802	-255 802	0	-356 400	-356 400
Other technical income and expenses	13 966	-320	13 646	12 920	-800	12 120
Income and expenses from insurance activities	**733 872**	**-855 651**	**-121 779**	**802 920**	**-901 162**	**-98 242**
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	3		3	2		2
Investment property depreciation and impairment loss charges and reversals	4 374	-210	4 164	1 761	-211	1 550
Income and expenses from investment property	1 679	-504	1 175	1 974	-558	1 416
Income and expenses from investment property	**6 056**	**-714**	**5 342**	**3 737**	**-769**	**2 968**
Share of joint ventures	2 889	0	2 889	2 731	0	2 731
Transfers of expenses and income	1 947	-22	1 925	1 477	-36	1 441
Other operating income and expenses	10 879	-8 084	2 795	10 736	-4 943	5 793
Charges to and reversals from provisions booked to other operating income and expenses	0	3 749	3 749	0	3 240	3 240
Other banking operating income and expenses	**15 715**	**-4 357**	**11 358**	**14 944**	**-1 739**	**13 205**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**755 643**	**-860 722**	**-105 079**	**821 601**	**-903 670**	**-82 069**

Income and expenses from insurance activities

The table below provides a transition between the financial statements of insurance companies included in the scope of consolidation and their translation into BRED Group's financial statements in accordance with the presentation applicable to banks.

in thousands of euros	2017 presentation				2017 insurance presentation	2016 insurance presentation
	GNP	Operating expenses	Gross operating profit	Other items		
Earned premiums	743 631	0	743 631	0	743 631	811 680
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	237 745	-2 883	234 862	0	234 862	201 893
TOTAL INCOME FROM ORDINARY ACTIVITIES	**981 376**	**-2 883**	**978 493**	**0**	**978 493**	**1 013 573**
Claims and benefits	-562 119	-2 634	-564 753	0	-564 753	-537 053
Expenses from other activities	-312 841	0	-312 841	0	-312 841	-382 159
Net income and expenses from outward reinsurance	-980	0	-980	0	-980	-2 654
Policy acquisition costs	-22 951	-2 948	-25 899	0	-25 899	-22 351
Administrative expenses	-24 904	-4 278	-29 182	0	-29 182	-28 118
Other recurring operating income and expenses	-402	-6 017	-6 419	0	-6 419	-6 576
OTHER OPERATING INCOME AND EXPENSES	**-924 197**	**-15 877**	**-940 074**	**0**	**-940 074**	**-978 911**
OPERATING PROFIT (LOSS)	**57 179**	**-18 760**	**38 419**	**0**	**38 419**	**34 662**

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	2017 financial year	2016 financial year
Personnel costs	**-401,810**	**-383,719**
Taxes, duties and regulatory contributions (1)	-39,637	-40,833
External services and other operating expenses	-214,002	-203,204
Other administrative expenses	**-253,639**	**-244,037**
TOTAL OPERATING EXPENSES	**-655,449**	**-627,756**

(1) Taxes and duties include the contributions required by regulators: contribution to the SRF (Single Resolution Fund) for an annual amount of €11.6 million (as against €8.9 million in 2016) and the systemic banking risk tax (TSB) for an annual amount of €4.1 million (as against €4.5 million in 2016). The breakdown of personnel costs is presented 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	2017 financial year	2016 financial year
Net charges to provisions and provisions for impairment	-88,454	-70,094
Recoveries of bad debts written off	5,048	1,297
Irrecoverable loans not covered by provisions for impairment	-10,155	-4,728
TOTAL COST OF RISK	**-93,561**	**-73,525**

Cost of risk for the period by asset type

in thousands of euros	2017 financial year	2016 financial year
Interbank transactions	-2,714	-1,252
Customer transactions	-77,117	-73,434
Other financial assets	-13,730	1,161
TOTAL COST OF RISK	**-93,561**	**-73,525**

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	2017 financial year	2016 financial year
Gains or losses on the disposal of property, plant and equipment and intangible assets used in operations	1,692	21,800
Gains or losses on the disposal of consolidated investments	-4,016	0
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**-2,324**	**21,800**

6.9 - Change in the value of goodwill

in thousands of euros	2017 financial year	2016 financial year
Impairment	-1,181	-875
TOTAL CHANGE IN THE VALUE OF GOODWILL	**-1,181**	**-875**

6.10 - Income tax expense

in thousands of euros	2017 financial year	2016 financial year
Current tax	-95,453	-110,863
Deferred tax	-40,502	-22,729
TOTAL INCOME TAX EXPENSE	**-135,955**	**-133,592**

Reconciliation between the recognised tax expense and the theoretical tax expense

	2017 financial year		2016 financial year	
	in thousands of euros	Tax rates	in thousands of euros	Tax rates
Net profit attributable to the group	257 217		266 424	
Change in the value of goodwill	1 181		875	
Non-controlling interests	-757		1 392	
Share of net profit or loss of associates	-30 166		-26 230	
Taxes	135 955		133 592	
PROFIT BEFORE TAX AND CHANGES IN VALUE OF GOODWILL (A)	**363 430**		**376 053**	
Standard income tax rate in France (B)		**34,43%**		**34,43%**
Theoretical tax expense (income) at the tax rate in force in France (AxB)	**-125 129**		**-129 475**	
Impact of permanent differences and other taxes (1)	-10 826		-4 117	
Income tax expense (credit)	**-135 955**		**-133 592**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**37,41%**		**35,52%**

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

The permanent differences and other taxes are primarily: non-deductible taxes and contributions, the parent/subsidiary regime, the treatment of deferred taxes of tax optimisation companies.

NOTE 7 - EXPOSURE TO RISKS

Information relating to the capital and its management and to regulatory ratios is presented in the Risk management section. Information concerning financial assets with past due payments and restructuring due to financial difficulties is provided in the section Risk Management - Credit and Counterparty Risks.

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 outstanding loans 31/12/2017	Net outstanding loans 31/12/2016
Financial assets at fair value through profit or loss (excluding variable-income securities)	3,756,905	0	0	3,756,905	6,791,098
Hedging derivatives	134,414	0	0	134,414	160,375
Available-for-sale financial assets (excluding variable-income securities)	8,028,452	28,543	-14,055	8,042,940	7,421,439
Loans and receivables due from credit institutions	11,807,358	8,638	-3,427	11,812,569	10,838,335
Loans and receivables due from customers	21,038,687	1,165,103	-730,699	21,473,091	18,920,165
Held to maturity financial assets				0	0
Other debtors	413,554	8,358	-5,249	416,663	149,300
Exposure of balance sheet commitments	**45,179,370**	**1,210,641**	**-753,430**	**45,636,581**	**44,280,712**
Financial guarantees given	2,317,457	43,286	0	2,360,743	1,828,485
Off-balance sheet commitments	3,651,639	63,146	-24,873	3,689,913	3,707,609
Exposure of off-balance sheet commitments	**5,969,096**	**106,433**	**-24,873**	**6,050,656**	**5,536,095**
OVERALL EXPOSURE TO CREDIT RISK AND COUNTERPATY RISK AT 31 DECEMBER 2017	**51,148,466**	**1,317,074**	**-778,303**	**51,687,238**	**49,816,807**

7.1.3 - Impairment and provisions for credit risk

in thousands of euros	01/01/2017	Provisions made	Provisions written back	Other changes	31/12/2017
Available-for-sale financial assets	700	13,355	0	0	14,055
Interbank transactions	1,190	2,206	0	31	3,427
Customer transactions	700,888	150,313	-108,518	-11,984	730,699
Held to maturity financial assets	0	0	0	0	0
Other financial assets	5,524	484	-618	-141	5,249
Impairment losses deducted from assets	**708,302**	**166,358**	**-109,136**	**-12,094**	**753,430**
Provision for loans and guarantee commitments	39,439	5,036	-19,794	192	24,873
TOTAL IMPAIRMENT AND PROVISIONS FOR CREDIT RISK	**747,741**	**171,394**	**-128,930**	**-11,902**	**778,303**

7.1.4 - Past due financial assets

Assets with past due payments are performing financial assets for which a payment incident has been recorded. For example:

- a debt instrument is considered past due if the bond issuer is no longer making interest payments;
- a loan is considered past due if a payment or instalment has been missed and recorded as such in the accounts;

The amounts shown in the table below do not include past due payments resulting from technical factors, such as in particular the time lag between the value date and the date of recognition in the customer's account.

Assets with past due payments (outstanding principal and accrued interest in the case of loans and total overdrawn balance in the case of current accounts) can be broken down by due date as follows:

in thousands of euros	Not impaired outstandings with past due payments				Impaired outstandings (net value)	Total outstanding loans
	< or = 90 days	> 90 days and <= 180 days	> 180 days and <= 1 year	> 1 year		
Debt instruments	0	0	0	0	14,488	14,488
Loans and advances	254,031	2,511	0	0	527,509	784,051
Other financial assets	0	0	0	0		0
Total at 31/12/2017	**254,031**	**2,511**	**0**	**0**	**541,997**	**798,539**

Information based on prudential perimeter

in thousands of euros	Not impaired outstandings with past due payments < or = 90 days	> 90 days and <= 180 days	> 180 days and <= 1 year	> 1 year	Impaired outstandings (net value)	Total outstanding loans
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**

7.1.5 - Credit risk reduction 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	2017 financial year	2016 financial year
Non-current assets held for sale	0	0
Tangible assets	0	0
Investment property	0	0
Equity and debt instruments	0	0
Other	0	0
TOTAL ASSETS ACQUIRED BY TAKING POSSESSION OF COLLATERAL	**0**	**0**

7.2 - Market risk

Market risk represents the risk of a financial loss due to changes in market variables, in particular:

- interest rates: interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates;
- exchange rates;
- prices: price risk is the risk of a potential loss resulting from changes in market prices, whether caused by factors specific to the instrument or its issuer or by factors affecting all instruments traded in the market. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk; and
- more generally any market variable used in the valuation of portfolios.

The systems for measuring and monitoring market risks are described in the risk management report.

in thousands of euros	31/12/2017	31/12/2016
Market risk in respect of interest rate positions under the standard approach	52,517	60,630
Market risk in respect of equity positions under the standard approach	4,497	5,650
Market risk in respect of foreign exchange positions under the standard approach	19,904	21,130
Market risk in respect of commodity positions under the standard approach	20	29
Total market risks	**76,939**	**87,439**

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 report on the management of risks: liquidity risk, rate risk and exchange risk.

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	More than 5 years	Undetermined	Total at 31/12/2017
Cash and amounts due from central banks	8 641 214	0					8 641 214
Financial assets at fair value through profit or loss - trading book						6 876 396	6 876 396
Financial assets at fair value through profit or loss - fair value op	0	0	0	35 271	0	1 508 540	1 543 811
Hedging derivatives						134 414	134 414
Available for sale financial assets	62 381	50 358	2 247 467	5 844 147	3 083 127	2 994 402	14 281 882
Loans and receivables due from credit institutions	6 789 614	815 665	3 005 568	1 088 129	40 891	18 429	11 758 296
Loans and receivables due from customers	3 226 208	532 468	2 449 094	6 620 180	8 321 142	312	21 149 404
Re-measurement adjustments on interest-rate risk hedged portfolio						4 425	4 425
Held to maturity financial assets	0	0	0	336 482	433 308	0	769 790
FINANCIAL ASSETS BY MATURITY	**18 719 417**	**1 398 491**	**7 702 129**	**13 924 209**	**11 878 468**	**11 536 918**	**65 159 632**
Amounts due from central banks	6	0	0	0	0	0	6
Financial liabilities at fair value through profit or loss - trading book						2 933 088	2 933 088
Financial liabilities at fair value through profit or loss - fair valu	0	0	0	0	0	0	0
Hedging derivatives						192 223	192 223
Amounts due to credit institutions	4 969 632	767 823	1 038 262	1 430 936	113 805	23 382	8 343 840
Amounts due to customers	32 086 032	328 353	1 596 813	900 382	98 623	0	35 010 203
Subordinated debt	22 109	0	187 536	2 160	974	2 368	215 147
Debt securities	2 286 037	4 514 945	1 204 728	70 850	8 800	0	8 085 360
Re-measurement adjustments on interest-rate risk hedged portfolio						44 431	44 431
FINANCIAL LIABILITIES BY MATURITY	**39 363 816**	**5 611 121**	**4 027 339**	**2 404 328**	**222 202**	**3 195 492**	**54 824 298**
Financing commitments given to credit institutions	170	115	435 153	254 808	0	0	690 246
Financing commitments given to customers	52 913	104 529	75 390	2 681 381	0	92 772	3 006 985
TOTAL FINANCING COMMITMENTS GIVEN	**53 083**	**104 644**	**510 543**	**2 936 189**	**0**	**92 772**	**3 697 231**
Guarantee commitments given to credit institutions	125	12 502	21 620	0	0	649 945	684 192
Guarantee commitments given to customers	1 651 386	10 914	8 410	4 716	611	0	1 676 037
TOTAL GUARANTEE COMMITMENTS GIVEN	**1 651 511**	**23 416**	**30 030**	**4 716**	**611**	**649 945**	**2 360 229**

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	**31/12/2017**	**31/12/2016**
ACLEDA BANK Plc	93,736	94,217
BCEL Public	20,720	16,519
Banque Calédonienne d'Investissement	144,901	135,480
SBE (formerly SOGEFIP)	23,429	22,744
SOCREDO Banque Polynésienne	43,898	42,266
ACLEDA MFI Myanmar	1,211	0
Financial companies	**327,895**	**311,226**
Aurora	18,635	18,635
Other		
Non-financial companies	**18,635**	**18,635**
TOTAL HOLDINGS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**346,530**	**329,861**

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.

significant companies	**Associates**					
In thousands of euros	Banque Calédonienne d'Investissement (BCI) 31/12/2017	Banque Calédonienne d'Investissement (BCI) 31/12/2016	ACLEDA 31/12/2017	ACLEDA 31/12/2016	Socrédo 31/12/2017	Socrédo 31/12/2016
Valuation method	MEE	MEE	MEE	MEE	MEE	MEE
DIVIDENDS RECEIVED	**3 732**	**3 394**	**6 690**	**5 660**	**700**	**705**
MAIN AGGREGATES						
Total assets	***2 723 159***	***2 682 400***	***4 264 586***	***4 394 180***	***2 231 117***	***2 238 984***
Total debt	***2 432 776***	***2 410 897***	***3 650 363***	***3 770 583***	***1 938 467***	***1 957 210***
Income statement						
GNP	90 784	90 249	287 292	280 912	72 938	77 884
Operating profit	44 637	43 813	109 627	134 557	19 738	16 355
Income tax	-19 967	-17 690	-23 461	-28 492	-5 980	-5 819
Net profit	25 298	25 525	86 166	106 065	13 497	10 863
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	290 383	271 502	619 676	623 598	292 651	281 774
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	144 901	135 480	75 910	76 391	43 898	42 266
Goodwill			17 826	17 826	0	0
VALUE OF THE HOLDINGS ACCOUNTED FOR UNDER THE EQUITY METHOD	**144 901**	**135 480**	**93 736**	**94 217**	**43 898**	**42 266**
MARKET VALUE OF THE HOLDINGS ACCOUNTED FOR UNDER THE EQUITY METHOD						

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 31/12/2017 are as follows:

non-material companies		
In thousands of euros	*Joint ventures*	*Associate*
Carrying amount of holdings accounted for under the equity method	0	63,995
Total amount of shares in:		
Net profit (a) o/w discontinued activities	0	4,655
Gains and losses recognised directly in equity (b)	0	-1,193
Comprehensive income (a) + (b)	0	3,462

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*	*Associate*
Carrying amount of holdings accounted for under the equity method		57,899
Total amount of shares in:		
Net profit (a) o/w discontinued activities		-1,005
Gains and losses recognised directly in equity (b)		-1,883
Comprehensive income (a) + (b)		-2,889

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	**2017 financial year**	**2016 financial year**
Acleda	10,555	12,993
BCEL	3,526	-2,173
BCI	12,624	12,737
SBE	896	1,167
Socredo	2,332	1,505
Acleda MFI Myanmar	233	
Financial companies	**30,166**	**26,230**
Aurora		
Non-financial companies	**0**	**0**
SHARE OF NET PROFIT OF COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**30,166**	**26,230**

NOTE 9 - EMPLOYEE BENEFITS

9.1 - Personnel costs

in thousands of euros	2017 financial year	2016 financial year
Wages and salaries	-218 854	-208 780
Costs of defined-benefit and defined-contribution plans	-44 650	-40 785
Other social security costs and taxes	-91 221	-87 110
Profit-sharing and incentive plans	-47 085	-47 044
TOTAL PERSONNEL COSTS	**-401 810**	**-383 719**

Below is the average active workforce in the Group (fully consolidated companies) during the period, broken down by occupational category: 2,114 management staff and 2,463 non-management staff, making a total of 4,577 employees. The CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi) is deducted from payroll costs. It amounted to €5.964 million for financial year 2017 versus €4.365 million for financial year 2016. The use of this tax is presented in the "Corporate social and environmental responsibility" section of the annual report.

9.2 - Employee benefit obligations

Groupe BPCE grants its staff a variety of employee benefits.

The Banques Populaires banks' private supplementary pension plan, managed by Caisse Autonome de Retraite des Banques Populaires (CARBP), covers the pension benefits deriving from the closure of the banking pension scheme on 31 December 1993.

The pension plans managed by CARBP are partly covered by an insurance policy for annuities paid to beneficiaries having passed a reference age and for obligations related to younger beneficiaries. 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 are composed of assets adapted to 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.

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

in thousands of euros	Defined benefit post-employment plans		Other long-term benefits		31/12/2017	31/12/2016
	Pension complements and other schemes	End-of-career awards	Long-service awards	Other benefits		
Actuarial liabilities	116 782	44 782	5 176	443	**167 182**	**168 605**
Fair value of plan assets	64 379	3 102	0	0	**67 481**	**-66 399**
Fair value of reimbursement rights	0	0	0	0	**3 102**	**0**
Effect of ceiling on plan assets	0	0	0	0	**0**	**0**
Net amount reported on the balance sheet	**52 403**	**41 680**	**5 176**	**443**	**361 430**	**102 206**
Employee benefit commitments recorded in the	52 403	41 680	5 176	443	**99 702**	**102 206**
Plan assets recorded on the balance sheet	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	Defined benefit post-employment plans		Other long-term benefits		2017 financial year	2016 financial year
	Pension complements and other schemes	End-of-career awards	Long-service awards	Other benefits		
Actuarial liabilities at the start of the period	**120 633**	**43 089**	**4 883**	**0**	**168 605**	**156 401**
Cost of services rendered	0	2 474	319	0	**2 793**	**2 395**
Past service cost	0	0	0	0	**0**	**0**
Interest disbursed	1 059	529	43	0	**1 631**	**2 784**
Benefits paid	-3 643	-2 623	-73	0	**-6 339**	**-7 831**
Other	0	592	4	-16	**580**	**339**
Variations booked as profit/loss	**-2 584**	**972**	**293**	**-16**	**-1 335**	**-2 313**
Reevaluation discrepancies - Demographic hypotheses	0	1 848	**0**	**0**	**1 848**	**-1 750**
Reevaluation discrepancies - Financial hypotheses	-450	-647	**0**	**0**	**-1 097**	**17 074**
Reevaluation discrepancies - Experience effects	-817	-441	**0**	**0**	**-1 258**	**-1 163**
Variations accounted for directly as non-recyclable equity	**-1 267**	**760**	**0**	**0**	**-507**	**14 161**
Other	**0**	**-12**	**0**	**483**	**470**	**353**
Translation differences	0	**-27**	**0**	**-24**	**-51**	**3**
ACTUARIAL LIABILITIES CALCULATED AT END OF PERIOD	**116 782**	**44 782**	**5 176**	**443**	**167 182**	**168 605**

Change in plan assets

in thousands of euros	Defined benefit post-employment plans		2017 financial year	Defined benefit post-employment plans		2016 financial year
	Pension complements and other schemes	End-of-career awards		Pension complements and other schemes	End-of-career awards	
Fair value of assets at start of period	**61 143**	**5 256**	**66 399**	**61 755**	**7 206**	**68 961**
Interest received	569	58	627	1 081	142	1 223
Contributions received	0	0	0	0	0	0
Benefits paid	-84	-2 262	-2 346	-1 147	-2 142	-3 289
Other	0	0	0	0	0	0
Variations booked as profit/loss	**485**	**-2 204**	**-1 719**	**-66**	**-2 000**	**-2 066**
Discrepancies - Return on scheme's assets	2 751	50	2 801	-546	50	-496
Variations accounted for directly as non-recyclable equity	**2 751**	**50**	**2 801**	**-546**	**50**	**-496**
Translation differences	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**
FAIR VALUE OF ASSETS AT END OF PERIOD	**64 379**	**3 102**	**67 481**	**61 143**	**5 256**	**66 399**

Re-evaluation discrepancies on post-employment benefits

in thousands of euros	Pension complements and other schemes	End-of-career awards	2017 financial year	2016 financial year
Reevaluation discrepancies totalled at start of period	**23 911**	**-489**	**23 422**	**8 770**
- including actuarial gains or losses	*23 911*	*-489*	***23 422***	***8 770***
- including the effect of ceiling on plan assets	*0*	*0*	***0***	***0***
Reevaluation discrepancies generated over the financial year	-4 018	710	**-3 308**	**14 657**
Ceiling adjustments on assets	0	0	**0**	**0**
Total re-evaluation discrepancies at end of period	**19 893**	**221**	**20 114**	**23 427**

The returns on plan assets are calculated using the same discount rate as for gross liabilities. The discrepancy between the actual return at closing and this financial income as calculated is a re-evaluation discrepancy recognised for post-employment benefits in shareholders' 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".

	Defined benefit post-employment plans		Other long-term benefits			
in thousands of euros	Pension complements and other schemes	End-of-career awards	Long-service awards	Other benefits	2017 financial year	2016 financial year
Cost of services rendered	0	-2 474	-319	0	-2 793	-2 395
Past service cost	0	0	0	0	0	0
Financial income	569	58	0	0	627	-2 784
Financial costs	-1 059	-529	-43	0	-1 631	1 223
Benefits paid	3 559	361	73	0	3 993	4 542
Contributions received	0	0	0	0	0	0
Others (including ceiling on assets through profit or loss)	0	-592	-4	16	-580	-339
TOTAL COSTS FOR THE YEAR	**3 069**	**-3 176**	**-293**	**16**	**-384**	**247**

9.2.4 - Other information

Main actuarial assumptions

	31/12/2017		31/12/2016	
	CGPCE	CAR-BP	CGPCE	CAR-BP
Discount rate		1.32%		1.22%
Inflation rate		1.70%		1.60%
Mortality table used		TGH05-TGF05		TGH05-TGF05
Duration		14.5		14.8

Sensitivity of the actuarial liabilities to the variations in the principal hypotheses

At 31 December 2017, a change of 0.5 % in the discount rate and the inflation rate would have the following impact on the actuarial liabilities:

In % and thousands of euros	**CAR - BP**		**CGP**	
	%	**amount**	**%**	**amount**
0.5% increase in the discount rate	- 6.73 %	-7,187		
-0.5% increase in the discount rate	+ 7.67 %	8,059		
0.5% increase in the inflation rate	+ 7.12 %	7,465		
-0.5% increase in the inflation rate	- 5.81 %	-6,238		

Payment schedule – (non-discounted) benefits paid to beneficiaries

in thousands of euros	**CAR - BP**	**CGP**
Y+1 to Y+5	23,378	
Y+6 to Y+10	22,885	
Y+11 to Y+15	21,361	
Y+16 to Y+20	18,876	
> Y+20	43,743	

Breakdown of fair value of plan assets

	CAR-BP		**CGP**		**Other pension complements**		**End-of-career awards**	
	Weight by category in %	**Fair value of assets** *(in thousands of euros)*	**Weight by category in %**	**Fair value of assets** *(in thousands of euros)*	**Weight by category in %**	**Fair value of assets** *(in thousands of euros)*	**Weight by category in %**	**Fair value of assets** *(in thousands of euros)*
Equities	38,45%	22 154		0	0,00%	0	9,00%	279
Debt instruments	51,60%	29 733		0	0,00%	0	79,20%	2 457
real estate	0,00%	0		0	0,00%	0	3,81%	118
Other assets	9,96%	5 738		0	100,00%	6 454	8,00%	248
Total	100,00%	**57 624**	0,00%	**0**	100,00%	**6 454**	100,00%	**3 101**

9.3 - Share-based payments

None

NOTE 10 – SEGMENT INFORMATION

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

in millions of euros	Commercial Banking France & ALM			International and Overseas Territories banking			Capital Markets Department			Consolidated Investment Management		
	2016	2017	Change 2017/2016	2016	2017	Change 2017/2016	2016	2017	Change 2017/2016	2016	2017	Change 2017/2016
Net banking income	863,6	875,1	1,3%	67,3	71,7	6,6%	104,2	103,8	-0,4%	59,9	101,5	69,4%
Participation fee	-578,9	-595,9	2,9%	-50,3	-53,7	6,8%	-32,7	-37,9	15,9%	-5,2	-5,2	-0,3%
Gross operating profit	284,7	279,2	-1,9%	16,9	18,0	6,1%	71,5	65,9	-7,8%	54,7	96,3	76,1%
Operating ratio	67,0%	68,1%	1,1 pts	74,8%	75,0%	0,1 pts	31,4%	36,5%	5,1 pts	8,7%	5,1%	-3,6 pts
Cost of risk	-46,3	-74,2	60,1%	-28,9	-18,3	-36,6%	0,0	0,0	ns	1,7	-1,1	ns
Net operating profit	238,3	205,0	-14,0%	-12,0	-0,4	-96,8%	71,5	65,9	-7,8%	56,4	95,2	68,8%
Equity method profit or loss 1 1 of companies	1,2	0,9	-23,2%	25,1	29,3	16,8%	0,0	0,0	ns			ns
Net gains or losses on other assets			ns	0,0	0,0	ns			ns	21,8	-2,3	-110,7%
Change in value of goodwill			ns			ns			ns	-0,9	-1,2	35,0%
PRE-TAX PROFIT	239,5	205,9	-14,0%	13,1	28,9	121,3%	71,5	65,9	-7,8%	77,3	91,7	18,6%

The breakdown was refined in 2017 and the 2016 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.

USES OF FUNDS

	2017					
in thousands of euros	France	French overseas	Abroad	European countries	North America	rest of the world
Financial assets	22 417 145	1 712	1 187 436	1 180 064	0	7 372
Loans and advances to credit institutions	18 173 061	1 773 520	452 929	7 737	0	445 192
Loans and receivables due from customers	13 383 217	6 729 476	1 036 711	74 198	0	962 513
Accrued income and other assets	2 603 682	455 960	-721 998	-393 634	0	-328 364
Non-current assets	501 812	219 954	168 748	20 528	0	148 220
TOTAL ASSETS	**57 078 917**	**9 180 622**	**2 123 827**	**888 893**	**0**	**1 234 934**

RESSOURCES

	2017					
in thousands of euros	France	French overseas	Abroad	European countries	North America	rest of the world
Financial liabilities	3 125 311	0	0	0	0	0
Amounts due to credit institutions	6 784 408	896 358	663 081	929 467	0	-266 386
Amounts due to customers	26 200 963	7 576 216	1 233 024	200 858	0	1 032 166
Debt securities	8 072 948	0	12 412	0	0	12 412
Securities transactions and other liabilities	9 021 063	238 775	52 443	24 026	0	28 417
Provisions, equity and similar	3 874 224	469 273	162 868	97 283	0	65 584
TOTAL LIABILITIES	**57 078 917**	**9 180 622**	**2 123 827**	**1 251 634**	**0**	**872 193**

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.

	2017 financial year	2016 financial year
France	925,329	769,236
French overseas	148,567	253,556
Other European countries	15,418	11,570
North America	0	0
Rest of the World	62,782	60,649
TOTAL	**1,152,096**	**1,095,011**

NOTE 11 - COMMITMENTS

11.1 - Financing commitments

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

Financing commitments

in thousands of euros	**31/12/2017**	**31/12/2016**
Financing commitments given:		
credit institutions	690 246	893 860
from customers	3 006 985	2 838 090
- Confirmed credit facilities	*2 795 269*	*2 668 090*
- Other commitments	*211 716*	*170 000*
TOTAL FINANCING COMMITMENTS GIVEN	**3 697 231**	**3 731 950**
Financing commitments received:		
From credit institutions	4 628 891	6 274 221
from customers	330 025	297 285
TOTAL FINANCING COMMITMENTS RECEIVED	**4 958 916**	**6 571 506**

11.2 - Guarantee commitments

Guarantee commitments

in thousands of euros	**31/12/2017**	**31/12/2016**
Guarantee commitments given:		
to credit institutions	684 192	234 864
to customers	1 676 037	1 597 010
other securities assigned as guarantees		
TOTAL GUARANTEE COMMITMENTS GIVEN	**2 360 229**	**1 831 874**
Guarantee commitments received:		
from credit institutions	3 193 405	2 614 438
from customers	1 632 361	1 161 018
other securities received as guarantees		
GUARANTEE COMMITMENTS RECEIVED	**4 825 766**	**3 775 456**

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 18).
Under these conditions, transactions with related parties include reciprocal operations 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)

	31/12/2017			31/12/2016		
in thousands of euros	Entities exercising joint control or significant influence	Joint ventures	Associate	Entities exercising joint control or significant influence	Joint ventures	Associate
Loans and advances	411 178		270 700	354 098		297 883
Other financial assets	861 459		0	861 459		0
Other assets	4 681		15 000	14 010		15 000
Total assets with related parties	**1 277 318**	**0**	**285 700**	**1 229 567**	**0**	**312 883**
Debt	1 359 110		36 896	1 518 435		31 404
Other financial assets	15 678			76 132		
Other liabilities						
Total liabilities towards related parties	**1 374 788**	**0**	**36 896**	**1 594 567**	**0**	**31 404**
Interest and similar income and expenses	-20 056		6 570	-12 948		6 838
Fees and commissions	-8 860		-549	136		-291
Net gain or loss on financial transactions	20 278		0	16 808		0
Net income from other activities						
Total net banking income with related parties	**-8 638**	**0**	**6 021**	**3 996**	**0**	**6 547**
Commitments given	435 153		15 186	435 153		70 152
Commitments received						
Commitments in respect of forward financial instruments			256 531			192 693
Total commitments involving related parties	**435 153**	**0**	**271 717**	**435 153**	**0**	**262 845**

The list of entities consolidated under the full consolidation method is provided 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

	Net carrying amount				
in thousands of euros	Securities lending	Repurchase agreements	Assets transferred or pledged as	Securitisations	31/12/2017
Financial assets pledged as collateral					
Financial liabilities held for trading	657 899	27 633	82 765	0	768 297
Financial assets designated at fair value through profit or loss by o	0	0	0	0	0
Available-for-sale financial assets	3 500 294	1 230 236	821 504	0	5 552 034
Loans and receivables	0	96	409 919	0	410 015
Assets held to maturity	0	0	0	0	0
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**4 158 193**	**1 257 965**	**1 314 188**	**0**	**6 730 346**
including transferred financial assets not fully derecognised	***4 158 193***	***1 257 965***	***1 314 188***	***0***	***6 730 346***

The amount of liabilities associated with financial assets not wholly derecognised under repurchase agreements amounted to €1,183,000.

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

	Reusable and reused financial instruments			
	Fair value of reusable financial instruments not reused	Fair value of reused financial instruments	Fair value of reusable financial instruments not reused	Fair value of reused financial instruments
in thousands of euros	31/12/2017	31/12/2017	31/12/2016	31/12/2016
Fixed-income securities	3 287 688	3 139 957	2 423 645	3 481 693
Variable-income securities	7 877 705	95 858	4 175 205	113 405
Loans and advances	0	0	0	0
Other	0	0	0	0
TOTAL FINANCIAL ASSETS RECEIVED AS COLLATERAL THAT CAN BE SODL OR RE-PLEDGED	**11 165 393**	**3 235 815**	**6 598 850**	**3 595 098**

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

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

None

NOTE 14 - INFORMATION ON FINANCE LEASE AND OPERATING LEASE OPERATIONS

14.1 Lease transactions as lessor

in thousands of euros	31/12/2017				31/12/2016			
	Remaining maturity				Remaining maturity			
	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total
Finance leasing								
Gross investment	64 376	122 207	2 455	189 038	57 447	110 826	3 038	171 311
Present value of the minimum lease payments due	61 310	116 388	2 338	180 036	54 711	105 549	2 893	163 153
Unearned finance income	3 066	5 819	117	9 002	2 736	5 277	145	8 158
Operating lease								
Minimum payments receivable for non-terminable leases	185	176		361	177	463	0	640

in thousands of euros	31/12/2017			31/12/2016		
	Real estate assets	Movable assets	Total	Real estate assets	Movable assets	Total
Finance leasing						
Unguaranteed residual value accruing to the lessor	0	180 036	180 036	0	163 153	163 153

Conditional rent for the period recognised as income

In thousands of euros	**2017**	**2016**
Finance leasing		
Operating lease	1,288	3,281

14.2 - Lease transactions as a lessee

Intangible assets by category

in thousands of euros	31/12/2017			31/12/2016		
	Real estate assets	Movable assets	Total	Real estate assets	Movable assets	Total
Finance leasing						
Net carrying amount	0	0	0	0	0	0

Minimum future payments

in thousands of euros	31/12/2017				31/12/2016			
	Remaining maturity				Remaining maturity			
	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total	< 1 year	> or equal to 1 year to < 5 years	> 5 years	Total
Operating lease								
Minimum future payments payable for non-terminable leases	16 037	10 146	0	26 183	14 833	6 776	0	21 609
Minimum future payments receivable for non-terminable leases	52	30		82	151			151

Amounts recognised in net profit

in thousands of euros	**2017**	**2016**
Operating lease		
Minimum payments	23,977	25,076
Conditional rent included in costs for the period		
Income from sub-leases		

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 made when determining the fair value of instruments at amortised cost are presented in note 4.1.6.

	31/12/2017				31/12/2016			
in thousands of euros	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)*	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	11 785 469	12 138	9 918 644	1 854 687	10 818 065	0	8 908 514	1 909 551
Loans and receivables due from customers	21 871 331	35 033	6 561 733	15 274 565	19 694 639	0	5 666 576	14 028 063
Held to maturity financial assets	941 673	941 673	0	0	1 020 350	1 020 350	0	0
FINANCIAL LIABILITIES AT AMORTISED COST	0				0			
Amounts due to credit institutions	8 345 421	2 626	8 342 795	0	10 369 805	0	10 369 805	0
Amounts due to customers	35 010 340	36 118	29 351 368	5 622 854	31 761 922	0	26 876 768	4 885 154
Debt securities	8 084 723	0	8 084 723	0	6 136 122	0	6 136 122	0
Subordinated debt	221 007	0	221 007	0	294 159	0	293 676	483

NOTE 16 - CONDITIONS FOR DRAWING UP COMPARATIVE DATA

Not applicable in 2017.

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, etc.).

In the specific case of asset management, investments in private equity, venture capital and real estate funds are disclosed, unless they are not material for BRED Group.

An interest in an entity corresponds to any type of contractual or non-contractual relationship that exposes BRED Group to a risk of fluctuating returns linked to the entity's performance. Interests in another entity may be attested to by, inter alia, the holding of equity or debt instruments, or by other links, such as funding, cash advances, credit enhancement, granting of guarantees or structured derivatives.

In note 17.2, BRED Group discloses all the transactions recorded on its balance sheet in respect of risks linked to the interests held in the structured entities included in the scope described herein.

The structured entities with which the Group is in 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:
  The management of financial assets (also called portfolio management or Asset Management) consists of managing capital or funds contributed by investors by investing in shares, 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 31/12/2017
Financial assets at fair value through profit or loss	**0**	**931 637**	**22 653**	**0**	**954 290**
Trading derivatives	0	0	22 653	0	**22 653**
Trading financial instruments (excluding derivatives)	0	931 637	0	0	**931 637**
Financial instruments designated at fair value through prof	0	0	0	0	**0**
Available-for-sale financial assets	**0**	**494 242**	**21 880**	**32 381**	**548 503**
Loans and receivables	**0**	**2 050**	**585 169**	**0**	**587 219**
Other assets	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**0**	**1 427 929**	**629 702**	**32 381**	**2 090 012**
Financial liabilities at fair value through profit or loss	**0**	**0**	**0**	**0**	**0**
Provisions	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**0**	**0**	**0**	**0**	**0**
Financing commitments given	**0**	**17 469**	**212 264**	**0**	**229 733**
Guarantee commitments given	**0**	**0**	**190 891**	**0**	**190 891**
Guarantees received	**0**	**0**	**0**	**0**	**0**
Notional amount of derivatives	**0**	**0**	**0**	**0**	**0**
MAXIMUM LOSS EXPOSURE	**0**	**1 445 398**	**1 032 857**	**32 381**	**2 510 636**
SIZE OF STRUCTURED ENTITIES	**0**	**37 279 881**	**1 122 743**	**877 551**	**39 280 175**

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 prof	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**
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 ENTITIES	**0**	**34 312 583**	**995 568**	**841 118**	**36 149 269**

The size criterion selected varies as a function of the activity of the structured entities:

- 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 2017, BRED also had investments in securitisation vehicles outside Groupe BPCE in the form of debt securities, for a total amount of €1,185 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 - SCOPE OF CONSOLIDATION

18.1 - Scope of consolidation at 31 December 2017

Entities whose contribution to the financial statements is not material are not included in the consolidation scope. For entities meeting the definition of financial sector entities pursuant to (EU) Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (the so-called Capital Requirements Regulation (CRR)), the accounting consolidation thresholds are aligned with the thresholds for the scope of prudential consolidation starting 31 December 2017. Article 19 of the CRR refers to a threshold of 10 million euros for total balance sheet items and off-balance sheet items. For non-financial sector entities, the criterion of significance is assessed at the consolidated entity level. According to this principle of ascending materiality, all entities included in the scope of a lower level are included in the consolidation scope of higher levels even though they are not material for the higher level.

The percentage of interest is indicated for each entity within the scope. The percentage of interest expresses the portion of capital held by the group in the companies within the scope, directly or indirectly. The percentage of interest is used to determine the group’s portion in the net assets of the investee company.

In 2017, the consolidation scope included 40 companies, including 33 fully or proportionally consolidated companies and 7 consolidated using the equity method.
Changes in the consolidation scope since 1 January 2017:

- entry of Acleda Myanmar
- exit of FCT Eridan

	Nationality (F: French) (NF: non-French)	% of controlling	% interest
FULL CONSOLIDATION			
Parent company			
BRED Banque Populaire - 18, quai de la Rapée - 75012 Paris	F		
Financial companies - Credit institutions			
Banque Franco Lao-23 Singha Road– 159 Nongbone –Vientiane - LAOS	E	54,00	54,00
BCI Mer Rouge – place Lagarde – Djibouti	E	51,00	51,00
BIC BRED – 18, quai de la Rapée – 75012 Paris	F	99,99	99,99
BIC BRED Suisse – Place de Longemalle 1, 1204 Geneva - Switzerland	E	100,00	99,99
BRED Bank Fidji ltd – 96, Thomson Street – Suva – Fiji Islands	E	100,00	100,00
Bred Bank Cambodge - 30 Norodom bld, Phnom Penh - Cambodia	E	100,00	100,00
BRED Cofilease – 18, quai de la Rapée – 75012 Paris	F	100,00	100,00
BRED Gestion – 18, quai de la Rapée – 75012 Paris	F	100,00	100,00
BRED Vanuatu – Port Vila – République du Vanuatu	E	85,00	85,00
EPBF – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	100,00	100,00
Socama BRED – 18, quai de la Rapée – 75012 Paris	F	100,00	6,69
Sofiag – 12 bd du général de Gaulle – 97242 Fort-de-France	F	100,00	100,00
Sofider – 3 rue Labourdonnais – 97400 Saint-Denis de La Réunion	F	100,00	100,00
Financial institutions other than credit institutions			
Cofibred – 18 quai de la Rapée – 75012 Paris	F	100,00	100,00
NJR Invest – 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	100,00	100,00
NJR Finance BV– 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	100,00	100,00
Promepar Gestion – 18, quai de la Rapée – 75012 Paris	F	100,00	99,99
Other financial undertakings			
Adaxtra Capital – 18, quai de la Rapée – 75012 Paris	F	100,00	100,00
Brd China Ltd - 78 Yang He Yi Cun, Jiangbei Dt, Chongquing China E	E	100,00	100,00
BRED IT – Thai Wah Tower – Sathorn District –Bangkok -Thailand	E	100,00	100,00
Adaxtra Capital – 18, quai de la Rapée – 75012 Paris	F	100,00	100,00
Adaxtra Capital – 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
Fipromer – 35, rue des Mathurins – 75008 Paris	F	100,00	100,00
Foncière du Vanuatu – Port Vila – République du Vanuatu	E	100,00	100,00
IRR Invest –181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E	100,00	100,00
Perspectives Entreprises – 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	99,95	99,95
CONSOLIDATION USING THE EQUITY METHOD			
Credit institutions			
ACLEDA 61 Preah Monivong Blvd – Kahn Daun Penh – Cambodia	E	12,25	12,25
ACLEDA MFI Myanmar Co., Ltd - 186 (B) Shwe Gon Taing road, Yangon - Burma	E	15,00	15,00
BCEL – 1, Pangkam street - Bang Xiengnheun, Vientiane, Laos	E	10,00	10,00
BCI – 54, avenue de la Victoire – 98849 Noumea	F	49,90	49,90
SBE – 22, rue de Courcelles – 75008 Paris	F	50,00	50,00
Socredo – 115, rue Dumont d'Urville – Papeete – Tahiti –Polynesia	F	15,00	15,00
Other non-financial companies			
Aurora - 181, Chaussée de la Hulpe – B1170 Brussels – Belgium	E		100,00

Perspectives et Participations was renamed Adaxtra Capital.

The Elide debt securitisation fund, created in 2007 and including the new sub-funds Elide 3, created in 2011, Elide 4, created in 2012, and Elide 5, created in 2014, and Elide 2017-2, created in 2017, are consolidated using the full consolidation method.

18.2 - Companies not consolidated at 31 December 2017

Companies not consolidated included:

- significant equity interests that do not fall within the scope of consolidation, on the one hand, and
- companies excluded from consolidation as a result of their non-significant interest, on the other hand.

The companies excluded from consolidation due to non-significant interest are as follows, with an indication of the portion of capital held by the group, both directly and indirectly, for each:

Companies excluded from consolidation	Registered office	Voting interest (%)	Holding company	Amount of the equity interest in K€	Reason for exclusion from Consolidation
EURL LABOURDONNAIS	LA REUNION	100	Sofider	3 062	Not significant

The primary significant equity interests that do not fall within the scope of consolidation are as follows, with an indication of the portion of capital held by the group, both directly and indirectly, for each:

Subsidiaries and equity interests *Amounts in thousands of euros*	Capital	Shareholders' equity other than capital, including FRBG, as applicable (excluding profit for the year)	Share of capital held (in %)	Carrying amount of securities held Gross	 Net	Loans and advances granted by the company and not repaid and undated subordinated notes	Amounts of endorsements and similar guarantees granted by the company	Before-tax turnover or NIB of previous financial year	Result (profit or loss of last financial year)
SCI Le Lys Rouge	9 022	8 448	99,99	2	2	0	0	616	179
SAS Mone	9 595	-850	95,00	3 536	3 536	0	0	443	-119
BPCE	155 742	15 364 967	4,95	718 425	718 425	0	0	384 157	729 037
BP Développement	456 117	233 748	4,32	0	0	0	0	52 761	40 371

NOTE 19 - STATUTORY AUDITORS' FEES

Amounts in thousands of euros	KPMG				PWC				TOTAL			
	Amount		%		Amount		%		Amount		%	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assignments to certify the statements	**593**	**493**	**65,8%**	**63,9%**	**521**	**561**	**91,9%**	**97,4%**	**1 114**	**1 054**	**75,9%**	**78,2%**
- Issuer	*280*	*232*			*245*	*257*			*525*	*489*		
- Fully integrated subsidiaries	*313*	*260*			*276*	*304*			*589*	*565*		
Services other than certifying statements	**309**	**278**	**34,3%**	**36,1%**	**46**	**15**	**8,1%**	**2,6%**	**355**	**293**	**24,2%**	**21,8%**
- Issuer	*81*	*101*			*38*	*15*			*119*	*116*		
- Fully integrated subsidiaries	*228*	*178*			*8*	*0*			*236*	*178*		
TOTAL	**901**	**771**	**100%**	**100%**	**567**	**576**	**100%**	**100%**	**1 468**	**1 347**	**100%**	**100%**
Change (%)	***16,8%***				***-1,6%***				***9,0%***			

(1) Including the services of independent experts or members of the statutory auditor network performed in the context of the certification of the financial statements

Services Other than Certifying Statements (SOCS) consist of specific work performed in connection with the evolution of the information systems and validation of CSR data, regulatory reporting and accounting procedures for certain subsidiaries.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2017

To the General Meeting of Shareholders,

BRED Banque Populaire
Société Anonyme

18, quai de la Rapée, 75012 Paris

Opinion

In fulfilment of the assignment entrusted to us by your General Meeting, we performed the audit of the consolidated financial statements of the company BRED Banque Populaire for financial year ended 31 December 2017, which are attached to this report.
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 results of its operations for the year ended as well as the financial position and assets of the Group at the end of the financial year formed by the companies and other entities included within the consolidation scope, in accordance with IFRS as adopted by the European Union.
The opinion formulated above is consistent with the contents of our report to the audit committee.

Basis of the opinion

Audit frame of reference

We have performed our audit in accordance with French professional standards. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.
The responsibilities that we have assumed in accordance with these standards are described in the section of this report entitled "Responsibilities of the Statutory Auditors regarding the audit of the consolidated financial statements".

Independence

We performed our audit assignment in respect for the applicable rules of independence for the period from 1 January 2017 to the issue date of our report, and, in particular, we did not provide any of the services that are prohibited by Article 5, paragraph 1, of (EU) regulation no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Justification of our assessments - Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code concerning the justification of our assessments, we would like to bring to your attention the key points of the audit with respect to the risks of significant anomalies that, in our professional judgement, were the most important for the audit of the consolidated financial statements for the financial year, as well as our responses to these risks.

These assessments were made in the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on the elements of these consolidated financial statements taken individually.

Credit risk associated with loans to companies

Identified risk	*Our response*
BRED Banque Populaire is exposed to credit risk and counterparty risk associated with the inability of its customers or its counterparties to fulfil their financial commitments. BRED Banque Populaire records impairment provisions and other provisions to cover demonstrated risks of losses. These provisions are determined on an individual or collective basis. They are based on regulatory or specific parameters as well as on parameters addressing macro-economic situations that could affect sensitive credit portfolios. These provisions represent a significant estimate for the drafting of financial statements and require the judgement of management, particularly with respect to loans "originated" and structured by your bank for major corporate customers in France and internationally. In fact, the evaluation of impairments of loans may be complex when it concerns loans to companies operating in economic sectors with an uncertain or degraded outlook. We believe that the identification and evaluation of the risk on loans to companies represents a key point of the audit because the assessment of this risk relies on the management's judgement, particularly given the complexities inherent in: - identifying exposures (or homogeneous exposure groups) entailing a risk of non-recovery and - determining future recoverable flows, including the value of the guarantees and collateral associated with these loans. *At 31 December 2017, outstanding loans amounted to €21.2bn (including 42% in loans and receivables from corporate customers through BRED SA). For more details on the accounting principles and exposures, see notes 4.1 and 5.6.2 of the annex to the financial statements.*	We reviewed the mechanism put in place by management to identify receivables to be written down and evaluate the amount of impairments recorded. We tested the proper implementation of the internal control procedures put in place by the bank throughout the process for the annual portfolio review, updates to credit ratings, identification of sensitive loans and evaluation of impairments and accounting/management reconciliation. We also reviewed the main conclusions of the bank's specialised committees that are responsible for monitoring sensitive or impaired receivables. With regard to provisions estimated on a collective basis, our work consisted of: - examining the collective provision calculations in conjunction with our experts in credit risk modelling - in particular, we reviewed the methodological changes impacting the collective provisioning of the BPCE group with the support of the board of auditors at the central body; - comparing the amount of the calculated collective provision compared to the recorded provision and examining the adjustments made by management, as necessary. With regard to individual calculated impairments: - we assessed the estimates used for the most significant counterparties; - using a sample, we assessed the provisioning level with respect to the underlying elements of the loan accounts and the main assumptions used when assessing the expected recovery flows, particularly with respect to the valuation of collateral.

Valuation of complex financial instruments

Identified risk

As part of its financial activities or in connection with its offering of services to its customers, the BRED Banque Populaire group holds complex financial instruments as well as securities in unlisted entities.

These securities or complex financial instruments are financial assets or liabilities posted to the balance sheet at fair value. The re-measurement of these financial statements on the balance sheet at the closing date is recognised in income or in shareholders' equity, depending on their accounting category.

We have considered that the valuation of the forward financial instruments as well as the valuation of unlisted securities (in particular the securities held at the central body) represented a key point of the audit given the importance of judgement in their valuation, which in particular concerns:

- the determination of valuation parameters that are not necessarily observable on the market for forward financial instruments or parameters based on discount rate or long-term growth rate for unlisted securities;
- the use of internal valuation models;
- the consideration of financial trajectories;

the estimate of valuation adjustments that take into account counterparty or liquidity risks or activity-related risks, for example;

The procedures for determining the fair value of financial instruments are described in note 4.1.6 of the annex as well as note 5.5, which contains a breakdown of the fair value of assets and liabilities according to the complexity of the valuation models used.

Our response

We evaluated the processes and controls put in place by the Group to identify and evaluate complex financial instruments, to include:

- the governance surrounding the valuation models and value adjustments;
- the justification and independent validation of profits and losses reported on these transactions;
- the controls concerning the parameter collection and archiving processes necessary for the valuation of complex financial instruments classified in levels 2 and 3;
- the supervision performed by management and internal reporting presenting the valuation of complex financial instruments.

In conjunction with our specialists in risk modelling and quantitative techniques, we also:

- performed independent valuations on a sample of derivatives and analysed any discrepancies;

- analysed the internal identification and validation processes for the main value adjustments applied to financial instruments and the evolutions of the same over time:
    - o our analysis concerned in particular the governance and methodologies selected for market reserves and the Credit Value Adjustment (CVA),
    - o when management applied value discounts to the securities, we assessed the rationale and reasonableness of these discounts and the associated documentation.

- analysed the criteria used in the fair value hierarchy as described in note 5.5,

- examined the conclusions of the work of the board of auditors of the central body regarding the valuation of BPCE securities.

We verified that the estimates used are supported by documented methods that are consistent with the principles described in the notes of the annex.

Verification of information about the group provided in the management report

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.

Information in compliance with other legal and regulatory obligations

Designation of statutory auditors

We have been appointed Statutory Auditors of the BRED Banque Populaire company by the General Meeting of 21 May 1999, for the KPMG S.A. firm, and of 23 May 1996, for the PWC firm, in light of the acquisitions or mergers of firms occurring since these dates.

At 31 December 2017, the KPMB firm was in the 19th consecutive year of its appointment and the PWC firm was in its 22nd year.

Responsibilities of management and the persons responsible for corporate governance with respect to the consolidated financial statements

It is the management's responsibility to draft consolidated financial statements presenting a fair view in accordance with the IFRS framework as it is adopted in the European Union as well as to put the internal control system in place that it deems necessary for the preparation of consolidated financial statements that are free from all significant anomalies, whether they are the result of fraud or error.

When preparing the consolidated financial statements, it is the management's responsibility to evaluate the company's capacity to continue its operations, present the necessary information as applicable in said financial statements regarding operational continuity and apply the accounting convention of going concern, unless there are plans to liquidate the company or cease its activities.

It is the audit committee's responsibility to continue the process of preparing the financial information and monitoring the effectiveness of the internal control and risk management systems as well as the internal audit, as applicable, with respect to the procedures concerning the drafting and treatment of accounting and financial information.
The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors regarding the audit of the consolidated financial statements

Objective and procedure of the audit

It is our responsibility to draft a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements when considered as a whole do not contain significant anomalies. Such reasonable assurance corresponds to a high level of certainty, without, however, guaranteeing that an audit conducted in accordance with professional standards can systematically detect all significant anomalies. Anomalies may result from fraud or errors and are considered significant when it can be reasonably expected that they may, either individually or cumulatively, impact the economic decisions that the users of the financial statements take on the basis thereof.

As made clear by Article L.823-10-1 of the Commercial Code, our assignment to certify the financial statements does not amount to guaranteeing the viability or quality of the management of your company.

Statutory auditors exercise their professional judgement throughout any audit conducted in accordance with the professional standards applicable in France.

Furthermore:

- they identify and assess the risks that the consolidated financial statements contain significant anomalies, whether they are the result of fraud or error, define and implement audit procedures to address these risks and collect elements that they deem sufficient and appropriate to serve as a basis for their opinion. The risk of not detecting a significant anomaly resulting from fraud is higher than it is for significant anomalies resulting from error because fraud may involve collusion, falsification, intentional omissions, false declarations or circumvention of the internal control process;
- they review the internal control process that is relevant for the audit in order to define the audit procedures that are appropriate under the circumstances and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- they assess whether the accounting methods used are appropriate and whether the accounting estimates made by management are reasonable as well as the information concerning the same provided in the consolidated financial statements;
- they assess whether the management's application of the accounting convention of going concern is appropriate and, according to the elements collected, whether or not there is any significant uncertainty relative to events or circumstances that could undermine the company's ability to continue its operations. This assessment is based on the elements collected through the date of their report; however, it is understood that subsequent circumstances or events could jeopardise operational continuity. If they conclude that a significant uncertainty exists, they draw the attention of readers of their report to the information provided in the consolidated financial statements regarding this uncertainty or, if such information is not provided or is not relevant, they formulate a certification with reserve or a refusal to certify;
- they assess the overall presentation of the annual financial statements and evaluate whether the consolidated financial statements reflect the underlying transactions and events in such a way as to present a fair view.
- concerning the financial information of persons or entities falling within the scope of consolidation, they collect elements that they believe are sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and performance of the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

Report to the audit committee

We submit a report to the audit committee that describes, in particular, the scope of the audit work and the audit programme followed, as well as the conclusions of our work. We also make it aware of any significant weaknesses that we have identified in the internal control system, as applicable, with respect to the procedures concerning the drafting and treatment of accounting and financial information.

The elements communicated in the report to the audit committee include the risks of significant anomalies that we deem to be the most important for the audit of the consolidated financial statements for the financial year and which therefore represent key points of the audit, which we are responsible for describing in this report.

We also provide the audit committee with the declaration provided for by Article 6 of (EU) Regulation no. 537-2014 confirming our independence pursuant to the rules applicable in France as established in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the code of ethics of the profession of statutory auditor. As applicable, we meet with the audit committee regarding any risks to our independence as well as the safeguards implemented.

Paris La Défense and Neuilly sur Seine, 2 May 2018

The statutory auditors

KPMG Audit
Department of KPMG SA

Marie-Christine Jolys
Associate

PWC

Anik Chaumartin
Associate

Nicolas Montillot
Associate

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Annual individual financial statements

Balance sheet and off-balance sheet items

ASSETS	Notes	31/12/2017	31/12/2016
CASH AND BALANCES WITH CENTRAL BANKS		8 394 783	8 312 808
TREASURY BILLS AND SIMILAR SECURITIES	3.3	6 670 462	7 422 097
AMOUNTS DUE FROM CREDIT INSTITUTIONS	3.1	12 581 472	11 603 318
CUSTOMER TRANSACTIONS	3.2	16 739 995	16 234 172
BONDS AND OTHER FIXED-INCOME SECURITIES	3.3	6 663 781	5 102 476
SHARES AND OTHER VARIABLE-INCOME SECURITIES	3.3	3 415 594	1 804 494
EQUITY INTERESTS AND OTHER LONG-TERM INVESTMENTS	3.4	781 473	778 800
INVESTMENTS IN AFFILIATES	3.4	1 029 315	1 014 000
FINANCE AND OPERATING LEASES	3.5	0	0
INTANGIBLE ASSETS	3.6	21 391	10 816
TANGIBLE ASSETS	3.6	222 098	222 214
OTHER ASSETS	3.8	2 160 670	1 961 980
ACCRUALS AND DEFERRED INCOME	3.9	1 744 587	1 387 387
TOTAL ASSETS		60 425 621	55 854 562

OFF-BALANCE SHEET	Notes	31/12/2017	31/12/2016
Commitments given			
FINANCING COMMITMENTS	4.1	3 446 942	3 572 027
GUARANTEE COMMITMENTS	4.1	1 817 448	1 682 855
COMMITMENTS IN RESPECT OF SECURITIES		1 702 845	1 807 365

In thousands of euros

LIABILITIES	Notes	31/12/2017	31/12/2016
AMOUNTS DUE FROM CENTRAL BANKS		0	0
AMOUNTS DUE TO CREDIT INSTITUTIONS	3.1	8 910 454	10 981 663
CUSTOMER TRANSACTIONS	3.2	34 049 274	30 931 147
DEBT SECURITIES	3.7	8 204 771	6 119 679
OTHER LIABILITIES	3.8	2 866 303	2 101 978
ACCRUALS AND DEFERRED INCOME	3.9	3 014 685	2 566 528
PROVISIONS	3.10	228 996	243 634
SUBORDINATED DEBT	3.11	210 508	269 077
FUND FOR GENERAL BANKING RISKS (FGBR)	3.12	172 908	172 908
CAPITAL AND RESERVES (EXCLUDING FGBR)	3.13	2 767 722	2 467 948
Share capital		995 425	839 839
Share premium account		7 482	7 482
Reserves		1 492 827	1 286 337
Revaluation reserve		0	0
Regulated provisions and investment subsidies		3 269	3 269
Retained earnings		110 000	110 000
Net profit for the year (+/-)		158 719	221 021
TOTAL LIABILITIES		60 425 621	55 854 562

OFF-BALANCE SHEET	Notes	31/12/2017	31/12/2016
Commitments received			
FINANCING COMMITMENTS	4.1	4 628 891	6 274 221
GUARANTEE COMMITMENTS	4.1	2 714 549	3 368 441
COMMITMENTS IN RESPECT OF SECURITIES		2 257 340	1 762 898

Income statement

In thousands of euros

	Notes	2017 financial year	2016 financial year
Interest and similar income	5.1	613 727	603 183
Interest and similar expense	5.1	-282 626	-257 860
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	27 340	21 580
Fee and commission income	5.4	446 790	412 211
Fee and commission expense	5.4	-107 298	-96 216
Gains or losses on trading securities	5.5	180 979	179 963
Gains or losses on available for sale securities and similar	5.6	65 384	31 795
Other operating banking income	5.7	20 739	16 220
Other operating banking expense	5.7	-11 897	-12 601
NET BANKING INCOME		**953 138**	**898 274**
Operating expenses	5.8	-563 545	-541 136
Depreciation, amortisation and impairment of non-current assets		-31 400	-31 707
GROSS OPERATING PROFIT		**358 193**	**325 431**
Cost of risk	5.9	-69 882	-47 303
OPERATING PROFIT		**288 311**	**278 128**
Gains or losses on non-current assets	5.10	-66 471	21 632
PRE-TAX PROFIT ON ORDINARY ACTIVITIES		**221 840**	**299 760**
Non-recurring items	5.11	0	0
Income tax expense	5.12	-63 121	-78 750
Net transfer to/from the fund for general banking risks and regulated provisions		0	11
NET PROFIT		**158 719**	**221 021**

NOTE 1 - GENERAL BACKGROUND

1.1 - Significant events

Increase in the capital of BRED Banque Populaire.

In December 2017, BRED Banque Populaire raised its share capital to €995,424,562.00 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 10.31 euros each, i.e. 152,697,914.91 euros.
The capitalisation of reserves amounted to €2,888,079.00 through the increase from €10.31 to €10.34 of the par value of the shares.

Disposal of Italian Securities

BRED Banque Populaire sold its portfolio of Italian treasury bills purchased before 1998 and classified as held to maturity securities since the liquidity crisis in 2008. The sale of the securities and reclassification of the related swaps into a trading book generated a capital loss of €68 million. This loss is posted under the heading "gains and losses on non-current assets". This sale triggered the application of the tainting rule with the consequence that the held to maturity securities were reclassified as securities available for sale for €50 million and this accounting category could not be used for 2 years.

1.2 - Groupe BPCE guarantee mechanism

Groupe BPCE[1], 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.
BPCE's missions are closely linked to the cooperative principles of the Banques Populaires et des Caisses d'Epargne.
Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services that they offer, organises depositor protection, approves key management appointments and oversees the smooth functioning of the Group's institutions.
As a holding company, BPCE is the head entity of the Group.It owns the subsidiaries common to both networks in retail banking, corporate banking and financial services, and their production entities. It also defines the Group's corporate strategy and growth policy.

The establishment is included in the consolidated financial statements of Groupe BPCE. These financial statements are available at the central body, BPCE SA, as well as on BPCE's institutional website.

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 amount of deposits per network is €181.3 million at 31 December 2017.

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 2017 have not been affected by any accounting method changes.

The texts adopted by the ANC with mandatory application in 2017 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

Profits or losses on foreign exchange transactions are determined in accordance with ANC Regulation No. 2014-07.
Receivables, payables and off-balance sheet commitments denominated in foreign currencies are valued at the exchange rate in effect at the balance sheet date. 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.

Notwithstanding ANC regulation no. 2014-07, the classification as non-performing debt takes place in particular in the case of receivables unpaid for more than three months in harmonisation with the default events defined in Article 178 of European Regulation 575-2013 of 26 June 2013 concerning prudential requirements applicable to credit institutions.

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.

At closing, they are valued at the market price of the most recent day: the overall balance of differences resulting from fluctuations in prices is taken to the income statement. For shares and units of mutual funds and investment funds, market value corresponds to the available net asset values reflecting market conditions as at the balance sheet date.

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

Available for sale securities

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

Available for sale securities are recognised at cost on their acquisition date, less transaction costs.
Where applicable, for fixed-income securities, accrued interest is recognised in the income statement under "Interest and similar income".

Any difference between the acquisition price and the redemption value (premium or discount) for fixed-income instruments is recorded in the income statement over the remaining term of the security using the actuarial method.
Available for sale securities are valued at the lower of acquisition cost or market price. For shares and units of mutual funds and investment funds, market value corresponds to the available net asset values reflecting market conditions as at the balance sheet date.
Unrealised capital losses give rise to an impairment provision which may be assessed based on groups of similar securities, with no offsetting against capital gains recorded on other categories of securities.

Gains generated by hedging instruments if any, as defined in Article 2514-1 of ANC Regulation No. 2014-07, are taken into account for the calculation of impairment. Unrealised capital gains are not recognised.
Capital gains or losses on the disposal of available for sale securities, as well as impairment charges and reversals, are reported in the income statement under "Gains or losses on available for sale securities and similar".

Held to maturity securities

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

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

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

An impairment charge may be recognised if there is a strong probability that BRED Banque Populaire will not hold the securities to maturity due to a change in circumstances or if there is a risk of default by the issuer. Unrealised capital gains are not recognised.
Held to maturity securities may not, barring exceptions, be sold or transferred to another category of securities.
Fixed-income trading and available for sale securities reclassified as held to maturity securities due to illiquid market conditions pursuant to the provisions of ANC Regulation No. 2014-07 may, however, be sold when the market on which they are traded becomes active again.

Portfolio securities

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

Portfolio securities are recognised at cost on their acquisition date, less transaction costs.
At the end of the period, they are included in the balance sheet at the lower of historical cost and value in use. An impairment charge is mandatorily recognised for any unrealised capital losses. Unrealised capital gains are not recognised.
Securities recorded under portfolio securities may not be transferred to any other accounting category.

Equity interests and investments in associates

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

Equity interests and investments in associates are recorded at cost, including, when these amounts are significant, transaction costs.
At the balance sheet date, they are individually valued at the lower of acquisition cost and value in use. Value in use is determined, in particular, on the basis of criteria such as the strategic nature of the investment, the intention to provide support or retain the investment, share price performance, net assets or revalued net assets, and forecasts. Impairment is recognised for any unrealised capital losses, calculated for each line of securities, and is not offset against unrealised capital gains. Unrealised capital gains are not recognised.
Securities recorded under Equity interests and investments in associates may not be transferred to any other accounting category.

Other long-term investments

Other long-term investments are securities acquired to promote the development of lasting business relationships by creating special ties with the issuer, but without influencing its management due to the small percentage of voting rights that the investment represents.
Other long-term investments are recorded at acquisition cost, less transaction costs.
They are recorded in the balance sheet at the lower of historical cost and value in use. The value in use of the securities, whether listed or not, is determined based on the amount the company would be willing to pay to obtain the securities, given its investment objective, if it were to acquire them. An impairment charge is mandatorily recognised for any unrealised capital losses. Unrealised capital gains are not recognised.
Securities classified as other long-term investments may not be transferred to any other accounting category.

Reclassification of financial assets

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

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

a) under exceptional market circumstances 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

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.

Tangible assets

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 façades	N/A
Façades, 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
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. 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. They 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 home savings

Regulated home savings accounts (CEL) and regulated home savings plans (PEL) are retail products distributed in France and governed by the 1965 law on home savings plans and accounts and subsequent enabling decrees.

Regulated home savings products generate two types of obligations for the banks marketing these products:

- an obligation to provide a loan to the customer in the future at a rate set on inception of the contract (for PEL products) or at a rate contingent upon the savings phase (for CEL products);
- an obligation to pay interest on the savings in the future at a rate set on inception of the contract for an indefinite period (for PEL products) or at a rate set on a half-yearly basis according to an indexing formula regulated by law (for CEL products).

Obligations with potentially unfavourable consequences are measured for each generation of regulated home savings plans and for regulated home savings accounts as a whole.

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

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

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

Earnings of future periods over the loan phase are estimated as the difference between the rate set at inception for PEL contracts or a rate contingent on the savings phase for CEL contracts, and the forecast interest rate on home loans in the non-regulated sector.
Where the algebraic sum of the Bank's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Bank, a provision is recognised, with no offset between the different generations. The obligations are estimated using the Monte Carlo method to reflect the uncertainty of future interest rate trends and their impact on customer behaviour models and at-risk outstandings.
These provisions are recognised under liabilities in the balance sheet and changes are recorded in net banking income.

2.3.9 - Funds for general banking risks

These funds are 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.

They also include the amounts allocated to the Regional Solidarity Fund (Fonds Régional de Solidarité) and to the funds set up under the guarantee mechanism (see §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 as soon as their payment has been decided by the competent body. They are reported under "Income from variable-income securities".

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 expense

The tax charge in the income statement corresponds to the corporation tax due in respect of the period ended.
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 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 €30.0 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 2017, 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 2017. For 2017, the amount of contributions paid available in the fund was €13.5 million, of which €11.5 million was recognised as an expense and €2.0 million took the form of cash guarantee deposits recorded on the assets side of the balance sheet (15% in the form of cash guarantee deposits). The accumulation of contributions recorded on the assets side of the balance sheet amounted to €5.5 million.

NOTE 3 - INFORMATION ON 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

In thousands of euros

ASSETS	**31/12/2017**	31/12/2016
Receivable on demand	**541 770**	299 330
Current accounts	*541 770*	*298 301*
Overnight loans and advances	*0*	*1 029*
Securities purchased under overnight repurchase agreem	*0*	*0*
Non-allocated items	**1 166**	261
Receivable at term	**12 017 381**	11 286 151
Term loans and advances	*3 826 191*	*3 763 099*
Subordinated loans and participating loans	*0*	*0*
Securities purchased under term repurchase agreements	*8 191 190*	*7 523 052*
Accrued interest	**21 155**	17 576
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	**12 581 472**	**11 603 318**

Receivables arising from transactions with the network amounted to €260.72 million in demand loans and advances and €673.76 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 €1,800.60 million at 31 December 2017.

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 2017.

In thousands of euros		
LIABILITIES	**31/12/2017**	31/12/2016
Payable on demand	**1 448 902**	1 230 610
Credit balances on ordinary accounts	*617 487*	*638 410*
Overnight loans and advances	*831 415*	*592 200*
Securities sold under overnight repurchase agreements	*0*	*0*
Other amounts due	**39 579**	30 793
Payable at term	**7 423 031**	9 708 555
Term deposits and loans	*7 057 572*	*7 410 673*
Securities sold under term repurchase agreements	*365 459*	*2 297 882*
Related liabilities	**-1 059**	11 705
TOTAL	**8 910 454**	**10 981 663**

Liabilities arising from transactions with the network amounted to €40.18 million in demand loans and advances and €2,237.40 million in term loans and advances.

3.2 - Customer transactions

3.2.1 - Customer transactions

Customer transactions

ASSETS	31/12/2017	31/12/2016
Overdrafts on current accounts	**884 444**	1 159 205
Commercial receivables	**204 038**	182 640
Other loans to customers	**15 063 100**	14 418 380
Repurchase agreements	*2 755*	*3 302*
Cash facilities and consumer credit	*3 710 468*	*3 184 783*
Equipment loans	*4 910 524*	*4 308 798*
Home loans	*4 095 465*	*5 420 707*
Other facilities to customers	*164 153*	*12 710*
Securities purchased under repurchase agreements	*2 179 736*	*1 418 079*
Subordinated loans	*0*	*70 000*
Other		
Accrued interest	**204 614**	203 051
Non-performing loans and receivables	**765 665**	620 409
Impairment of receivables due from customers	**-381 865**	-349 513
Total	**16 739 995**	**16 234 172**

Amounts due from customers eligible for refinancing by the French Central Bank or the European Central Bank system totalled: €4,380.37 million.

Amounts owed to customers

LIABILITIES	31/12/2017	31/12/2016
Regulated savings accounts	**5 042 294**	4 938 346
A booklet	*1 054 875*	*1 048 703*
PEL / CEL	*1 802 588*	*1 780 264*
Other regulated savings accounts	*2 184 832*	*2 109 380*
Other customer accounts and loans (1)	**28 894 677**	25 892 865
Guarantee deposits	**41 122**	28 471
Other amounts due	**38 262**	38 489
Related liabilities	**32 919**	32 976
Total	**34 049 274**	**30 931 147**

(1) Detailed customer accounts and loans

In thousands of euros	31/12/2017 Demand	31/12/2017 Term	31/12/2017 Total	31/12/2016 Demand	31/12/2016 Term	31/12/2016 Total
Credit balances on ordinary accounts	16 039 500	0	**16 039 500**	12 098 085	0	**12 098 085**
Loans to financial customers	6 059 428	3 024 931	**9 084 359**	6 380 794	1 445 247	**7 826 041**
Securities sold under repurchase agreements	0	818 086	**818 086**	300 000	1 655 084	**1 955 084**
Other accounts and loans	0	2 952 732	**2 952 732**	0	4 013 655	**4 013 655**
Total	**22 098 927**	**6 795 749**	**28 894 677**	**18 778 879**	**7 113 986**	**25 892 865**

3.2.2 - Analysis of loans and advances by economic agent

In thousands of euros	Performing loans and receivables	Non-performing loans and receivables		*o/w irrecoverable non-performing loans*	
		Gross	Individual impairment	*Gross*	*Individual impairment*
Non-financial companies	8 369 178	535 935	-279 173	297 449	-223 765
Self-employed professionals	674 113	50 362	-20 385	*23 632*	*-15 501*
Retail	4 722 197	170 793	-74 965	*98 114*	*-63 555*
Private sector administrations	77 194	7 894	-6 393	*1 325*	*-1 220*
Social security and public administrations	123 720	2	0	*0*	*0*
Other	210 056	679	-950	0	0
Total at 31 December 2017	**14 176 459**	**765 665**	**-381 865**	**420 520**	**-304 042**
Total at 31 December 2016	**14 545 196**	**620 409**	**-349 513**	***400 607***	***-276 240***

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

3.3.1 - Securities portfolio

In thousands of euros	31/12/2017 Trading	31/12/2017 Available for sale securities	31/12/2017 Investment	31/12/2017 Portfolio securities	31/12/2017 Total	31/12/2016 Trading	31/12/2016 Available for sale securities	31/12/2016 Investment	31/12/2016 Portfolio securities	31/12/2016 Total
Treasury bills and similar securities	**1 352 067**	**5 318 395**	**0**		**6 670 462**	**3 124 625**	**3 703 458**	**594 014**		**7 422 097**
Gross amount	1 351 824	5 306 464	0		**6 658 288**	3 124 723	3 695 886	587 173		**7 407 782**
Accrued interest	243	12 188	0		**12 431**	-98	10 788	6 841		**17 531**
Impairment	0	-257			**-257**	0	-3 216			**-3 216**
Bonds and other fixed income securities	**1 712 359**	**4 951 422**	**0**		**6 663 781**	**1 655 615**	**3 377 331**	**69 530**		**5 102 476**
Gross amount		4 955 939	0		**4 955 939**		3 370 981	68 535		**3 439 516**
Accrued interest		8 640	0		**8 640**		10 541	995		**11 536**
Impairment		-13 157	0		**-13 157**		-4 191	0		**-4 191**
Shares and other variable-income securitie	**3 118 988**	**296 606**		**0**	**3 415 594**	**1 548 829**	**255 665**		**0**	**1 804 494**
Gross amounts		315 691		0	**315 691**		264 151		0	**264 151**
Accrued interest					**0**					**0**
Impairment		-19 085		0	**-19 085**		-8 486		0	**-8 486**
Total	**6 183 414**	**10 566 423**	**0**	**0**	**16 749 837**	**6 329 068**	**7 336 454**	**663 544**	**0**	**14 329 066**

For treasury bills and similar securities, the amount of receivables representing lent securities at 31/12/2017 was €4.158 million.

There were no longer any held to maturity securities at 31/12/2017.

Unrealised capital gains and losses of all securities “available for sale” were €89.65 million and €34.66 million respectively.

Treasury bills, bonds, and other fixed-income securities (in net value)

In thousands of euros	31/12/2017 Trading	Available for sale securities	Investment	Total	31/12/2016 Trading	Available for sale securities	Investment	Total
Listed securities	882 698	3 015 674	0	**3 898 372**	2 806 128	3 937 291	587 173	**7 330 592**
Unlisted securities	699 436	3 722 607	0	**4 422 043**	817 331	1 716 602	68 535	**2 602 468**
Securities loaned	657 656	3 500 294	0	**4 157 950**	657 748	1 405 570	0	**2 063 318**
Securities borrowed	824 393	0	0	**824 393**	499 128	0	0	**499 128**
Non-performing loans and receivables	0	10 414	0	**10 414**	0	0	0	**0**
Accrued interest	243	20 828	0	**21 071**	-98	21 329	7 836	**29 067**
Total	**3 064 426**	**10 269 816**	**0**	**13 334 243**	**4 780 237**	**7 080 792**	**663 544**	**12 524 573**
O/w subordinated notes	*0*	*35 049*	*0*	***35 049***	*2 460*	*35 049*	*0*	***37 509***

The unrealised capital losses giving rise to an impairment provision amounted to €13.42 million at 31 December 2017 versus €15.9 million at 31 December 2016.
The unrealised capital losses on available for sale securities amounted to €57.04 million at 31 December 2017 versus €68.1 million at 31 December 2016.

There were no longer any held to maturity securities at 31/12/2017. At 31 December 2016, unrealised capital gains on held to maturity securities amounted to €139.0 million.
The amount of impairment on held to maturity securities for counterparty risk is zero at 31 December 2017, just as at 31 December 2016.

The portion of bonds and other fixed-income securities issued by public bodies amounted to €261.74 million at 31 December 2017 versus €336.1 million at 31 December 2016.

Shares and other variable-income securities (in net value)

In thousands of euros	31/12/2017 Trading	Available for sale securities	Portfolio securities	Total	31/12/2016 Trading	Available for sale securities	Portfolio securities	Total
Listed securities	2 943 338	119 512		**3 062 850**	1 531 312	78 467		**1 609 779**
Unlisted securities	175 650	177 094		**352 744**	17 518	177 197		**194 715**
Accrued interest				**0**				**0**
Total	**3 118 988**	**296 606**	**0**	**3 415 594**	**1 548 830**	**255 664**	**0**	**1 804 494**

At 31 December 2017, shares and other variable-income securities included €126.2 million in UCITS compared with €166.3 in UCITS million at 31 December 2016.

In the case of available for sale securities, unrealised capital losses giving rise to an impairment provision amounted to €19.08 million at 31 December 2017 compared with €8.5 million at 31 December 2016.
Unrealised capital gains on available for sale securities amounted to €32.6 million at 31 December 2017 compared with €90 million at 31 December 2016.

3.3.2 - Changes in held to maturity securities

In thousands of euros	31/12/2016	Purchases	Disposals	Repayments	Conversion	Discounts /premiums	Transfers	Other changes	31/12/2017
Treasury bills	587 173		-577 558			-9 615			0
Bonds and other fixed income securities	68 535			-16 291	-2 244		-50 000		0
Total	**655 708**	**0**	**-577 558**	**-16 291**	**-2 244**	**-9 615**	**-50 000**	**0**	**0**

The associated receivables are not taken into account in this annex.

3.3.3 - Asset reclassification

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

Type of reclassification	Reclassified amount on reclassification date			Unrealised capital gains or losses that would have been reported if there had not been a reclassification	Unrealised capital gains or losses that would have been provisioned if there had not been a reclassification	Profit for the year on reclassified securities
	Previous years	Securities matured/transferred at 31/12/2017	31/12/2017			
Trading securities held to maturity						
Trading securities available for sale						
Investment securities held to maturity	1 559 377	-1 559 377	0			N/A

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. These securities were sold in 2017.

2. 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

Portfolio of origin	**Destination portfolio**	**Amount transferred during financial year**	
		at 31/12/2017	at 31/12/2016
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	**01/01/2017**	Increase	Decrease	Conversion	Other changes	**31/12/2017**
Gross amount	**1 792 912**	**24 407**	**-912**	**-5 492**	**0**	**1 810 915**
Equity interests and other long-term investments	*778 912*	*3 600*	*-912*			***781 600***
Investments in affiliates	*1 014 000*	*20 807*		*-5 492*		***1 029 315***
Impairment	**-112**	**-24**	**10**	**0**	**0**	**-126**
Equity interests and other long-term investments	*-112*	*-24*	*10*			***-126***
Investments in affiliates	*0*					***0***
Net long-term investments	**1 792 800**	**24 383**	**-902**	**-5 492**	**0**	**1 810 789**

Shares in non-trading real estate companies recorded under long-term investments amounted to €9.0 million at 31 December 2017, unchanged relative to 31 December 2016.

Other long-term investments include in particular the deposit guarantee fund association certificates (€4.0 million) and the deposit guarantee fund associate certificates (€4.5 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 2017, the carrying amount for BPCE securities was €718 million.

3.4.2 - Statement of subsidiaries and equity interests

Subsidiaries and equity interests	Capital	Shareholders' equity other than capital including FRBG, as applicable (excluding profit for the year)	Share of capital held (in %)	Carrying amount of securities held		Loans and advances granted by the company and not repaid and undated subordinated notes	Amounts of endorsements and similar guarantees granted by the company	Before-tax turnover or NIB of previous financial year	Result (profit or loss of last financial year)	Dividends received by the company during financial year
Amounts in thousands of euros				Gross	Net					
A. Detailed information on each security whose gross value exceeds 1% of the capital of the company required to declare them										
Equity interests held by BRED										
Cofibred	656 015	1 137 361	100,00	985 540	985 540			11 262	2 607	
Bred Bank Cambodia	43 714	42 400	100,00	43 776	43 776			1 234	-2 324	
SCI Le Lys Rouge	9 022	8 448	99,99	2	2			616	179	
SAS Mone	9 595	-850	95,00	3 536	3 536			443	-119	
BPCE	155 742	15 364 967	4,95	718 425	718 425		0	384 157	729 037	20 278 474
BP Développement	456 117	233 748	4,32	0	0			52 761	40 371	1 495 383
B. Aggregate information on each security whose gross value does not exceeds 1% of the capital of the company required to declare them										
French subsidiaries (all)				0	0					0
Foreign subsidiaries (all)				0	0					0
Association certificates				8 509	8 509					0
Equity interests in French companies				6 514	6 405					32
Equity interests in Foreign companies				590	590					30
o/w equity interests in listed companies				105	105					30

3.4.3 - Companies regarding which the establishment is fully liable

Name	Headquarters	Legal form
BPCE ACHATS	12/20 rue Fernand Braudel 75013 Paris	GIE
LE SOLEIL	3/5 route de Mantabo, Chemin Hilaire, 97300 Cayenne	SCI
ALCYONE 2014	1200, avenue du docteur Maurice Donat 06250 Mougins	SCI
LAGON LOCATION 1	35 rue des Mathurins 75008 Paris	SCI
LE LYS ROUGE	c/o I2F,10 rue Jean Jaurès 98851 Noumea	SCI
PAKOUSI	88 avenue de France 75013 Paris	SNC

3.4.4 - Related-party transactions

In thousands of euros	**Credit institutions**	**Other undertakings**	**31/12/2017**	31/12/2016
Receivables	**1 412 406**	**4 438 506**	**5 850 912**	4 044 027
o/w subordinated	-	-	**-**	70 000
Debt	**771 359**	**1 064 048**	**1 835 407**	1 769 507
o/w subordinated	-	-	**-**	
Commitments given	**93 687**	**253**	**93 940**	193 082
Financing commitments	23 000	-	23 000	*107 891*
Guarantee commitments	70 687	253	70 940	*85 191*
Other commitments given				

3.5 - Finance and operating leases

Not applicable.

3.6 - Non-current assets

3.6.1 - Intangible assets

In thousands of euros	01/01/2017	Increase	Decrease	Other movements	**31/12/2017**
Gross amount	**65 132**	**15 643**	**-8 647**	**0**	**72 128**
Lease rights and business assets	38 975		-688	0	38 287
Software	19 227	7 899	-6 910	0	20 216
Other	6 930	7 744	-1 049		13 625
Depreciation and impairment	**-54 316**	**-4 018**	**7 597**	**0**	**-50 737**
Lease rights and business assets	-37 693	-266	687	0	-37 272
Software	-16 623	-3 752	6 910	0	-13 465
Other		0	0	0	
Net carrying amount	**10 816**	**11 625**	**-1 050**	**0**	**21 391**

3.6.2 - Tangible assets

In thousands of euros	01/01/2017	Increase	Decrease	Other movements	31/12/2017
Gross amount	**401 861**	**30 135**	**-29 422**	**0**	**402 574**
Operating property, plant and equipment	***397 467***	***30 050***	***-29 106***	***0***	***398 411***
Land	61 291	0	-214	0	61 077
Buildings	137 804	1 201	-2 716	0	136 289
Shares in non-trading real estate companies		0	0	0	
Other	198 372	28 849	-26 176	0	201 045
Property, plant and equipment not used in operations	***4 394***	***85***	***-316***	***0***	***4 163***
Depreciation and impairment	**-179 647**	**-27 381**	**26 552**	**0**	**-180 476**
Operating property, plant and equipment	***-178 049***	***-27 172***	***26 237***	***0***	***-178 984***
Land					
Buildings	-64 383	-5 484	1 903	0	-67 964
Shares in non-trading real estate companies		0	0	0	
Other	-113 666	-21 688	24 334	0	-111 020
Property, plant and equipment not used in operations	***-1 598***	***-209***	***315***	***0***	***-1 492***
Net carrying amount	**222 214**	**2 754**	**-2 870**	**0**	**222 098**

3.7 - Debt securities

In thousands of euros	**31/12/2017**	31/12/2016
Short-term notes and savings certificates	**650**	650
Interbank market instruments and negotiable debt securities	**8 064 609**	5 918 800
Bonds	**135 200**	196 400
Other debt securities	**0**	0
Related liabilities	**4 312**	3 829
Total	**8 204 771**	**6 119 679**

3.8 - Other assets and liabilities

	31/12/2017		31/12/2016	
In thousands of euros	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Securities settlement accounts	0	0	0	0
Premiums on options purchased and sold	282 218	434 192	56 446	48 706
Debts in respect of securities borrowed and other securities transactions	0	1 679 318	0	1 182 737
Tax and social security receivables and debts	82 977	120 236	30 198	119 755
Guarantee deposits received and paid	0	53	0	58
Sundry debtors and sundry creditors	1 795 475	632 504	1 875 336	750 722
TOTAL	**2 160 670**	**2 866 303**	**1 961 980**	**2 101 978**

The sundry debtors include in particular the margin calls.

3.9 - Accruals and deferred income

In thousands of euros	31/12/2017 Assets	31/12/2017 Liabilities	31/12/2016 Assets	31/12/2016 Liabilities
Foreign exchange commitments	203 828	314 226	566 562	763 333
Deferred gains and losses on hedging forward financial instruments	1 185 242	1 531 824	52 480	523 767
Prepaid expenses and deferred income	42 825	240 397	39 597	254 495
Accrued income and accrued expenses	109 065	151 716	615 041	658 760
Items in process of collection	139 678	742 134	85 775	317 795
Other	63 948	34 388	27 932	48 378
TOTAL	**1 744 587**	**3 014 685**	**1 387 387**	**2 566 528**

The change in the item “deferred gains and losses on hedging forward financial instruments” is the result of the set-off reversal in 2017 of the swap valuation accounts following a presentation review of the annexes.

3.10 - Provisions

3.10.1 - Statement of changes in provisions

In thousands of euros	01/01/2017	Provisions made	Uses of provisions	Provisions written back	31/12/2017
Provisions for counterparty risks	143 657	18 638	-34 177	0	128 118
Provisions for employee benefit obligations	82 438	3 510	-3 063	0	82 885
Provisions for home saving plans (PEL) and home	17 539	454	0	0	17 993
Other provisions for liabilities	0	0	0	0	0
Securities portfolio and forward financial instruments					
Long-term investments					
Property development					
Provisions for taxes					
Other		*0*	*0*	*0*	*0*
Exceptional provisions	0	0	0	0	0
Restructuring of information systems					
Other exceptional provisions					
Total	**243 634**	**22 602**	**-37 240**	**0**	**228 996**

3.10.2 - Provisions and impairment charges for counterparty risks

In thousands of euros	01/01/2017	Provisions made	Uses of provisions	Provisions written back	31/12/2017
Impairment of assets	**401 635**	**139 393**	**-46 454**	**-41 388**	**453 186**
Impairment of loans and advances to customers	351 153	113 447	-36 316	-44 738	383 546
Impairment of other receivables	50 482	25 946	-10 138	3 350	69 640
Provisions for counterparty risks recognised as liabilities	**243 634**	**22 601**	**-37 239**	**0**	**228 996**
Provisions for off-balance sheet commitments (1)	7 455	1 980	-3 393	0	6 042
Provisions for country risks	1 365	0	-350	0	1 015
Provisions for sector risks and collective provisions	84 245	2 452	-8 845	0	77 852
Provisions for customer counterparty risks (2)	50 592	14 206	-21 588	0	43 210
Provisions for employee benefit obligations	82 438	3 509	-3 063	0	82 884
Provisions for regulated savings	17 539	454	0	0	17 993
Other provisions	0	0	0	0	0
TOTAL	**645 269**	**161 994**	**-83 693**	**-41 388**	**682 182**

(1) including execution risk relating to off-balance sheet commitments: €6.04 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

Defined contribution post-employment benefits

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 benefits

Banque Populaire's commitments concern the following plans:

- 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;
- Retirement and similar benefits: Pensions and other post-employment benefits such as termination indemnities and other retirement benefits;
- Others: 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 – employee benefit obligations

Analysis of assets and liabilities included in the balance sheet

In thousands of euros	31/12/2017			
	CARBP regime	**Retirement indemnities**	**Other commitments**	**Total**
Actuarial liabilities	106 733	10 049	48 412	**165 195**
Fair value of plan assets	-57 628	-6 751	-3 102	**-67 481**
Fair value of reimbursement rights				**0**
Effect of ceiling on plan assets				
Unrecognised actuarial gains/(losses)	-5 900	-999	-8 242	**-15 141**
Unrecognised past service costs			0	**0**
Net amount reported on the balance sheet	**43 205**	**2 299**	**37 068**	**82 572**
Employee benefit commitments recorded in the balance sheet	43 205	2 612	37 068	82 885
Plan assets recorded on the balance sheet		313		313

At 31 December 2009, CARBP was a supplementary pension institution (Institution de Retraite Supplémentaire). On 1 January 2010, CARBP became a supplementary pension management institution (Institution de Gestion de Retraite Supplémentaire) that manages pension commitments arising from the banking industry supplementary pension scheme. The associated pension liabilities have been outsourced to an insurance company. This outsourcing has no impact for BRED Banque Populaire.

- **Analysis of costs for the year**

	31/12/2017				31/12/2016
In thousands of euros	CARBP regime	Retirement indemnities	Other commitments	Total	Total
Cost of services rendered	0	0	-2 734	**-2 734**	**-2 220**
Past service cost	0	0	0	**0**	**0**
Interest disbursed	-1 316	257	-572	**-1 631**	**-2 784**
Interest received	666	-96	58	**628**	**1 222**
Benefits paid	3 559	0	434	**3 993**	**4 542**
Contributions received	0	0	0	**0**	**0**
Actuarial gains and losses	0	255	-175	**80**	**-255**
Other	0	0	-520	**-520**	**-338**
TOTAL	**2 910**	**416**	**-3 509**	**-183**	**166**

- **Breakdown of fair value of plan assets**

	CAR-BP		End-of-career awards	
	Weight by category in %	**Fair value of assets** *(in millions of euros)*	**Weight by category in %**	**Fair value of assets** *(in millions of euros)*
Cash	1,93%	1 117	7,70%	239
Shares	38,45%	22 154	9,00%	279
Bonds	51,60%	29 733	79,20%	2 456
Property	0,00%	0	3,80%	118
Derivatives	0,00%	0	0,30%	9
Investment funds	8,03%	4 625	0,00%	0
Total	100,00%	**57 628**	100,00%	**3 102**

Main actuarial assumptions

	CARBP regime		Other commitments	
As a percentage	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016
Discount rate	1,32%	1,22%	1,39%	1,22%
Expected return on plan assets	1,70%	1,60%	1,70%	1,60%

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	**31/12/2017**	31/12/2016
Deposits held in regulated home savings plans (PEL)		
* less than 4 years	241 070	842 528
* more than 4 years and less than 10 years	1 008 426	350 642
* more than 10 years	398 741	406 555
Deposits held in regulated home savings plans	**1 648 237**	**1 599 725**
Deposits held in regulated home savings accounts	147 945	145 092
TOTAL	**1 796 182**	**1 744 817**

Loans granted

In thousands of euros	**31/12/2017**	31/12/2016
Loans granted		
* under PEL regulated home savings plans	1 492	2 184
* under regulated home savings accounts	2 521	3 786
TOTAL	**4 013**	**5 970**

Provisions for commitments related to home savings accounts (CEL) and plans (PEL)

In thousands of euros	**01/01/2017**	**Net provisions / reversals**	**31/12/2017**
Provisions for regulated home savings plans			
* less than 4 years	8 979	-4 799	4 180
* more than 4 years and less than 10 years	1 503	4 208	5 711
* more than 10 years	5 916	845	6 761
Provisions for regulated home savings plans	**16 398**	**254**	**16 652**
Provisions for regulated home savings accounts	**1 141**		**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	**17 539**	**254**	**17 793**

3.11 - Subordinated debt

In thousands of euros	**31/12/2017**	31/12/2016
Term subordinated debt	**201 000**	260 000
Undated subordinated debt		
Undated super-subordinated debt	**0**	
Mutual guarantee deposits	**2 368**	483
Related liabilities	**7 140**	8 594
Total	**210 508**	269 077

The amount of bond issue and redemption premiums remaining to be amortised totalled €30 million. 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	31/12/2016	Increase	Decrease	Other changes	**31/12/2017**
Fund for general banking risks	113 730	6 091	0		119 821
Regional Solidarity Fund	59 178	0	-6 091		53 087
Total	172 908	6 091	-6 091	0	172 908

At 31 December 2017, the Fund for general banking risks included in particular €85.4 million allocated to the Banque Populaire Network Fund (Fond Réseau Banque Populaire), €34.4 million allocated to the Mutual Guarantee Fund (Fonds de Garantie Mutuel) and €53.1 million allocated to the Regional Solidarity Fund (Fonds Régional de Solidarité).

3.13 - Shareholders' equity

In thousands of euros	**Capital**	**Share premium account**	**Reserves/ other**	**Retained earnings**	**Profit for the year**	**Total capital and reserves (excluding FGBR)**
TOTAL AT 31 December 2015	**683 808**	**7 482**	**1 147 489**	**110 000**	**171 556**	**2 120 335**
Movements during the period	156 031	0	142 117	0	49 465	347 613
TOTAL AT 31 December 2016	**839 839**	**7 482**	**1 289 606**	**110 000**	**221 021**	**2 467 948**
Change in method impact						0
Appropriation of 2016 profit			221 021		-221 021	0
Distribution of dividends			-11 643			-11 643
Capital decrease						0
Capital increase	155 586		-2 888			152 698
Other movements						0
Profit and loss for the period					158 719	158 719
TOTAL AT 31 December 2017	**995 425**	**7 482**	**1 496 096**	**110 000**	**158 719**	**2 767 722**

The share capital amounts to nine hundred ninety-five million, four hundred twenty-four thousand, five hundred sixty-two euros (€995,424,562.00). It is divided into ninety-six million, two hundred sixty-nine thousand, three hundred (96,269,300) cooperative shares with a par value of ten euros and thirty-one cents (10.34) each, fully paid up and all of the same class.

A capital increase, subscribed in cash, in an amount of €152.6 million followed by the capitalisation of reserves amounting to €2.9 million enabling the par value of the share to be raised from €10.31 to €10.34 was completed in accordance with a decision of the Board of Directors of 20 March 2017, by issuance of 14,810,661 new cooperative shares at a par value of €10.31 which was raised to €10.34 after capitalisation of reserves.

3.14 - Sources and uses of funds by remaining maturity

Sources and uses of funds with fixed due dates are presented by residual maturity and include accrued interest.

	31/12/2017						
En milliers d'euros	Inférieur à 1 mois	de 1 mois à 3 mois	de 3 mois à 1 an	de 1 an à 5 ans	plus de 5 ans	Non déterminé	Total
Effets publics et valeurs assimilées	222 718	483 624	2 067 609	3 498 162	398 349	0	6 670 462
Créances sur les établissements de crédit	6 778 637	942 518	3 129 640	1 510 997	219 680	0	12 581 472
Opérations avec la clientèle	3 843 817	409 819	2 084 942	4 883 302	5 518 115	0	16 739 995
Obligations et autres titres à revenu fixe	171 741	482 545	206 877	1 419 369	4 383 249	0	6 663 781
Opérations de crédit-bail et de locations simples	0	0	0	0	0	0	0
Total des emplois	**11 016 913**	**2 318 506**	**7 489 068**	**11 311 830**	**10 519 393**	**0**	**42 655 710**
Dettes envers les établissements de crédit	5 448 207	832 987	1 144 507	1 380 982	103 771	0	8 910 454
Opérations avec la clientèle	31 412 657	213 403	1 524 033	859 718	39 463	0	34 049 274
Dettes représentées par un titre	2 340 359	4 531 402	1 253 360	70 850	8 800	0	8 204 771
Dettes subordonnées	24 508	0	186 000	0	0	0	210 508
Total des ressources	**39 225 731**	**5 577 792**	**4 107 900**	**2 311 550**	**152 034**	**0**	**51 375 007**

NOTE 4 - INFORMATION ON OFF-BALANCE SHEET AND SIMILAR ITEMS

4.1 - Commitments received and given

4.1.1 - Financing commitments

In thousands of euros	**31/12/2017**	31/12/2016
Financing commitments given		
to credit institutions	**698 095**	**931 628**
to customers	**2 748 847**	**2 640 398**
Opening of documentary credits	*54 514*	*46 931*
Opening of other confirmed credit lines	*2 675 970*	*2 582 224*
Other commitments	*18 362*	*11 243*
Total financing commitments given	**3 446 942**	**3 572 026**
Financing commitments received		
From credit institutions	**4 628 891**	6 274 221
from customers		
Total financing commitments received	**4 628 891**	**6 274 221**

4.1.2 - Guarantee commitments

In thousands of euros	**31/12/2017**	31/12/2016
Guarantee commitments given		
To credit institutions	**183 766**	**167 419**
- confirmation of opening of documentary credit	*105 011*	*89 870*
- other guarantees	*78 755*	*77 549*
To customers	**1 633 682**	**1 515 436**
- property guarantees	*100 927*	*103 111*
- tax and administrative guarantees	*41 081*	*44 500*
- other endorsements and similar guarantees	*591 874*	*482 659*
- other guarantees given	*899 800*	*885 166*
Total guarantee commitments given	**1 817 448**	**1 682 855**
Guarantee commitments received from credit institutions	2 714 549	3 368 441
Total guarantee commitments	**4 531 997**	**5 051 296**

4.1.3 - Other commitments not reported as off-balance sheet items

In thousands of euros	31/12/2017		31/12/2016	
	Commitments given	Commitments receiv	Commitments given	Commitments received
Other securities assigned as guarantees to credit institutions	5 551 008		6 833 650	
Other securities assigned as guarantees received from customers	0		0	
Total	**5 551 008**	**0**	**6 833 650**	**0**

At 31 December 2017, receivables pledged as collateral in the context of refinancing arrangements included in particular:

- €260.3 million of receivables mobilised with Banque de France under the TRICP automated system, compared with €278.9 million at 31 December 2016
- No receivables pledged to SFEF, as at 31 December 2017, just as at 31 December 2016.

4.2 - Transactions involving forward financial instruments

4.2.1 - Commitments relating to financial and currency forwards

In thousands of euros	31/12/2017				31/12/2016			
	Hedging	Other transactions	**Total**	Fair value	Hedging	Other transactions	Total	Fair value
Firm transactions								
Transactions on organised markets	***0***	***2 323 672***	***2 323 672***	***0***	***0***	***4 317 501***	***4 317 501***	***0***
Interest rate contracts	0	1 456 166	1 456 166	0	0	4 317 501	4 317 501	0
Foreign exchange contracts		118 025	118 025	0			0	0
Other contracts		749 481	749 481	0			0	0
Over-the-counter transactions	***82 868 334***	***103 389 436***	***186 257 770***	***-302 142***	***83 643 583***	***75 279 359***	***158 922 942***	***-592 604***
Forward rate agreements (FRA)	0	0	0	0	0	0	0	0
Interest rate swaps	82 137 935	43 460 383	125 598 318	-195 014	83 610 732	32 284 828	115 895 560	-365 404
Foreign exchange swaps	730 399	9 167 560	9 897 959	209	0	11 070 073	11 070 073	1 082
Other forward contracts	0	50 761 493	50 761 493	-107 337	32 851	31 924 458	31 957 309	-228 282
Total firm transactions	**82 868 334**	**105 713 108**	**188 581 442**	**-302 142**	**83 643 583**	**79 596 860**	**163 240 443**	**-592 604**
Options								
Transactions on organised markets	***0***	***10 102 520***	***10 102 520***	***-156 096***	***0***	***8 153 560***	***8 153 560***	***-226 285***
Interest rate options	0	0	0	0	0	8 153 560	8 153 560	-226 285
Foreign exchange options			0	0			0	0
Other options		10 102 520	10 102 520	-156 096			0	0
Over-the-counter transactions	***0***	***2 237 292***	***2 237 292***	***4 122***	***1 664***	***3 516 558***	***3 518 222***	***16 706***
Interest rate options	0	1 489 382	1 489 382	1 981	*1 664*	1 504 217	1 505 881	3 460
Foreign exchange options	0	709 550	709 550	2 725	0	1 141 632	1 141 632	-3 109
Other options	0	38 360	38 360	-584	0	870 709	870 709	16 355
Total conditional transactions	**0**	**12 339 812**	**12 339 812**	**-151 974**	**1 664**	**11 670 118**	**11 671 782**	**-209 579**
Total financial and currency forwards	**82 868 334**	**118 052 920**	**200 921 254**	**-454 116**	**83 645 247**	**91 266 978**	**174 912 225**	**-802 183**

4.2.2 - Breakdown of over-the-counter interest rate financial instruments by type of portfolio

In thousands of euros	31/12/2017					31/12/2016				
	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	**Total**	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	**Total**
Firm transactions	***70 932 075***	***11 205 860***	***0***	***53 358 342***	***135 496 277***	***80 075 697***	***3 535 035***	***0***	***43 354 901***	***126 965 633***
Forward rate agreements (FRA)	0	0	0	0	0	0	0	0	0	0
Interest rate swaps	70 932 075	11 205 860	0	43 460 383	125 598 318	80 075 697	3 535 035	0	32 284 828	115 895 560
Foreign exchange swaps	0	0	0	9 897 959	9 897 959	0	0	0	11 070 073	11 070 073
Other interest rate forward contracts					0					0
Options	***0***	***0***	***0***	**1 489 382**	**1 489 382**	**1 664**	**0**	**0**	**1 504 217**	**1 505 881**
Interest rate options	0	0	0	1 489 382	1 489 382	1 664	0	0	1 504 217	1 505 881
Total	**70 932 075**	**11 205 860**	**0**	**54 847 724**	**136 985 659**	**80 077 361**	**3 535 035**	**0**	**44 859 118**	**128 471 514**

No transactions were transferred to another portfolio during the period.

4.3 - Breakdown of balance sheet by currency

	31/12/2017		31/12/2016	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Euro	57 326 801	47 426 900	53 563 887	43 944 573
US dollar	1 653 286	3 553 759	1 586 709	4 375 981
Pound sterling	662 788	8 893 663	456 912	7 106 735
Swiss franc	113 128	10 197	69 176	28 461
Yen	588 040	161 666	124 719	71 525
Other	81 578	379 436	53 159	327 287
Total	60 425 621	60 425 621	55 854 562	55 854 562

4.4 - Foreign currency transactions

In thousands of euros	31/12/2017	31/12/2016
Spot currency transactions		
Currency receivable not received	352 722	153 004
Currency deliverable not delivered	3 729 072	1 200 069
TOTAL	**4 081 794**	**1 353 073**

NOTE 5 - INFORMATION ON THE INCOME STATEMENT

5.1 - Interest and similar income and expenses

	2017 financial year			2016 financial year		
In thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Interbank transactions*	140 192	-57 904	**82 288**	105 432	-45 119	60 313
Customer transactions	356 879	-96 348	**260 531**	399 603	-87 898	311 705
Bonds and other fixed income securities	115 698	-114 286	**1 412**	97 314	-108 404	-11 090
Subordinated debt	958	-14 088	**-13 130**	834	-16 439	-15 605
Other						
Total	**613 727**	**-282 626**	**331 101**	603 183	-257 860	345 323

* Of which €1.8 million as operating expenses and €89.1 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 €0.5 millions for the financial year 2017, compared with a charge of €8.7 million for the financial year 2016.

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	2017 financial year	2016 financial year
Shares and other variable-income securities	5 504	3 079
Equity interests and other long-term investments		
Investments in affiliates	21 836	18 501
TOTAL	**27 340**	**21 580**

5.4 - Fees and commissions

In thousands of euros	2017 financial year			2016 financial year		
	Income	Expenses	Net	Income	Expenses	Net
Cash and interbank transactions	12 071	-698	**11 373**	9 368	-935	8 433
Customer transactions	144 300	0	**144 300**	140 562	0	140 562
Securities transactions	13 581	0	**13 581**	11 543	0	11 543
Payment services	172 332	-92 770	**79 562**	156 819	-84 140	72 679
Gains on currency transactions	767	-99	**668**	807	-138	669
Off-balance sheet commitments	24 172	-5 538	**18 634**	22 805	-4 182	18 623
Financial services	75 571	-8 192	**67 379**	66 493	-6 821	59 672
Advisory services						
Other	3 996	0	**3 996**	3 814	0	3 814
Total	**446 790**	**-107 297**	**339 493**	412 211	-96 216	315 995

5.5 - Gains or losses on trading securities

In thousands of euros	**2017 financial year**	2016 financial year
Trading securities	**206 777**	99 326
Gains on currency transactions	**75 066**	70 862
Forward financial instruments	**-100 864**	9 775
Total	**180 979**	179 963

The change in result under the various assets items is related to the trading room strategy, which adapts to the market.

5.6 - Gains or losses on available for sale securities and similar

In thousands of euros	2017 financial year			2016 financial year		
	Available for sale securities	Portfolio securities	Total	Available for sale securities	Portfolio securities	Total
Impairment	**-4 242**		**-4 242**	**654**		**654**
Provisions made	*-14 369*		*-14 369*	*-8 916*		*-8 916*
Provisions written back	*10 127*		*10 127*	*9 570*		*9 570*
Gains on disposal	**69 626**		**69 626**	**31 141**		**31 141**
Other items						
Total	**65 384**		**65 384**	**31 795**		**31 795**

5.7 - Other banking operating income and expenses

In thousands of euros	2017 financial year			2016 financial year		
	Income	Expenses	Total	Income	Expenses	Total
Share in joint operations	7 082	0	**7 082**	6 227	0	6 227
Rebilling of banking income and expense	1 901	-22	**1 879**	1 414	-36	1 378
Property business						
IT services						
Other activities	579	0	**579**	639	0	639
Other related income and expenses	11 177	-11 875	**-698**	7 940	-12 565	-4 625
Total	**20 739**	**-11 897**	**8 842**	16 220	-12 601	3 619

5.8 - Operating expenses

In thousands of euros	2017 financial year	2016 financial year
Personnel costs		
Wages and salaries	-190 960	-183 338
Pension costs and similar obligations	-42 032	-39 731
Other social security charges	-58 487	-56 227
Employee incentive scheme(s)	-16 192	-15 297
Employee profit-sharing scheme(s)	-29 129	-30 096
Payroll taxes and charges	-25 960	-24 533
Total personnel costs	**-362 760**	**-349 222**
Other operating expenses		
Taxes and duties	-21 076	-35 858
Other general operating expenses	-179 709	-156 056
Total other operating expenses	**-200 785**	**-191 914**
Total	**-563 545**	**-541 136**

The average active workforce during the period was 3,438 employees.
The CICE tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi) is deducted from payroll costs. It amounted to €6.0 million in 2017.

The use of this tax is presented in the "Corporate social and environmental responsibility" section of the annual report

5.9 - Cost of risk

	2017 financial year					2016 financial year				
In thousands of euros	Provisions made	Provisions reversed	Losses not covered by provisions	Recoveries of bad debts written off	Total	Provisions made	Provisions reversed	Losses not covered by provisions	Recoveries of bad debts written off	Total
Impairment of assets										
Interbank	0	0	0	0	**0**	-1	0	0	0	**-1**
Customers	-112 723	34 701	-3 243	1 774	**-79 491**	-94 288	51 824	-3 294	965	**-44 793**
Securities portfolio and other rec	-484	-66	0	0	**-550**	-313	-231	0	0	**-544**
Provisions										
Off-balance sheet commitments	-1 980	3 394			**1 414**	-2 553	1 545			**-1 008**
Provisions for customer risks	-16 420	24 815			**8 395**	-6 876	6 600			**-276**
Other	0	350			**350**	-681	0			**-681**
Total	**-131 607**	**63 194**	**-3 243**	**1 774**	**-69 882**	**-104 712**	**59 738**	**-3 294**	**965**	**-47 303**

	2017	2016
of which:		
- reversals of obsolete impairment charges	63 194	59 738
- reversals of utilised impairment charges	36 316	26 654
Provisions reversed	99 510	86 393
- losses covered by provisions	-36 316	-26 654
Provisions reversed net	**63 194**	**59 738**

5.10 - Gains or losses on non-current assets

	2017 financial year				2016 financial year			
In thousands of euros	Equity interests and other long-term investments	Held to maturity securities	Tangible and intangible assets	Total	Equity interests and other long-term investments	Held to maturity securities	Tangible and intangible assets	Total
Impairment	**-15**	**0**		**-15**	**-10**	**0**		**-10**
Provisions made	-25	0		-25	-10	0		-10
Provisions written back	10	0		10	0	0		0
Gains on disposal	**14**	-68 153	**1 682**	**-66 457**	**0**	**-139**	**21 781**	**21 642**
Total	**-1**	**-68 153**	**1 682**	**-66 471**	**-10**	**-139**	**21 781**	**21 632**

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: 25 thousand euros
• reversals from impairment charges on equity interests and investments: 10 thousand euros
• income of disposals on equity interests and investments and other long-term investments: capital gain of 14 thousand euros
• the profit or loss on sales of the held to maturity portfolio: capital loss of €68.15 million related to the sale of the Italian securities described in point 1.1 “Significant events”
In 2016,
• 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.

5.11 - Non-recurring items

No exceptional item was recorded in 2017.

5.12 - Income tax expense

5.12.1 - Breakdown of income tax in respect of the 2017 year

BRED Banque Populaire is a member of the BPCE tax group.
Income tax paid to the head company of the tax group, which is broken down between tax on current income and tax on non-recurring income, was as follows:

In thousands of euros

Tax bases at the following rates	33,33%	15,00%	Total
Tax on current income	120 038	-3 695	
Tax on non-recurring income			
	120 038	-3 695	
Tax losses brought forward			
Tax bases	120 038	-3 695	
Corresponding tax	40 013	0	40 013
Additional contribution assessed at 3.3%			1 295
Additional contribution assessed at 15%			6 002
Deductions in respect of tax credits			-2 210
Tax recognised			**45 100**
Overseas territories tax			85
Provisions for the return to profitability of subsidiaries			675
Dividend tax			349
Distribution tax relief			-1 334
Provisions for tax and other			18 246
TOTAL			**63 121**

Most of the provision for taxes and miscellaneous expenses is associated with a deferred tax provision related to the tax optimisation operations, which are recorded in the accounts at the end of the transactions.

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

In thousands of euros	KPMG				PwC			
	2017 financial year		2016 financial year		2017 financial year		2016 financial year	
	Amount (before recalculated tax)	%	Amount (before recalculated tax)	%	Amount (before recalculated tax)	%	Amount (before recalculated tax)	%
Audit								
Statutory auditors, certification, examination of individual and consolidated financial statements	279,9	78%	232,2	70%	245,0	87%	256,8	95%
Other duties and services directly related to the statutory auditor mission	80,3	22%	100,7	30%	38,0	13%	14,9	5%
TOTAL	**360,2**	**100**	**332,9**	100	**283,0**	**100**	**271,7**	100

Services other than certifying statements consisting of specific work performed in connection with the evolution of the information systems and validation of CSR data.

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 noncooperative 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 noncooperative 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 2017, BRED Banque Populaire had no operations or activities in countries or territories considered non-cooperative for tax purposes.

PROFIT FROM LAST FIVE FINANCIAL YEARS

in thousands of euros	2013	2014	2015	2016	2017
Capital at the year end					
Cooperative shares: amount	573 260	627 181	683 808	839 839	995 425
Number of shares outstanding	56 758 441	61 488 311	66 647 978	81 458 640	96 269 300
Shareholder's equity	1 753 918	1 911 738	2 120 335	2 467 948	2 767 722
Results of operations					
Net banking income	795 290	819 591	865 110	898 274	953 138
Profit before tax, employee profit-sharing, depreciation, amortisation and provisions	252 715	260 367	290 042	359 089	292 384
Income tax	-74 911	-68 275	-90 511	-78 750	-63 121
Employee profit-sharing for the year	-20 000	-22 200	-26 000	-29 857	-26 900
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	139 592	139 336	171 556	221 021	158 719
Retained earnings before appropriation of profit for the year	110 000	106 360	110 000	110 000	110 000
Net profit transferred to reserves	128 354	117 661	154 668	198 327	134 803
Retained earnings after appropriation of profit for the year	110 000	110 000	110 000	110 000	110 000
Dividends paid to members	11 238	11 068	11 355	11 643	15 981
Earnings per share (cooperative shares)					
Profit after tax and employee profit-sharing, but before depreciation, amortisation and provisions	3,03	2,99	1,51	4,07	2,48
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	2,68	2,45	2,79	3,59	1,95
Dividend per share	0,26	0,19	0,18	0,18	0,17
Employees					
Employee data Average workforce employees during the per	3 400	3 370	3 397	3 426	3 438
Total payroll costs for the period	175 007	176 805	176 753	183 337	190 960
Employee benefits	93 287	109 891	93 908	95 959	100 519

- 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 Credit 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
- the 14,810,661 new cooperative shares created in December 2017 have been entitled to dividends since 14 December 2017

STATUTORY AUDITORS' REPORT ON THE ANNUAL INDIVIDUAL FINANCIAL STATEMENTS

Financial year ended 31 December 2017

To the General Meeting of Shareholders,

BRED Banque Populaire
Société Anonyme

18, quai de la Rapée, 75012 Paris

Opinion

In fulfilment of the assignment entrusted to us by your General Meeting, we performed the audit of the annual financial statements of the company BRED Banque Populaire for financial year ended 31 December 2017, which are attached to this report.
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.
The opinion formulated above is consistent with the contents of our report to the audit committee.

Basis of the opinion

Audit frame of reference

We have performed our audit in accordance with French professional standards. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.
The responsibilities that we have assumed in accordance with these standards are described in the section of this report entitled "Responsibilities of the Statutory Auditors regarding the audit of the annual financial statements".

Independence

We performed our audit assignment in respect for the applicable rules of independence for the period from 1 January 2017 to the issue date of our report, and, in particular, we did not provide any of the services that are prohibited by Article 5, paragraph 1, of (EU) regulation no. 537/2014 or by the code of ethics of the profession of statutory auditor.

Justification of our assessments - Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code concerning the justification of our assessments, we would like to bring to your attention the key points of the audit with respect to the risks of significant anomalies that, in our professional judgement, were the most important for the audit of the annual financial statements for the financial year, as well as our responses to these risks.

These assessments were made in the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on the elements of these annual financial statements taken individually.

Credit risk associated with loans to companies

Identified risk	***Our response***
BRED Banque Populaire is exposed to credit risk and counterparty risk associated with the inability of its customers or its counterparties to fulfil their financial commitments. BRED Banque Populaire records impairment provisions and other provisions to cover demonstrated risks of losses. These provisions are determined on an individual or collective basis. They are based on regulatory or specific parameters as well as on parameters addressing macro-economic situations that could affect sensitive credit portfolios. These provisions represent a significant estimate for the drafting of financial statements and require the judgement of management, particularly with respect to loans "originated" and structured by your bank for major corporate customers in France and internationally. In fact, the evaluation of impairments of loans may be complex when it concerns loans to companies operating in economic sectors with an uncertain or degraded outlook. We believe that the identification and evaluation of the risk on loans to companies represents a key point of the audit because the assessment of this risk relies on the management's judgement, particularly given the complexities inherent in: - identifying exposures (or homogeneous exposure groups) entailing a risk of non-recovery and - determining future recoverable flows, including the value of the guarantees and collateral associated with these loans. *At 31 December 2017, outstanding loans amounted to €16.7bn (including €8.9bn in loans and receivables from corporate customers listed under the heading "Non-financial companies"). For more details on the accounting principles and exposures, see notes 2.3.2 and 3.2 of the annex to the financial statements.*	We reviewed the mechanism put in place by management to identify receivables to be written down and evaluate the amount of impairments recorded. We tested the proper implementation of the internal control procedures put in place by the bank throughout the process for the annual portfolio review, updates to credit ratings, identification of sensitive loans and evaluation of impairments and accounting/management reconciliation. We also reviewed the main conclusions of the bank's specialised committees that are responsible for monitoring sensitive or impaired receivables. With regard to provisions estimated on a collective basis, our work consisted of: - examining the collective provision calculations in conjunction with our experts in credit risk modelling - in particular, we reviewed the methodological changes impacting the collective provisioning of the BPCE group with the support of the board of auditors at the central body; - comparing the amount of the calculated collective provision compared to the recorded provision and examining the adjustments made by management, as necessary. With regard to individual calculated impairments: - we assessed the estimates used for the most significant counterparties; - using a sample, we assessed the provisioning level with respect to the underlying elements of the loan accounts and the main assumptions used when assessing the expected recovery flows, particularly with respect to the valuation of collateral.

Valuation of financial instruments

Identified risk	*Our response*

As part of its financial activities or in connection with its offering of services to its customers, BRED Banque Populaire holds financial assets and liabilities valued in the balance sheet at market value.
 	
These instruments are valued using different approaches based on their nature and complexity.
 	
We felt that the valuation of financial instruments represented a key point of the audit, given the importance of judgement in their valuation, which in particular concerns:
 	
- the determination of valuation parameters that are not necessarily observable on the market for forward financial instruments or parameters based on discount rate or long-term growth rate for unlisted securities;
- the use of internal valuation models;
- the consideration of financial trajectories;
- the estimate of valuation adjustments that take into account counterparty or liquidity risks or activity-related risks, for example;
 	
The accounting methods and principles associated with financial instruments are described in the notes entitled "Securities" and "Forward financial instruments" and are explained in notes 3.3 and 4.2 of the annex.
	We evaluated the processes and controls put in place by the Group to identify and evaluate complex financial instruments, to include:
	
	- the governance surrounding the valuation models and value adjustments;
	- the justification and independent validation of profits and losses reported on these transactions;
	- the controls concerning the parameter collection and archiving processes necessary for the valuation of complex financial instruments;
	- the supervision performed by management and internal reporting presenting the valuation of complex financial instruments.
	
	In conjunction with our specialists in risk modelling and quantitative techniques, we also:
	
	- performed independent valuations on a sample of derivatives and analysed any discrepancies;
	- analysed the internal identification and validation processes for the main value adjustments applied to financial instruments and the evolutions of the same over time:
	    o our analysis concerned in particular the governance and methodologies selected for market reserves,
	    o when management applied value discounts to the securities, we assessed the rationale and reasonableness of these discounts and the associated documentation.
	
	We verified that the estimates used are supported by documented methods that are consistent with the principles described in the notes of the annex.

Verification of the management report and other documents addressed to shareholders

We also performed the specific verifications required by French law in accordance with French auditing standards.

Information provided in the management report and other documents addressed to shareholders regarding the financial position and annual financial statements

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.

Report on corporate governance

We attest to the existence in the Board of Directors' report on corporate governance of the information required by Article L. 225-37-4 of the French Commercial Code.

Information in compliance with other legal and regulatory obligations

Designation of statutory auditors

We have been appointed Statutory Auditors of the BRED Banque Populaire company by the General Meeting of 21 May 1999, for the KPMG S.A. firm, and of 23 May 1996, for the PWC firm, in light of the acquisitions or mergers of firms occurring since these dates.
At 31 December 2017, the KPMB firm was in the 19th consecutive year of its appointment and the PWC firm was in its 22nd year.

Responsibilities of management and the persons responsible for corporate governance with respect to the annual financial statements

It is the management's responsibility to draft annual financial statements presenting a fair view in accordance with the French accounting rules and principles as well as to put the internal control system in place that it deems necessary for the preparation of annual financial statements that are free from all significant anomalies, whether they are the result of fraud or error.
When preparing the annual financial statements, it is the management's responsibility to evaluate the company's capacity to continue its operations, present the necessary information as applicable in said financial statements regarding operational continuity and apply the accounting convention of going concern, unless there are plans to liquidate the company or cease its activities.
It is the audit committee's responsibility to continue the process of preparing the financial information and monitoring the effectiveness of the internal control and risk management systems as well as the internal audit, as applicable, with respect to the procedures concerning the drafting and treatment of accounting and financial information.
The company financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors regarding the audit of the annual financial statements

Objective and procedure of the audit

It is our responsibility to draft a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements when considered as a whole do not contain significant anomalies. Such reasonable assurance corresponds to a high level of certainty, without, however, guaranteeing that an audit conducted in accordance with professional standards can systematically detect all significant anomalies. Anomalies may result from fraud or errors and are considered significant when it can be reasonably expected that they may, either individually or cumulatively, impact the economic decisions that the users of the financial statements take on the basis thereof.
As made clear by Article L.823-10-1 of the Commercial Code, our assignment to certify the financial statements does not amount to guaranteeing the viability or quality of the management of your company.

Statutory auditors exercise their professional judgement throughout any audit conducted in accordance with the professional standards applicable in France.

Furthermore:

- they identify and assess the risks that the annual financial statements contain significant anomalies, whether they are the result of fraud or error, define and implement audit procedures to address these risks and collect elements that they deem sufficient and appropriate to serve as a basis for their opinion. The risk of not detecting a significant anomaly resulting from fraud is higher than it is for significant anomalies resulting from error because fraud may involve collusion, falsification, intentional omissions, false declarations or circumvention of the internal control process;
- they review the internal control process that is relevant for the audit in order to define the audit procedures that are appropriate under the circumstances and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- they assess whether the accounting methods used are appropriate and whether the accounting estimates made by management are reasonable as well as the information concerning the same provided in the annual financial statements;
- they assess whether the management's application of the accounting convention of going concern is appropriate and, according to the elements collected, whether or not there is any significant uncertainty relative to events or circumstances that could undermine the company's ability to continue its operations. This assessment is based on the elements collected through the date of their report; however, it is understood that subsequent circumstances or events could jeopardise operational continuity. If they conclude that a significant uncertainty exists, they draw the attention of readers of their report to the information provided in the annual financial statements regarding this uncertainty or, if such information is not provided or is not relevant, they formulate a certification with reserve or a refusal to certify;
- they assess the overall presentation of the annual financial statements and evaluate whether the annual financial statements reflect the underlying transactions and events in such a way as to present a fair view.

Report to the audit committee

We submit a report to the audit committee that describes, in particular, the scope of the audit work and the audit programme followed, as well as the conclusions of our work. We also make it aware of any significant weaknesses that we have identified in the internal control system, as applicable, with respect to the procedures concerning the drafting and treatment of accounting and financial information.
The elements communicated in the report to the audit committee include the risks of significant anomalies that we deem to be the most important for the audit of the annual financial statements for the financial year and which therefore represent key points of the audit, which we are responsible for describing in this report.
We also provide the audit committee with the declaration provided for by Article 6 of (EU) Regulation no. 537-2014 confirming our independence pursuant to the rules applicable in France as established in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the code of ethics of the profession of statutory auditor. As applicable, we meet with the audit committee regarding any risks to our independence as well as the safeguards implemented.

Paris La Défense and Neuilly sur Seine, 2 May 2018

The statutory auditors

KPMG Audit	PWC	
Department of KPMG SA		
Marie-Christine Jolys Associate	Anik Chaumartin Associate	Nicolas Montillot Associate

5

Risk management and compliance monitoring carried out by the BRED

Some information contained in this chapter is required by the IFRS 7 standard and is, on this basis, covered by the External Auditor's opinion on the consolidated accounts. This information is flagged by the statement "Information provided under IFRS 7".

INTRODUCTION

Internal control mechanism

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 internal control mechanism's objectives are as follows:

- to develop a risk monitoring culture among the group's staff members, especially in order to avoid the risk of fraud;
- to continuously maintain the group's efficiency and quality of performance;
- to guarantee that information is reliable, especially concerning its finances and accounting;
- to ensure that operations are securely carried out in conformity with the law, the regulations and the instructions given by management.

BRED applies the continuous and periodic control standards defined in the BPCE Group's control function charters.

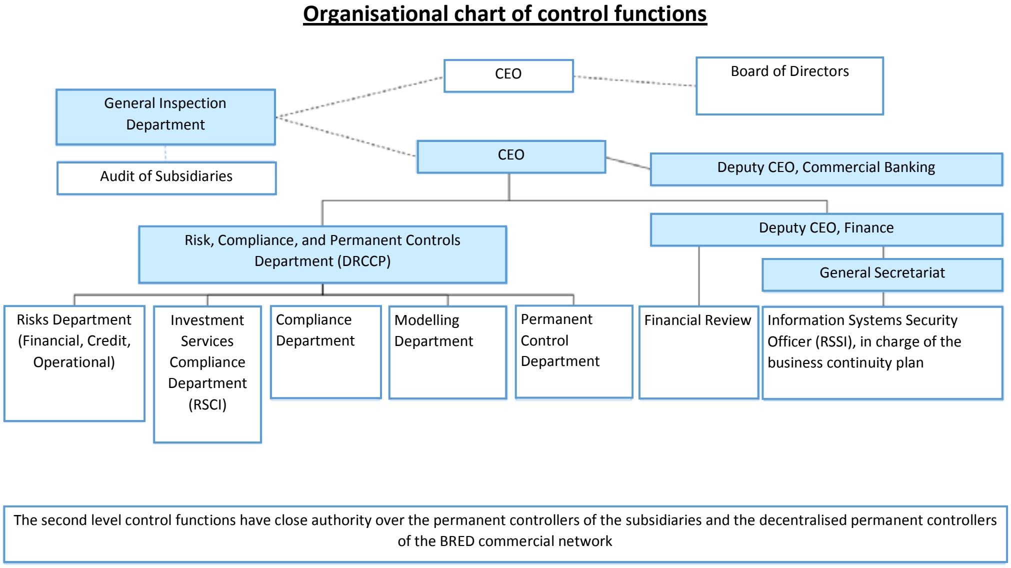
Overall organisation of internal control

In conformity with banking regulations, the establishment's internal control mechanism is based on the first level of control ensured by the operational hierarchy, continuous control at the second level carried out by dedicated agents - whose work is not operational in regulatory terms - and by periodic monitoring.
The continuous 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 mechanism seeks an appropriate fit between the risks incurred and the BRED Group's policies.

The Head of Permanent Control is responsible for continuous control within the meaning of Article 16 of the Decree on internal control dated 3 November 2014.
The Inspector General is in charge of periodic monitoring, in accordance with article 17 of the Decree on Internal Control of 3 November 2014.

The Head of risk management, compliance and continuous control is in charge of monitoring compliance in accordance with article 28 of the Decree on Internal Control of 3 November 2014.
The Head of risk management, compliance and continuous control is in charge of risk management in accordance with article 74 of the Decree on Internal Control of 3 November 2014.

Organisation of the internal control mechanism of the BRED Group on 31 December 2017



Consolidated control

One of the fundamental principles of internal control concerns the comprehensiveness of its coverage: it applies to all types of risk and to all the consolidated entities of the BRED Group, be they banks or not, be they 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, on one hand by BRED's General Inspection Management and, on the other hand, through subsidiaries that do local auditing in close collaboration with BRED's General Inspection Management;
- continuous control carried out within the subsidiary in close collaboration with BRED's second-level continuous control functions, as part of BRED Group's consolidated risk monitoring system.

Aligning controls to the risks involved and auditing ability of controls

Evaluating the adequacy of the controls at various levels of risk implies:

- having systems, methods and risk measuring tools with follow-up;
- notably having appropriate skilled human means available in sufficient numbers.

Auditing ability implies:

- there be flowcharts, function definitions and clear assignments of power;
- there be exact detailed operational procedures covering all activities, explaining the responsibilities and types of control required, all easily available for consultation;
- that reporting guidelines, alert devices and obligation to report be well defined.

Proportionality of control systems

Internal control systems are put to use with regard to the intensity, frequency and types of risk involved in the company's businesses.

Application of the principle of subsidiarity

Internal control systems are implemented by using the principle of subsidiarity that relates especially to the risk management and compliance carried out by the staff at the subsidiaries, as needed and only where appropriate, depending on:

- the setting up of a continuous control system in all the Group's establishments and the analysis of the results of this monitoring at local and consolidated levels;
- the follow up of the first level continuous control results by the second level monitoring staff, both carried out independently of each other;
- the continuous control monitoring staff sharing the results of their controls.

This subsidiarity makes it possible to distribute the work among various actors at a given subsidiary (local level, consolidated level and central body).

Internal control staff

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 with applicable standards. On a regular basis it monitors the correct functioning, checks that the means used for continuous periodic controls are suitable in terms of numbers and skills as well as systems with regard to:

- the kind, the volume and the scope of the activities followed;
- the size of the company;
- the locations;
- the way the operations are monitored (externalised activities);
- the various kinds of risk it is exposed to and their development;
- the regular developments of the regulatory framework.

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 continuous 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.

The line managers (1st level)

All the bank's operational directorates are in charge of the first control level which constitutes the essential and indispensable basis of the control system.

All employees take part in the bank's first-level continuous control system through self-checks based on controls integrated into operational procedures and automated controls during the processing of transactions. 1st level controls are carried out by ranking managers to ensure the quality of work done by employees.

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 continuous 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;
- of first level control - a control plan at the 1st level is established for this reason - and of the reporting of shortcomings through their hierarchy, as well as after the control functions that may be involved;
- of the responses to be diligently formulated to the requests for information made by continuous and periodic control directorates, notably when they emanate from requests made by prudential control authorities or from financial markets;
- drawing up corrective action plans whenever necessary (to address issues identified by the department itself or by continuous or periodic control) and implementing them within a reasonable time period.

Independent continuous control functions (2nd level)

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

- to assist with good governance in managing risk, notably by taking part in the elaboration of policies on risk taking, as well as by ensuring that the control body, the actual managers, the control authorities and that all employees are well informed (prevention);
- to assess risk (tools and indicators);
- to ensure that risk control systems function correctly with
  - continuous risk monitoring (analyses, following indicators and checking the limits);
  - continuous control.

Within the directorate of risk, compliance and continuous control, the second level continuous control collaborators are:

- the Risk Directorate, in charge of the monitoring and control of credit risk, financial risk (including market risk) as well as operational risk; this directorate also monitors how to deal with external fraud;
- The Continuous Control Directorate, in charge of the organisation and the 2nd level surveillance of the system of continuous control, with support from decentralised continuous controllers in the commercial network and in the subsidiaries;
- the Compliance Directorate, whose main objective is to control legal, administrative and disciplinary risks, to avoid significant financial loss and damage to the Group's reputation, that are caused by breach of legislative or regulatory provisions applicable to banking and financial activities, of professional and ethical standards and of instructions given by the executive body; this directorate also handles internal fraud;
- the Directorate for compliance with investment services that notably ensures correct implementation of the AMF's general regulations (Financial Markets Authority).

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 & Continuous 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 & Continuous Control Department. Likewise, the function of Safety for persons and property is led by the General Secretariat.

The staff working at the second level of continuous control in the directorates of regional retail banks - under the hierarchical authority of the regional manager, and in the subsidiaries, under the hierarchical authority of the General Manager of the subsidiary - are subjected to the strong functional bond of functional authority established with the 2nd level BRED continuous control departments involved.

The mission of this staff is that of risk prevention and control, notably by ensuring that the appropriate first level controls are carried out in the operational management departments and at the subsidiaries. After completion of the controls, they inform the relevant hierarchical managers of any corrective action that needs to be taken unless suitable action plans have already been defined. Second-level permanent control recommendations, like recommendations from periodic control, must be implemented within a reasonable time frame. Within this framework, they are responsible for updating the overall system of risk control and for implementing the internal control charter. The state of the continuous control system and the risk status of the BRED Group are regularly reported to General Management as well as to the Committee on Risk and to the Board of Directors.

As the case may be, the Risk, Compliance and Continuous Control Manager, the Risk Manager, the Compliance Manager and the Investment Services Compliance Officer can have access to the Board of Directors and to special committees without having to obtain authorisation from present managers.

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.
It carries out tasks recorded in the annual audit plan, previously undergoing BPCE General Inspection and having been validated by General Management (the executive body) and the Risk Committee of BRED's Board. It is also presented to the Board of Directors (the supervisory body) for information.

In the framework of duties set forth in article 17 of the Decree dated 3 November 2014 concerning internal control, the General Inspection Directorate has as its priority objectives the evaluation of and reporting on the quality of the financial status of each audited unit, on the level of risk involved, the coherence, the adequacy and correct functioning of the valuation devices and of the control of risk, on the reliability and integrity of the accounting and management information, on 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.
The General Inspection Directorate of the BRED Group, in accordance with the BPCE Group's internal auditing sector chart, maintains a strong working bond of authority with the internal auditing managers of the subsidiaries that have them.

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.

Employees assigned to internal control

	Total	Parent company	Subsidiaries
Audit	26.5	25.5	1.0
Risk sector	62.0	42.5	19.6
Continuous Sector Control	64.7	51.5	13.2
Sector Conformity	40.7	23.7	17.0
Security of Reporting System	5.1	1.7	3.4
Emergency plan and continuation of business	3.9	1.8	2.1
Financial Audit	11.4	6.1	5.3
Total	**214.2**	**152.7**	**61.5**

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.
The BRED Group's Committee for Coordinating Control Functions regularly holds meetings for the main 1st and 2nd level continuous control and periodic control persons. 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.The Executive Committee on Risk evaluates the quality of the system of risk management and continuous control, notably concerning the coherence in the measurement, surveillance and risk control systems on a consolidated basis. When needed, it proposes additional action. It studies the principle lessons learned from risk monitoring.

Appetite for risk

The BRED Group determines how much risk it wants to take on the basis of:

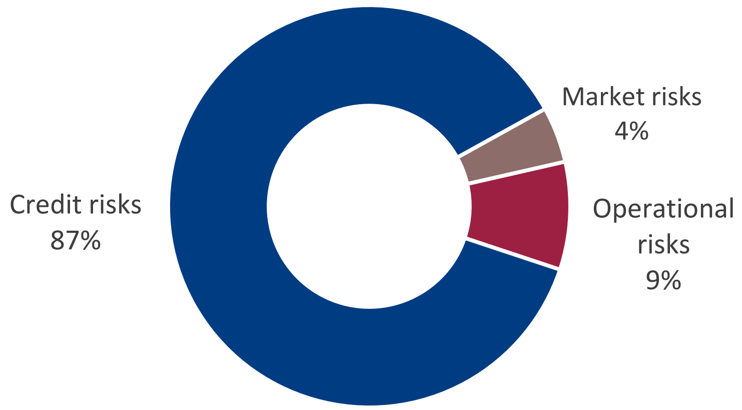
- the values of its business model as set out in the activity report;
- its risk management system and loss absorption capacity;
- the resultant risk profile.
-

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 risk seen here, that are inherent in the Group's business model, are as follows:

- The credit risk and the counter-party risk (articles 106 to 121 of the Decree dated 3/11/2014), induced by the preponderance of our credit business;
- Market risk (articles 122 to 136 of the Decree dated 3/11/2014);
- Balance sheet risk, especially liquidity risk (article 148 to 186 of the Decree dated 3/11/2014) and the risk of rate structure (article 134 to 139 of the Decree dated 3/11/2014).
- Operational risk including non-compliance risk, legal risk, security of computer systems and risk of fraud (article 214 and 215 of the Decree dated 3/11/2014).

Breakdown of BRED Group weighted risks
at 31 December 2017



The exposures and the mechanism for managing such risks are set out in the sections below.
BRED does not make commitments in business:

- That it does not master, in order to guarantee its integrity and beyond that, the integrity of the BPCE Group;
- Involving the proprietary negotiation of financial instruments on the bank's account, except for business that is used to finance the economy such as that set forth in article 2 of the law on the separation and regulation of banking activities (especially investments, healthy and prudent management of cash flow and risk coverage).

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 BRED's Staff Managers are promoting risk culture and compliance at all levels of its organisation; the Directorate of Risk, Compliance and Continuous Control coordinates, together with all the other subsidiaries and/or control operations, the dissemination of the culture of risk and compliance to all employees.

In general, the Management of BRED:

- takes part in sessions to promote work on risk management and compliance, special occasions on which to discuss the problematics of risk, to present the work carried out by various participants, on training and sharing of good practises among BPCE Group's establishments. 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;
- enriches its regulatory expertise, notably by receiving and disseminating pedagogic regulatory documents, and by regularly intervening in these matters with other departments and entities of the BRED Group;
- contributes, through its Managers and its Director of Risk, Compliance and Continuous Control in the decisions made in committees established and dedicated to risk management in the BPCE Group;
- benefits, for its collaborators, from a training programme, provided by Group BPCE's Human Resources Department, that it completes according to the needs for in-house training schemes.

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.

1 - CREDIT RISK

Credit risk is the risk incurred when a debtor or a counter-party, or debtors and counter-parties considered as the same group of clients linked together in conformity with item 39 of paragraph 1 in Article 4 of the EU regulation n° 575/2013; this risk can also be seen in the form of a loss in value of the securities issued by the defective counter-party.

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 - Principles of credit risk management

“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 collaborators in the regional operational directorates, that, besides making credit decisions, ensure good practises in order to satisfactorily control risk.

The Commitments Department proposes BRED's credit policy, as validated by its staff managers and approved by the Board of Directors. It validates the credit policies of the subsidiaries, once they have been approved by their respective surveillance departments. It monitors the dissemination and correct implementation of these policies within the BRED Group.

The Credit Risk Department (DRC) is under the Directorate of Risk, Compliance and Continuous Control, which itself is directly under the 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. It validates the credit policies once they have been approved by the surveillance departments.

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;
- the following up on commitments on a continuous flow basis, with the help of an automated system of "position monitoring", of close-outs for depreciable trials and of defective 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. General training schemes on the internal management system and on credit risk control are carried out for new arrivals and network collaborators. Additionally commitment delegates work in regional Managements to provide local training. 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;
- the delegation of the analysis and approval of cases at the most appropriate level of know-how: the commercial line, the Commitments Department, the Credit Committee for important commitments.

Lending powers are expressed as "nominal and residual risk", adapted to each market and have certain usage restrictions. 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 organised in two services: a friendly collection that is done at the first level and a contentious service that acts through legal means and ensures the follow-up of cases in group 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 - System for measuring and following up on credit risk

"Data found under the IFRS 7 standard"

1.2.1 - System of internal ratings

The Credit Risk Department oversees the roll-out at BRED group level of the internal rating system developed by the BPCE Group. Other than the ranking of third parties (evaluating default probabilities) and of contracts (evaluating losses in case of default), the system includes segmentation standards, incident identification, clustering, etc.

The system is being accredited 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 notably participates in the developments taking place in the Basel 2 agreement; it tries to relay the regulatory supervision carried out by the BPCE, concerning the ratings as well as the standards and credit risk methods used. In particular, the Credit Risk Department's monitoring team works on priority actions: overhauling the group foundations, reviewing LBO standards, integrating BPCE Group into third party repositories, gathering balance sheets for internal rankings, following-up on 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.

Moreover, the Credit Risk Department takes charge of drafting the watch-list that identifies Corporate counter-parties coming under greater scrutiny. The **watch-list** is established based on criteria of rankings and commitments. The healthy **watch-list** groups together high-risk counter-parties without known credit events. Under Basel rules this means a deteriorated rating but not default.
The doubtful **watch-list** includes counter-parties with known risk of default and being in Basel default. Each quarter the Credit Risk Department makes the watch-list that is submitted for examination when the Executive Risk Committee presided by the Director General holds its quarterly meeting. Moreover, the Credit Risk Department at the same time participates each quarter in the BPCE Group Watch-list Committee on cases concerning the bank.

1.2.2 - Follow-up methods

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 - Reportings and communiques to executive and surveillance 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. These reportings inform the present leaders and the surveillance body; they are analysed in the Board's risk committee and in the 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 the 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.

1.3 - System for continuous control of credit risks

"Data found under the IFRS 7 standard"

1.3.1. - First level controls

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 controls

Each year the Credit Risk Department makes an annual control plan that groups together controls to be done at the BRED Group level in liaison with the subsidiaries for controls done relating to them. The Credit Risk Department therefore carries out thematic and methodological controls, actions which, as the case may be, are relayed by the second level continuous controllers in 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;
- 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. Concurrently, thematic work can be done;

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 reducing techniques

Security interests constitute one of the main means of reducing credit risk. The BRED traditionally has recourse to effective guarantees (mortgages, pledged collateral...) and to personal guarantees (mutual guarantee societies, BRED Habitat guarantee, CASDEN guarantees, shared risk...). 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 - Crisis simulations 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). These tests are based on detailed information backed up with that found by the COREP Group's prudential reporting and the risk analyses of the portfolios.

1.6 - Forbearance, performing et non performing exposures

In the framework of the (EBA)European Banking Authority's standardising project published on 21 October 2013, banking establishments were asked to identify the notions of "forbearance" and "non-performing exposure (NPE)". A forbearance can be the result of the combination of a concession AND of financial difficulties; forbearance can relate to performing or non-performing contracts.

There are 2 kinds of possible concessions:

- contractual modification is notably done by way of an amendment or a 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.

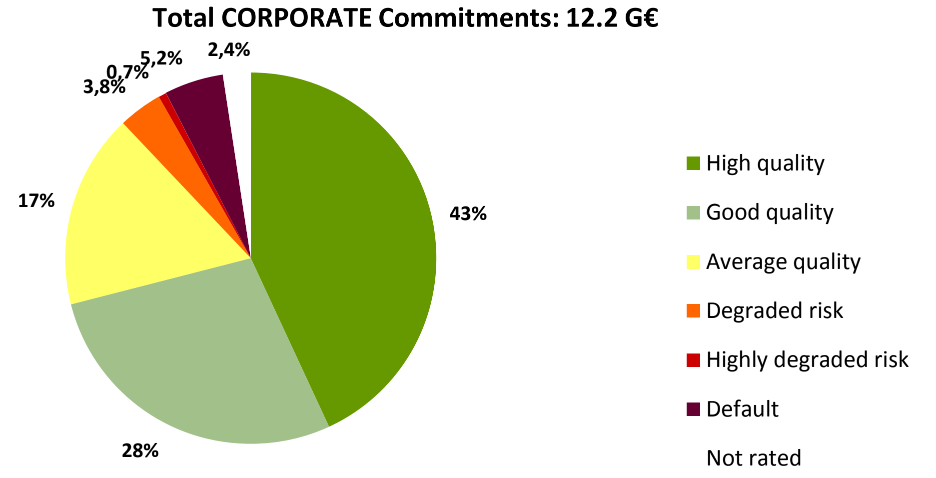
A change in status from performing forbearance to nonperforming forbearance follows specific rules and is subject to probationary periods, as is exiting forbearance. A situation of forced restructuring, or of over-indebtedness proceedings, or any situation of default within the meaning of the Group standard requiring a forbearance measure as defined above constitutes non-performing forbearance.

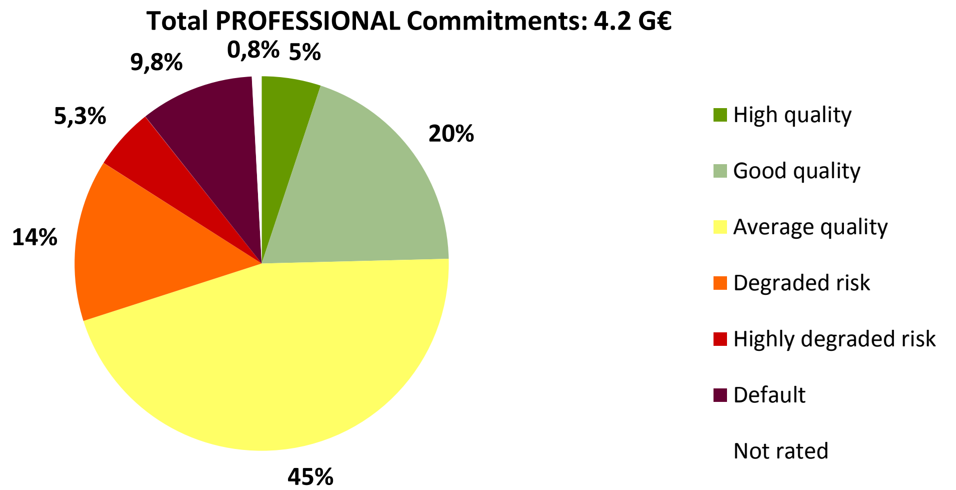
1.7 - Statistics on exposure to credit risk

1.7.1 - Breakdown by internal ranking of commitments

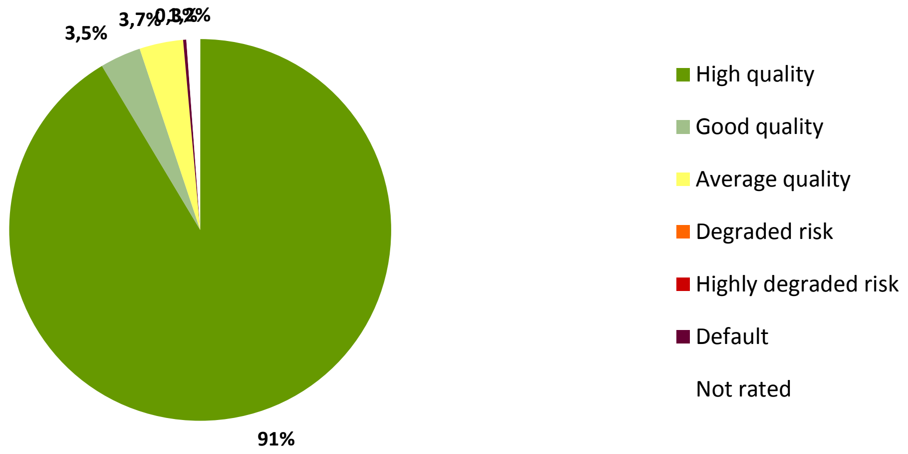
"Information provided under IFRS 7"

The commitments here below and in the following sections correspond to the balance sheet and off-balance sheet (BRED Group, excluding dealing securities, shares, securitisations and intra-group).

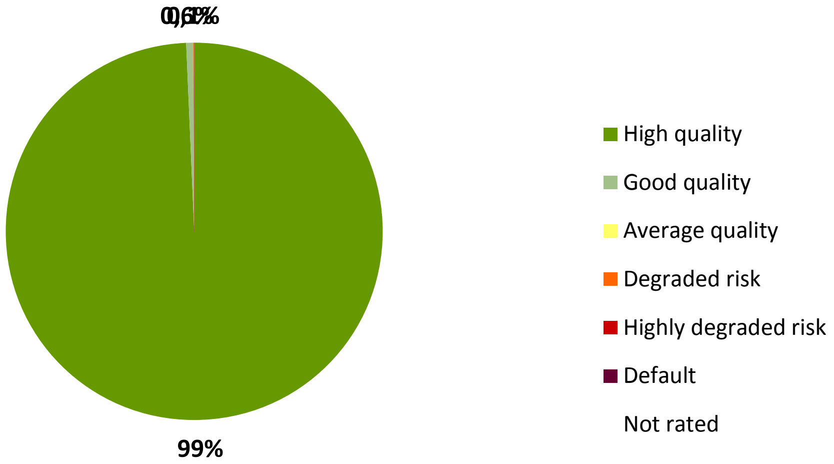




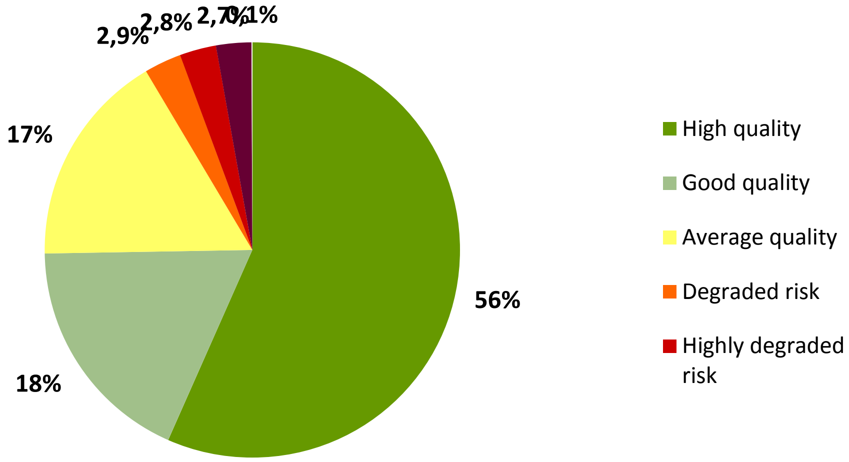
Total INTERBANK Commitments: 3.3 G€



Total SOVEREIGN Commitments: 15.9 G€



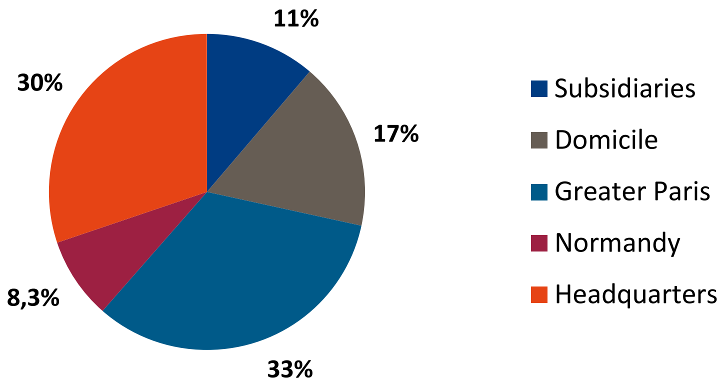
Total INDIVIDUAL Commitments: 9.9 G€



1.7.2 - Concentration risk

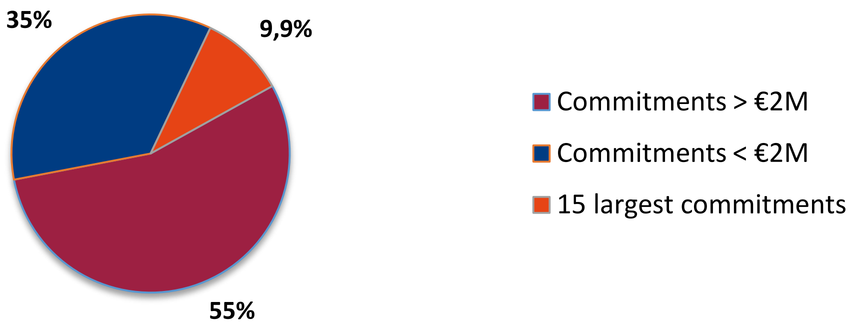
"Information provided under IFRS 7"

Geographic distribution of commitments



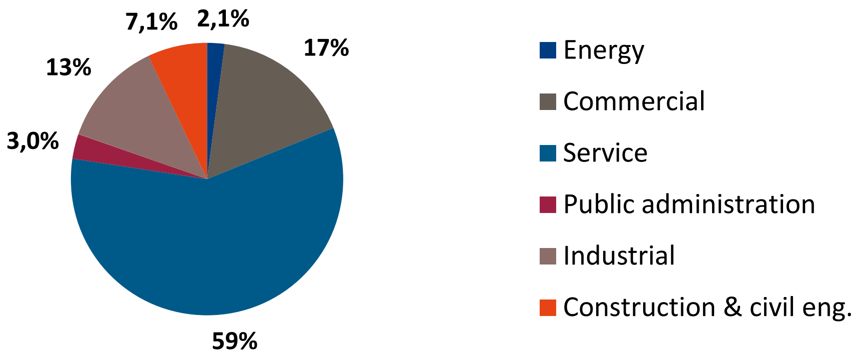
As concerns geographic distribution, employment has in general remained stable from one year to the next: The Greater Paris network (33%, almost the same), work at domicile (17%, stable), the Normandy network (8%, relatively stable), Headquarters (30%, a slight increase), Subsidiaries (11%, stable).

Breakdown by size of BRED SA's Corporate and Professional Commitments



Concentration risk remains stable in 2017. The share of commitments above 2 M€ represents 55%.

Breakdown into economic sectors of BRED SA's Corporate and Professional Commitments



Overall, the breakdown into economic sectors is stable. The share of services for enterprises is slightly higher and is still the preponderant one, representing 59% of overall commitments. Loans and advances to the industrial and retailing sectors remained almost identical to the previous year.

1.7.3 - Analysis of disputed items 2017

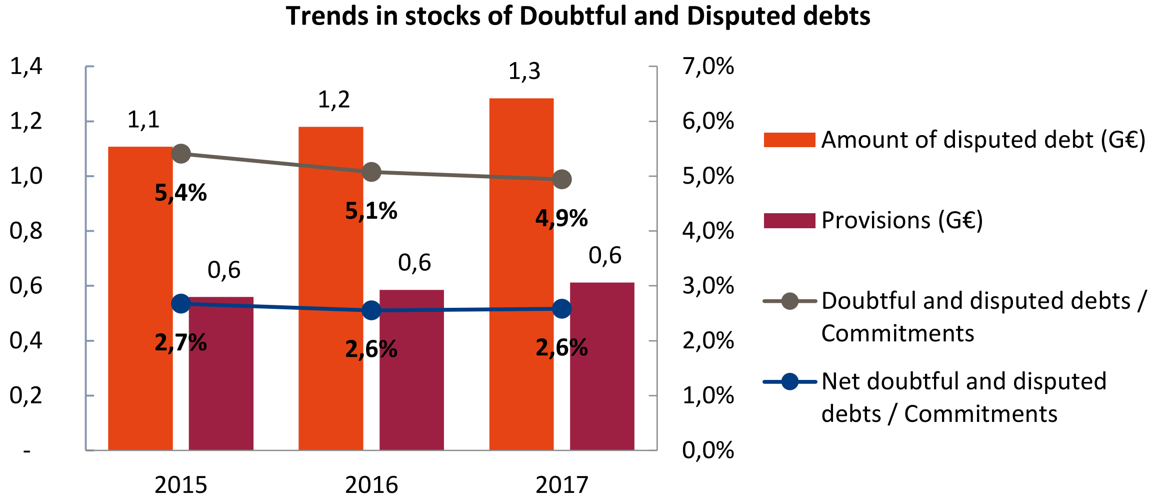
The amount in disputed items reaches 0.4 G€. They represent 1.5 % of the outstanding debt, spread across individuals (1.1 %), professionals (2.4 %) and corporate customers (1.4 %). Exposure to doubtful and disputed debts is 1.3 G€.

All of this information is set out in the tables and graphs below.

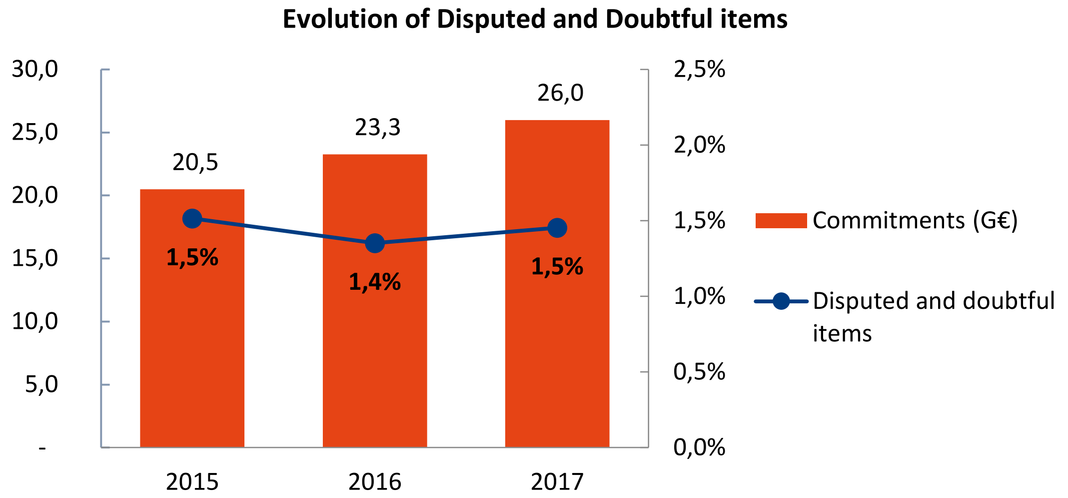
In millions of Euros	**Commitments**	Disputed and doubtful items	**Entry rate of disputed and doubtful items**	Provisioning rate of disputed and bad debt reclassifications	**Outstanding disputed and bad debts**	Provisions for disputed and bad debt reclassifications
Retail	9.6	0.1	1.1%	17.9%	0.3	0.1
Professional	4.2	0.1	2.4%	26.5%	0.4	0.2
Corporate	12.2	0.2	1.4%	13.6%	0.6	0.3
Total	**26.0**	**0.4**	**1.5%**	**18.3%**	**1.3**	**0.6**

BRED Group exposure on and off balance sheet (excluding dealing securities, shares, securitisations and intra-group). Excluding mutual guarantee companies. Excluding EPS provisions.

	BRED		**Subsidiaries**		**BRED Group**	
In millions of Euros	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Allowances for losses from transactions with clients and off-balance sheet commitments	-103.7	-128.7	-39.9	-36.6	-143.6	-165.3
Reversal of write-downs (net of losses covered by write-downs) on transactions with clients and off-balance sheet commitments	55.4	54.1	11.3	19.3	66.6	73.3
Losses not covered by write-downs and recoveries	-2.3	-1.5	-1.1	-3.6	-3.4	-5.1
Cost of risk on commercial loans and off-balance sheet commitments	**-50.7**	**-76.1**	**-29.7**	**-20.9**	**-80.4**	**-97.0**
Net cost of risk on other assets	-0.2	-0.6	3.4	-1.9	3.2	-2.4
Cost of risk excluding collective provisions	**-50.9**	**-76.6**	**-26.3**	**-22.8**	**-77.2**	**-99.5**
Collective provisions	4.2	6.4	-0.6	-0.5	3.7	5.9
Total cost of risk	**-46.6**	**-70.2**	**-26.9**	**-23.3**	**-73.5**	**-93.6**



BRED Group exposure on and off balance sheet (excluding dealing securities, shares, securitisations and intra-group). Excluding mutual guarantee companies. Excluding EPS provisions.



BRED Group exposure on and off balance sheet (excluding dealing securities, shares, securitisations and intra-group). Excluding mutual guarantee companies. Excluding EPS provisions.

2 - MARKET TRANSACTION RISK

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: the risk that the holder of a credit or debt security faces when there is a change in interest rates; this risk can specifically relate to one particular issuer or to one particular category of issuers whose rating is lowered (credit spread risk);
- Exchange rate risk: the risk that affects the holder's assets and securities denominated in market-traded currencies other than the national currency when there are variations in currency exchange rates;
- Price variation risk: the price risk of the position held in a certain financial asset can change, in particular share prices.
- Risk of variation in other valuation parameters: volatility of under-lying values, distributed dividends, liquidity margin, correlation of the under-lying...

2.1 - Principles of market risk management

"Data found under the IFRS 7 standard"

2.1.1 - General organisation

BRED's main market risks are linked to Floor Market activities and Financial Management.

In the beginning of 2017 the organisation of activities changed in order to isolate a unit dedicated to market-making on organised markets. Henceforth it will be structured around the following three internal units at BRED Group's consolidated level:

- Network Solutions, the purpose of which is making connections between companies' needs of financing that converge with investments made by institutional clients, and structuring operations in this sense, offering products on rates, on exchange and placements with clients in the retail network.
- Market solution, the purpose of which is to have a commercial relationship with market professionals who habitually have investment interests, of securities intermediation, of offering liquidity services on BRED signature (deposits, pensions) and management of the associated liquidity, of distributing securities, of offers of derivatives on rates and shares.
- Organised Markets, the purpose of which is making markets (quoting shares, options and futures).

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;
- verifying the market parameters used;
- daily calculation of compliance with limits;
- reporting on market risks and performance;
- developing monitoring tools;
- of the production of the GNP contradicting the Market floor and to its analysis 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 the evolution in risk indicators especially vis-à-vis defined limits and ensure exceeded limits are resolved;
- 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. Market limits, possible limits exceeded are submitted to the Council's Committee on Risk and to the Board of Directors.

In 2017 risk mandates were reviewed while taking into account the new organisation of internal units. They stressed the qualitative dimension of activities that were authorised under the mandate and the follow-up criteria for respecting these mandates. The BRED continued to reinforce indicators of daily follow-up to respect these risk mandates.

Several committees are taking part in defining the framework of risk management linked to 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 in charge of setting market limits and authorising new products or activities relating to market activities;
- the Investment Committee, who decides on the BRED Group's financial investments, off the Market Floor;
- 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 Coordination Committee for the fight against fraud;
- 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 makes it possible, for each occurrence (creation, modification, elimination) to find: the date; the transaction identifier; the person who created or modified it; the type of modification, cancellation or re-entering.

Front Office operators cannot change or cancel any transaction in the Back Office systems.

2.1.3 - Remunerations

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 - System for measuring and following up on market risk

"Data found under the IFRS 7 standard"

BPCE ensures a follow-up of BRED's market activities in the BPCE consolidation. BPCE and BRED work jointly together in follow-up.

Overall market risk is measured using a variety of indicators, as described hereafter. Synthetic measurements of risk values (or "VaR") make it possible to know the potential losses each activity can lead to, with a given degree of confidence (example: 99%) and a holding horizon for the day's positions. These indicators are calculated and monitored on a daily basis for all BRED’s trading activities.

Two indicators of VaRs are calculated for the scope of BRED's negotiation activities: one is calculated by BPCE using the BPCE's methods and econometrics; the other is calculated by the BRED using a parametric model of variance - covariance based on historic econometrics.

The calculation of capital requirements thus generated also provides a synthetic measure of overall risk and of each type of risk. The BRED calculates requirements for equity on the basis of market risk according to the standard method. After the quarterly calculation carried out for regulatory declarations, a calculation of equity requirements depending on market activity is done daily.

Stress testing consists of measuring potential losses for the portfolios in extreme market conditions. Two types of stress tests are calculated: historic stress tests, calibrated on past market events and hypothetical stress tests based on stress scenarios based on what an expert says.
Finally operational indicators make it possible to evaluate the risks linked to the activity, overall and/or by desk and therefore to monitor them; these are volumetric indicators of sensitivity or of diversification, but also of thresholds of loss alert. These indicators cover the various risk factors of market activities. They also include alerts for atypical transactions making it possible to identify them based on their amounts or on their other characteristics, given activity history.

All of these indicators are calculated daily with a tool basing itself on an external computer programme product and recovered in a follow-up tool developed internally by the Modelisation Department. This last tool also daily calculates when certain set limits are reached.

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. The follow-up includes default risks, but also market value losses in the case of a default by a counter-party. 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 - System for continuous control of market risk

"Data found under the IFRS 7 standard"

First level controls are to be carried out by market business operations and their hierarchy who should ensure continuous adaptation in their organisation and their procedures in order to meet the goals set for internal control, as well as continuous monitoring of the limits set for them. The Trading floor has staff that is dedicated to first level control. The hierarchy of the Floor calculates the daily result of transactions and ensures first level control.

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 ensures a follow-up on the use of limits and checks that they are respected. Should they be exceeded this is reported on a weekly basis to the present leaders.
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.

Continuous controllers ensure the control of Front and Back Office procedures; they notably follow operational and technical risks linked to the chain of validation, confirmation and execution processing. They report the control results to the Risk Department, Financial Audit and the Investment Services Compliance Department.

2.4 - Statistics on exposure to market risk

2.4.1 - Equity requirements

"Information provided under IFRS 7"

The calculation of risk weighted assets (RWA) that determines the need for equity, gives a synthetic measurement of global risk and of the kind of risk.

RISK WEIGHTED ASSETS BASED ON MARKET RISK

BRED Group - in millions of Euros	**31/12/2017**	31/12/2016
Interest-rate risk	656	758
Foreign-exchange risk	249	264
Ownership, commodities and gold risk	56	71
Total	**962**	**1,093**

RISK WEIGHTED ASSETS BASED ON MARKET CREDIT RISK EXPOSURE

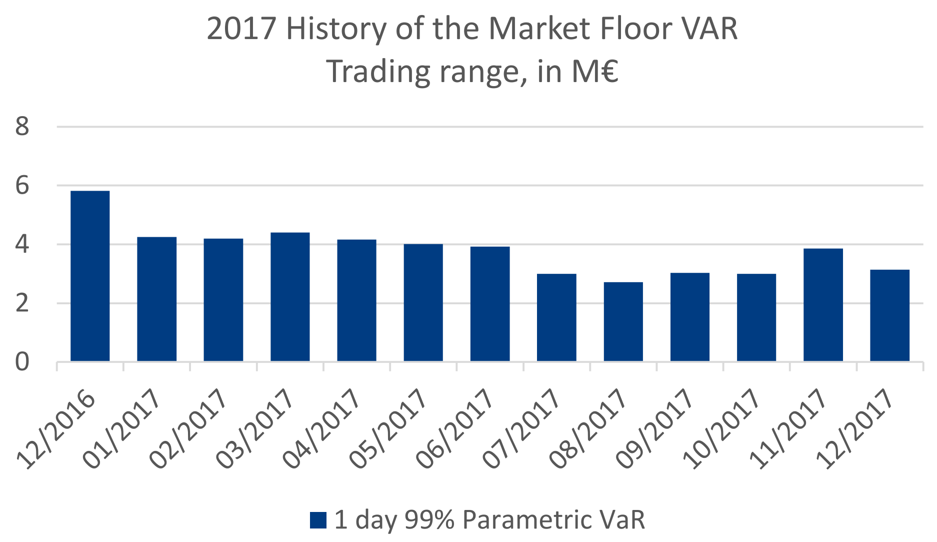
Trading floor and GCI - in millions of Euros	**31/12/2017**	31/12/2016
Counter-party risk	653	509
Credit risk	1,775	2,226
Total	**2,428**	**2,743**

Market risk-weighted assets are stable. It should be noted that, following the sale of OPCVM in the GCI there is a lesser credit risk.

2.4.2 - Value-at-Risk

"Information provided under IFRS 7"

The BRED VaR considered is a VaR of 99%, one day, elaborated from a parametric model of variance - covariance and calculated on the negotiation portfolio.



The VaR progressively dropped during the year 2017 to settle at 3.4 M€ on 31/12/2017.

2.4.3 - Issuer risk on market activities

"Information provided under IFRS 7"

Issuer risk on market activities

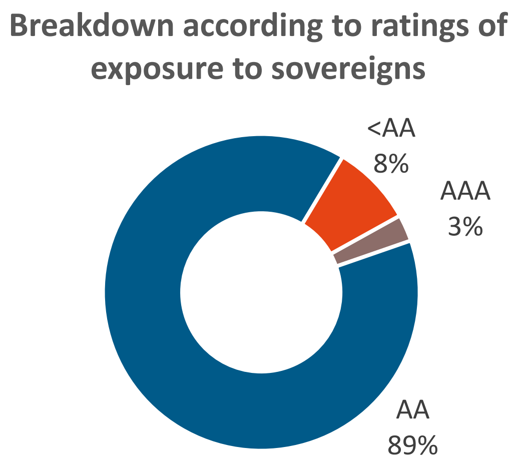
in millions of Euros	**31/12/2017**	**30/12/2016**
Sovereign	**6,460**	7,280
Interbank	**2,516**	2,689
Secured bonds	**266**	669
Corporate	**1,554**	1,368
Securitisation	**1,608**	1,453
- of Trading floor	***521***	*387*
- of Investment	***1,086***	*1,066*
TOTAL	**12,404**	**13,459**
o/w off-balance sheet	***1,413***	*1,518*

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 ratings risk has remained stable from the preceding year; the decrease on sovereign issuers is related to the sale of Italian securities.

2.4.4 - Rating risk on sovereign debt

92% of the portfolio of sovereign securities has AA ratings or better as of 31 December 2017.



3 - BALANCE SHEET RISK

"Information provided under IFRS 7"

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:

- liquidity risk is the risk that an establishment cannot meet its commitments or cannot eliminate or make up for a position due to the market or due to idiosyncratic factors, within a certain time limit at a reasonable cost (Decree of 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 - Principles of balance sheet and treasury risk management

3.1.1 - General organisation

The management and follow-up of balance sheet and treasury risk involves two operational departments, the Department of the ALM and the treasury, and two second level control departments, the Department of balance sheet risk and the Department of market risk.

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 balance sheet and treasury risk management activities are supervised by the following monthly 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.

The Board of Directors and the Risk Committee for BRED's Board regularly receive reports on risk management.

3.1.2 - Role of the ALM Department (DALM)

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.On this basis and in the framework of the ALM system of limits it is subject to, the ALM Department is responsible for the commitment (for that concerning BRED) and for the follow up (concerning BRED and its subsidiaries) of financial transactions related to:

- Liquidity management covering the refinancing operations of the BRED, the loans to the subsidiaries, the management of cash reserves, for the ALM part, in coordination with the Department of the Treasury (LCR or Banque de France); the latter understand all the eligible collateral that could be used for the purpose of operational liquidity management, as well as for eventual structuring. 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;
- The management of group solvency: any market transaction aimed at reinforcing the group's solvency, including issuing market securities eligible for the bank's regulatory capital;
- The management of exchange rate risk: any transaction making it possible to guarantee that all the currency positions will be maintained that are held by the BRED Group at lower levels than the established 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.

3.1.3 - Role of the Treasury Department (DTRE)

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.

3.1.4 - Role of the Balance Sheet Risk Department (DRB)

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 defining and developing the ALM risk management system (risk indicators, limit systems), subject to validation by the committees involved or by the Director General;
- 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;
- definition and implementation of a 2nd level control plan for the BRED and BRED Group ALM risk; definition and supervision of the implementation of 2nd level control plans for ALM risk at the subsidiaries;
- surveillance of the development of structural balance sheet risk at the BRED Group and of respect for 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 actions and the resolution of breached limits.

3.1.5 - 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).

3.1.6 - 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.
- static interest-rate gaps, which measure balance sheet run-off broken down by indexation rate. The set interest rate gap enables the calculation of the sensitivity of the balance sheet's net present value (NPV) to a 2% interest-rate shock ("Basel II" indicator);
- dynamic gaps in liquidity stress situations, which measure the Bank's resistance in various liquidity crisis situations;
- sensitivity of the net interest margin (NIM) to interest-rate movements, which measures the impact on the forecast NIM of changes in the yield curve: four normative scenarios (downward, upward, steepening, flattening) and an alternative scenario (gradual recovery).

2017 was marked by a change in the calculation methods for the interest-rate risk indicators and the limits associated with them. Regarding liquidity risk, new limits on static liquidity gaps were also defined. The value of the indicators and the level of consumption are consolidated by the BPCE Group in standardised quarterly reports. This reporting is produced by the ALM Department and validated by the Risk Department. "Significant incident" criteria within the meaning of article 98 of the decree of 3 November 2014 are based on the Basel 2 indicator and LCR.

3.2.2 - 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.

3.2.3 - 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.

3.2.4 - 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 risks

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 1 % INCREASE IN MARKET RATES

in millions of euros	**2018**	**2019**
Overall sensitivity to rates	44	83

Given its balance sheet structure, the expected expansion of its credit portfolio over the long term and the fixed rate on the Livret A regulated savings account up to January 2020, a rise in rates would be favourable to the bank's NIM, while, conversely, a drop in rates would be unfavourable.

STRESSED LIQUIDITY GAP AT 31 DEC. 2017 (BPCE STRESS SCENARIOS)

in millions of euros	
Month 1	**9,956**
Month 2	**6,942**
Month 3	**5,808**

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 RISKS

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 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 the BRED Group, the system is overseen by the Operational Risk Department. It is responsible for identifying and monitoring operational risks, notably by collating incidents, mapping operational risks 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 duties via operational risk officers appointed in BRED's operational departments and those of its subsidiaries, and via second level permanent control staff from the Permanent Control Department and its subsidiaries. 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 - Measurement and monitoring of operational risks

In 2017, BRED'S system for measuring and monitoring operational risk changed along with the defining of new operational risk standards at the BPCE Group level. At the same time, a new tool for gathering operational risk incidents was deployed in Q4.

The new tool aims to meet regulatory requirements, evaluate the capacity for resistance to unfavourable macro-economic trends, notably in the framework of the stress tests carried out by BPCE, and reinforce the role of the operational risks activity through a more defined forward vision.

This system is organised in the form of internal procedures that are updated 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. They help to update second level control plans and the rating of mapped risks.

4.2.1 - Operational risk mapping

The mapping of operational risk is integrated into the BPCE Group tool. It presents a view of all the risk situations with potential significant impacts. It enables, for a given scope, to measure the exposure to risks of the Group's activities for the coming years.

This mapping is carried out and updated periodically, to take account of business and environment trends, as well as organisational and regulatory changes. The mapping exercise is based on a combined analysis of the risks:

- An expert analysis, in collaboration with the business line/support, enables to obtain, at least, for each risk situation (RS) the minimum, average, and maximum impacts and frequency of occurrence covered by the risk management system. These elements are corroborated during the meetings of the business lines and, when available, through the backtesting of incidents and the results of first and second level controls.
- A quantitative analysis, when the intensity of the risk requires it, in collaboration with the modellers of the BPCE Group.

Mapped risks are regularly subjected to consistency checks (permanent control findings) leading, if necessary, to the set up of cross-company working groups to organise corrective or preventive action or the transfer of risks (insurance).

4.2.2 - Loss and incident data

Since October 2017, loss and incident data is gathered and input into Osirisk 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 - Fraud prevention

The Prevention of Fraud Committee is responsible for the adequacy 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.
Within the Compliance Department, the “Internal Fraud” division is in charge of the prevention and control of the risk of internal fraud, notably through actions to detect potential cases of fraud and, where necessary, leading the necessary investigations to establish the facts.

4.2.4 - Organisation of permanent controls

For 2017, 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 RISKS

5.1 - Compliance procedures

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 an EXCOM member: the Compliance Department and the Investment Services Compliance Department.

Pursuant to articles 6 and 7 of the decree 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 provided in the regular reports in the BRED Group macro risk map; these reports are regularly presented 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 decree of 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 decree of 3 November 2014.

The Head of Compliance holds the right to issue a veto or alert in the event of any unusual 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 & Counter Terrorism Financing Unit (AML-CTF), whose role is to classify AML-CTF 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-CTF Directive transposed into French law.
- 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 securitisation depositary function. As such, it carries out the custodian duties for the assets held by the securitisation vehicles.

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 private equity activities, it performs the role of RCCI (Compliance and Internal Control Officer) for the management company Adaxtra Capital. On 10 August 2016, the AMF authorised Adaxtra Capital as a portfolio management company, in accordance with its business plan, under the no. GP-1600021. As such, in order to meet regulatory requirements, each year it draws up the annual control report (ACR) and annual information form.

Organisation

The Investment Services Compliance Department (DCSI) consists of three areas of activity 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 Adaxtra Capital.

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-CTF 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 unit personnel 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.
To this end, BRED organised two channels enabling to identify the needs for investigations by the financial crime unit:

First of all, requests for investigations are sent by customer relationship managers based on the results of their analysis of unusual transactions identified by the detection software algorithms. This analysis results in second level controls performed by operational managers under the functional responsibility of the Risk Department, applying a methodology developed by the Anti-Money Laundering Unit. These processes are also monitored by the Compliance Department's AML-CTF 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.

In addition, and in a second stage, the financial crime unit carries out analyses on pre-defined themes (based on the identification of risky criteria, depending on the activity, the geographic location of clients and/or counterparties, etc.) to supplement the control system.

With regard to the BRED Group's French and foreign subsidiaries, the AML-CTF Unit supervises the AML-CTF surveillance systems and tools put in place by each subsidiary, verifying consistency, utilisation and effectiveness vis-à-vis Group policies.

5.2.2 - The 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.

In 2016, the work to analyse the MiFID II texts was continued and done more in-depth in order to implement their new regulatory provisions within the BRED Group. In this respect, functional and technical needs were expressed in view of the transposition of the regulation. Moreover, the Investment Services Compliance Department also analysed the impact of the application of the PRIIPs (Packaged Retail Investment and Insurance-based Products) regulation in the marketing process, both for the insurance scope and the investment services scope, in line with the work carried out by manufacturers. Various post-crisis regulatory reforms were applicable in 2017, 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 carrying out transactions on these markets, clearing houses, as well as 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 2017 (39 procedures).

In a difficult environment marked by more onerous regulatory obligations, the Investment Services Compliance Department set up its control plan: monitoring of the Control of Investment Services and Recommendations (CSIP). 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.

Within the context of the accreditation by the AMF of the management company Adaxtra Capital, a set of procedures specific to private equity has been drawn up, notably including the prevention and management of conflicts of interest and the control of inside information. In relation to these procedures, the Investment Services Compliance Department has produced a dedicated control plan for Adaxtra Capital.

5.3 - Highlights of 2017

5.3.1 - Compliance Department

Banking and Insurance Compliance unit

In 2017, 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 2017, the AML-CTF unit continued to enhance the anti-money laundering and counter terrorism financing system at BRED by:

- continuing to reinforce its consolidated surveillance of compliance risks at the French and foreign subsidiaries of the BRED Group while providing support for the implementation of the recommendations following the controls by the General Inspection departments of BRED and BPCE;
- finalising the works started in 2015 on BRED's AML-CTF filtering tool, in the aim of increasing the level of relevance of alerts transmitted for review to the client relationship managers and the financial security unit of the compliance department;
- by including objectives related to the "compliance" theme in the monthly, quarterly and annual marketing for the managers.

While the various permanent controls performed by (or at the request of) the compliance department over FY 2017 did not reveal any major shortfalls in terms of financial security or the compliance of the bank insurance activity, work on areas for improvement has been undertaken.

During 2017, the unit's headcount rose by 2 to 19 FTEs. Concerning the AML-CTF supervision of French and overseas subsidiaries of BRED Group, emphasis was placed on a project to establish a base for AML-CTF requests differentiated according to the vigilance score assigned to each client. This minimum base will apply to all subsidiaries. Other actions in the area of subsidiary supervision were mainly intended to continue to assess the effectiveness of the AML-CTF tool for each of our subsidiaries and to follow and update the 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.

With regard to the quality of response to AML/CTF 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/CTF 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-CTF staff and the creation of themed analysis has, once again, led to a steady and substantial increase in the number of suspicious activity reports sent to Tracfin in 2017 (up 19% compared to 2016).

5.3.2 - Investment Services Compliance Department

The Investment Services Compliance Officer ensures permanent regulatory supervision, and 2017 particularly highlighted the significant work to finalise the reforms started and not completed, such as MiFID II, which will change the framework for markets in financial instruments (product governance, remuneration policies, independent advisory services, transaction reporting, etc.). MiFID II represents the largest reform of the financial markets since the crisis of 2008. More than just a simple revision of MiFID, the new rules of MiFID II take up thousands of pages, and aim to reinforce investor protection and improve transparency on financial markets. It is thus an extremely dense regulation that has introduced a large number of significant changes affecting not only the financial markets but also the relationships between investment service providers and investors.

In the face of such an enormous task, the application of the directive was postponed by regulators by one year to 3 January 2018.
The finalisation of the implementation of the changes required by this new regulation will remain a priority objective in 2018.

Note also the EMIR and PRIIPs projects, the aim of which is to standardise the pre-contractual information provided to investors so they may easily compare the different types of financial products offered to them and understand their key features, as well as RDT and MAR, which reinforce the transaction reporting requirements to the regulator in terms of financial instruments 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. Some of these measures may also increase the Group's financing costs through a higher prudential cost.

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 in which the BPCE Group operates;
- 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 2018-2020 strategic plan

The BPCE Group will implement a strategic plan over the period 2018-2020 (the “2018-2020 Digital Transformation, Commitment and Growth Strategic Plan”) which will focus on: (i) the digital transformation, in order to seize the opportunities created by the technological revolution underway; (ii) its commitment to clients, employees and members; and (iii) growth in all the BPCE Group’s core businesses.

In the framework of the 2018-2020 Digital Transformation, Commitment and Growth Strategic Plan, the BPCE Group has announced several financial objectives, as well as cost-reduction targets. In addition, the BPCE Group has also published targets for its capital and liquidity 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 (and may differ significantly) from these objectives for a variety of reasons, including the materialisation of one or more of the risk factors described in this chapter “Other Risks”. If the BPCE Group does not achieve its objectives, its financial position and the value of its financial instruments could be affected.

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
- non-financial risk including operational risks and compliance risks
- 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 collateralised 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 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 valuation by 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, 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, etc.
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 effect.

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, notably of a 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 domestic economic environment and that of the regions in which it operates abroad.

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 market trend may reduce the efficiency of the group's hedging strategies. Moreover, the way in which gains and losses resulting from certain types of hedging are accounted for may increase the volatility of the group's results.

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, misconduct, anti-money laundering laws, requirements under economic sanctions, information security policies and sales and trading practices, or any other improper behaviour, 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.
Beyond the power of internal bailout, the resolution authorities - currently the ACPR (*l'Autorité de Contrôle Prudentiel et de Résolution*) and the Single Resolution Board - are invested with broader powers to be able to implement other resolution measures, which can include, among others: 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.

6

Corporate, environmental and societal responsibilities

1 - A CSR APPROACH BASED ON 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 cooperative model has demonstrated its relevance, efficiency and resilience.

BRED Banque Populaire, which was created in 1919 on the basis of this model, has always preferred a medium to long-term approach facilitated by capital and reserve management rules.

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**
The value of the shares is established in the articles of association. The cooperative shares are not listed on the stock market, and their value remains stable.	**It is impossible to speculate on the price of the cooperative share or to influence it.**
The reserves cannot be shared	**Profits are thus mainly destined for future development. The long-term equity strategy supports the taking of a medium/long- term view when making decisions.**

Commercial banks play an essential role as an intermediary between economic agents 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.

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. Each stakeholder of the cooperative - its members - provide the cooperative with the operating capital it requires to operate. This organisation model emphasises values such as a long-term vision, the collective interest and development of the individual.

A model of sustained pertinence

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.

Our strategic project of "The Bank without Distance" incorporates specific commitments designed to embody the cooperative model in our day-to-day banking activities.

BUSINESS MODEL

Ressources – Actifs

Fonds propres et capitaux
- Sociétaires (parts sociales)
- Réserves
- Dépôts et épargne clients

Emprunts et placements
- Institutions européennes, BEI, BCE
- Autres Etablissements
- Refinancement sur les marchés

Ressources humaines
- Collaborateurs
- Partenaires
- Expertise – Conseil

Clients – Prospects
- Particuliers
- Professionnels
- Entreprises - Institutionnels
- Secteur public
- Associations
- Prescripteurs

Infrastructures
- Agences
- Plateformes dématérialisées
- Centres d'appel
- Cercles patrimoniaux
- Centres d'affaires

Nos métiers et nos marques

Banque commerciale	Banque grande clientèle
Epargne	Services financiers
Assurances	Salle des marchés

BRED, SOFIDER, vialink, PREPAR Assurance, FIPROMER, PROMEPAR Asset Management, bfl banque franco-lao ltd, BRED IT Thailand Ltd, BRED Bank Vanuatu, BIC-BRED (Suisse) SA

Sofiag, Cofilease

Produits et services

- Services bancaires
- Produits d'épargne
- Prêts – crédits - Financement
- Paiements et autres services spécialisés
- Assurances de personnes
- Assurance vie
- Produits et services à destination de la grande clientèle
- Financements spécialisés
- Autres

Modèle de distribution

Distribution omni-canal, humaine et digitale

La solidité d'une banque centrée sur ses clients

- La banque commerciale en France représente 73.6% du PNB total.
- Faible profil de risques
  - Ratio de solvabilité de 14,9% , entièrement constitué de CET1.
  - Un coût du risque un des plus faibles des banques.

Une vision à long terme de la relation bancaire

- Les conditions d'un accompagnement sur le long terme de nos clients:
  - Un capital dont la valeur nominale n'est soumise à aucune fluctuation
  - Des réserves solides car impartageables

Proximité avec les territoires

- Prise de décision décentralisée favorisant le financement des territoires
- Soutien à des initiatives locales favorisant la cohésion sociale et l'insertion.

Une relation plus humaine

- Les collaborateurs sont les relais des engagements auprès des clients
- Une stratégie équilibrée entre humain et digital
- Prévention de l'exclusion bancaire et apport de solutions pour les clients fragiles

Bien faire notre métier de banquier en faisant vivre nos valeurs :
Les fondations de la Banque Sans Distance

« Une banque accessible, pratique et attentives aux demandes de ses clients»	« Une banque à l'écoute de ses clients, qui anticipe leurs besoins et développe son expertise»	« Une banque à taille humaine engagée dans ses territoires et qui appartient à ses clients/sociétaires»

Cooperative membership - at the heart of our business model

Our members are the only holders of BRED's share capital and are all customers. They guarantee BRED's autonomy and ensure that it does not need to depend on the financial markets. Thus, the bank's activity remains solely focused on serving its customers and its territories.

Cooperative membership			
BRED	At 31/12/2017	At 31/12/2016	At 31/12/2015
Number of cooperative members	181,602	164,800	142,211
Annual increase in the number of cooperative members	+10.2%	+15.9%	+15.1%
Average capital held per member	€ 5,469	€5,096	€4,426

At 31 December 2017, BRED has 181,602 members, up 10.2% over 1 year. Cooperative members are regularly invited to informational meetings and exchanges at their local branch. In 2017, 55 meetings were held throughout all of BRED's territories.

In addition, members have their own dedicated website: www.bred-societaires.fr. Important decisions are submitted for the approval of members at general meetings during which members elect directors to represent them on the Board of Directors. In 2017, BRED had 18 directors.

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 2017, the FNBP offered them training in 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 FNBP 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 put in place in favour of its cooperative members, directors, employees and customers, and of civil society. 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.
In 2017, the "social engagement" (foundation/sponsorship/partnerships) aspect of BRED's Cooperative Dividend amounted to €0.9 million.

1.2 - A CSR approach inspired by cooperative values

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. 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 CSR approach, we seek to develop a differentiating cooperative model around the triptych of customers/staff/members.

For this reason, BRED is committed to a CSR approach with:

1. The creation in 2013 of a Cooperative Shareholders and Sustainable Development-CSR Department. Consisting of three employees, this Department's task is to mobilise all parties concerned, particularly cooperative members, by the use of a responsible cooperative model, by identifying and defining the 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.
2. The definition of a strategy in conjunction with the members of BRED's Executive Committee (COMEX) is based around eight ambitions.

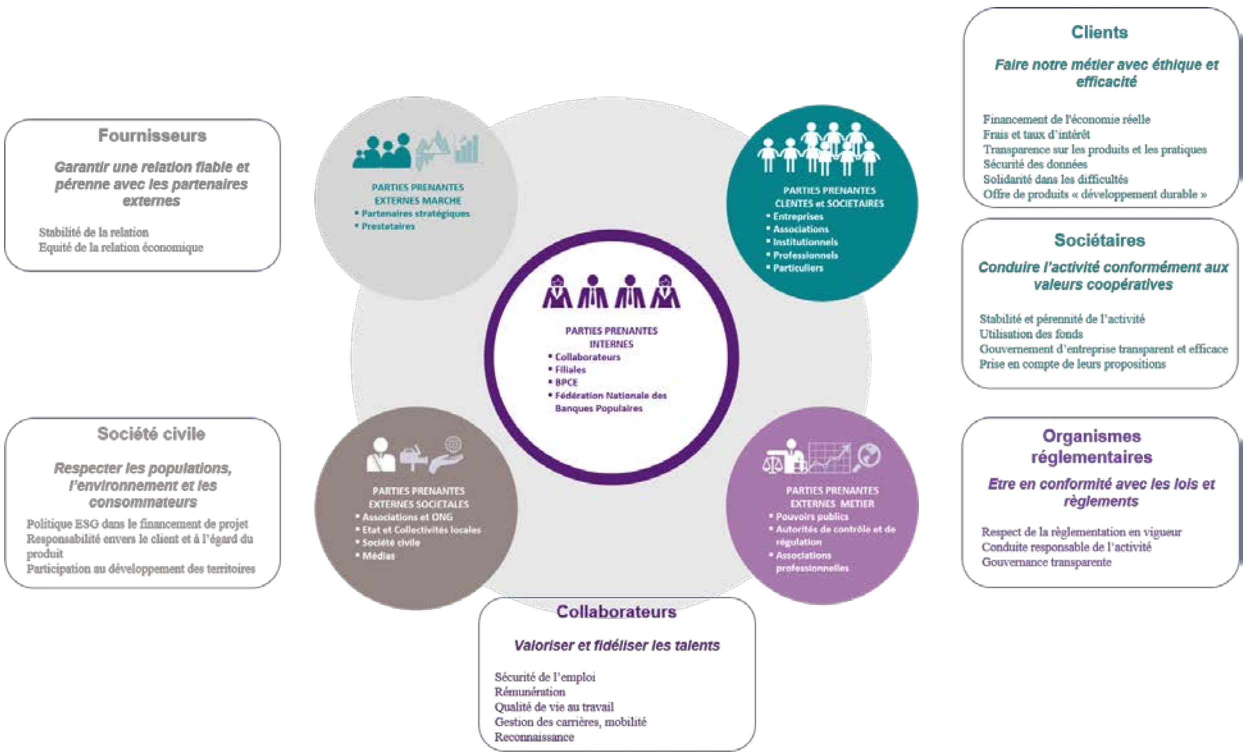
BRED's ambitions for responsible development	
Our economic responsibility	
Do our job as a local bank by developing local services	**1-Support for the local real economy** Promote local development, fulfilling our role as a source of finance for local investments and contribute to creation of wealth. **2-Foster customer relationships based on transparency and shared 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 practised in particular 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 development of the local action and initiatives carried out 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.

1.3 - A map of social challenges and stakeholders

BRED is engaged in ongoing, constructive dialogue with its various stakeholders.
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.
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 instituted stakeholder mapping.

OVERVIEW OF BRED'S MAIN STAKEHOLDERS AND THEIR EXPECTATIONS



The arrangement for hearing customers was strengthened (see section 2.2.2 "A bank investing in improving the customer experience"), 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"). In 2017, BRED launched Consultation Management at all levels of the company, which allowed it to increase each employee's ability to impact their direct environment in order to work better.

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.

1.4 - 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.

Examples of local variations of BRED's CSR policy

BRED Fiji

The CSR approach of BRED Fiji works on two levels: the workplace aspect (well-being at work, diversity, gender equality, a trade union system with representatives, an occupational health and safety committee, etc.) and the societal aspect with strong involvement in civil society (schools, places of worship, orphanages, retirement homes, etc.).
In terms of the environment, BRED Fiji finances the largest solar panel project in the region and raises awareness internally among its employees regarding the importance of energy saving and reducing use of paper. Furthermore, BRED Fiji has put a cyclone-damage prevention system in place, in particular since Winston made landfall in 2016.
This approach is managed by the marketing division, which is guided by codes of good conduct. In terms of anti-corruption and prevention of money laundering, the employees are regularly training in accordance with the procedures of the Fiji Financial Intelligence Unit (the equivalent of TRACFIN in Fiji).

Ever vigilant, BRED Fiji maintains transparent relationships with all of its customers and stakeholders under the oversight of the Reserve Bank of Fiji. Customer surveys are regularly conducted as part of the customer service improvement process.
The internal processes evolve in alignment with the policies of the BRED Group. With regarding to its procurement policy, the suppliers of BRED Fiji are first validated by management and are regularly monitored to ensure that the service provided is adequate and a procurement system is in place.

BRED Vanuatu Limited

BRED Vanuatu Limited (BVL), one of Vanuatu's first banks, is aware of its societal impact. Its actions contribute to the fight against poverty and the improvement of living conditions within the local community. BVL supports the NGO Vanautu Society for People with Disability, which assists disabled persons and implements awareness-raising programs regarding disabilities. BVL also organises sporting events such as the BRED Swim Competition, which encourages the values of challenging oneself, respect and team spirit.

Internally, ethics and compliance systems are in place to prevent tax evasion and money laundering. Thus, BVL refuses to open accounts for non-residents unless they have established a business in Vanautu. BVL fights against corruption. It recently mapped its corruption risks in accordance with the Sapin II Law and the principle of subsidiarity, which require that subsidiaries apply French and American regulations whenever they are stricter than the local regulations.

At the same time, BVL is prohibited from investing in certain sectors (anti-personnel mines and cluster bombs) and in at-risk countries. BVL is attentive to the transparency of the information that it communicates to its customers regarding its offering and rate conditions.
It also takes care of its staff through an egalitarian employment policy that considers the capacities of each individual without discrimination on the basis of race, colour, religion, nationality, age, marital status, sexual orientation or disability, etc. Moreover, BVL has developed a relevant training policy to strengthen its staff's skills and create a pleasant working environment (this year, it installed a gymnasium).

In terms of environmental issues, BVL encourages its staff to turn off the lights and air conditioning in unused offices and to reuse scrap paper for printing.

2- CREATION OF SUSTAINABLE 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 2017, this local support is channelled via a network of 384 customer contact centres:

BREAKDOWN OF LOCAL CONTACT CENTRES FOR RETAIL CUSTOMERS			
	2017	**2016**	**2015**
Local branches	352	344	342
➢ Of which number of branches in sensitive urban areas and priority zones	6	9	9
Asset management centre	13	13	12

352 local branches (of which 81 in French overseas territories), 16 business centres (11 in mainland France and 5 in French overseas territories), 13 asset management centres (of which 3 in French overseas territories) and a circle dedicated to wealth management, in addition to a “Grand’Zé” 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, three 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. At the end of 2017, outstanding housing loans to individuals in France amounted to €7 billion, up 9%, and €4.9 billion for professionals, up 17%.

CICE

The CICE (1) 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 2017, BRED made a number of investments in this area totalling €4.5m.

The four main investment areas:

- Opening branches: €1.2M
- Air conditioning work in Joinville and La Rapée: €0.3M
- Training: €0.5 million were assigned for professional training with the development 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

BRED offers its customers a range of socially responsible investment solutions (SRI). 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.

The SRI approach consists of investing in companies that take non-financial criteria (environmental, societal, governance, etc.) into account in their development model.

Outstanding amounts in SRI funds			
	2017	**2016**	**2015**
Employee savings: Total outstanding amounts in socially responsible mutual funds	314,343	288,232	270,261
Customer investments in SRI funds	68,600	104,347	196,618
In thousands of euros, at 31 December of each year			

Promepar Asset Management, a BRED subsidiary in the field of asset management for third party accounts, developed a multi SRI management offering that it incorporates into dedicated or profile-based mandates that includes different levels of risks for customers. This solution is designed to deliver performance over the long term. It is particularly well suited to institutional investors and associations but is also appropriate for wealth management customers.

Taking ESG criteria into account in financing decisions

Pursuant to Decree no. 2017-1265 of 9 August 2017, amending Article R 225-105 of the French Commercial Code, companies employing more than 500 employees and achieving a balance sheet total of €100 million or more

are required to identify significant items in terms of greenhouse gas emissions generated as a result of the company's activities, notably via the use of the goods and services that it produces, indicate the measures taken to adapt to the consequences of climate change and indicate the objectives and resources adopted to reduce greenhouse gas emissions.

Climate risk plays a role in financing decisions at the international level, in particularly through the "Equator Principles" and guidelines issued by the International Finance Corporation, a member of the World Bank Group.

[1] CICE: Crédit d'impôt pour la compétitivité et pour l'emploi (Competitiveness and employment tax credit)

In this context, BRED's Credit Committee exercises vigilance. In its financing decisions, the Credit Committee occasionally requests an environmental impact opinion from the CRS Department when a transaction or a loan concerns a sensitive sector.
Since 2016, this approach has involved organised exchanges between the Credit Risk Department, the Commitment Department and the CRS Department. In 2018, avenues for integration of ESG criteria in a more systematic manner upstream of the credit decision are under study.

2.1.3 - Supporting green growth and transition to clean energy

Green growth, a way to manage 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.
BRED offers its customers investment products and loans for energy-saving projects.

FINANCING OF SUSTAINABLE DEVELOPMENT						
(as a number and in thousands of euros)	**2017**		**2016**		**2015**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Loans financed via inflows from the Livret de Developpement Durable (LDD) (sustainable development savings account)	359	34,954	457	44,830	504	50,608
➢ Of which loans for energy saving projects	0	0	3	33	7	62
Financing residential energy renovation works. Eco-PTZ (Zero-rate ecological loan):	85	987	71	779	81	1,377

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.

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 being 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.

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, microbusinesses and SMEs, local and regional authorities, large companies and institutions. To be effective on this market, organisations, products and services in this sector need to be tailored and scalable;
- **A financial challenge**: innovation in these new markets requires long-term investment.

In 2017, BRED was the only major bank to invest in the Eiffel Energy Transition fund. As a privileged partner and co-investor of the fund, BRED has invested €10 million. This fund has both public and private investors financing energy transition projects carried out by SMEs. Thus, €200 million was raised in only 8 months to fund 272 projects throughout Europe.
These projects are primarily in the solar, wind and biomass sectors. For example, projects like photovoltaic power stations in Auvergne and an energy-efficient light space in Andalusia saw the light of day thanks to the fund.

In 2016, it 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.
During the same year, BRED acted as arranger and placement agent for the creation of the InfraGreen II 2016-1 Compartment by RGreen Invest (as management company) and BNP Paribas Securities Services (as custodian).
In Reunion, Sofider, a BRED subsidiary, finances the construction of Albioma Solaire Réunion, a 1.36 MW photovoltaic power station with storage on the roof of buildings belonging to the Grand Port Maritime de la Réunion. In Mayotte, Albioma Solaire Mayotte received BRED's financial backing to build 12 photovoltaic power stations with total output of 1.04 MW. Sofider also supports the purchase by SARL TAQQA of portions of a structure operating a 695 KWc photovoltaic power station installed on the roof of a building in St Pierre, Reunion.

Since 2016, BRED has been one of the financial partners of Quadran, a key player in the production of renewable energy (wind, solar, hydroelectricity and biogas) and energy transition in France and the territories, which joined the Direct Energie group in October 2017.

"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. BRED financed an "artisanal fishing" boat after no boat of this type had been built on the island for more than 10 years. Its inauguration was an event for the fishing industry in Reunion.

In Martinique, BRED is a partner in efforts to educate the local population on marine occupations and the marine economy. The recycling of wrecks, energy production, marine farms, yachting development, promotion of tourism and marine recreational activities and using the development of the Panama Canal are subjects addressed by regional professionals, with BRED's support.

2.1.4 - Financing the social economy

As a cooperative bank, BRED is 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 participates in the governance 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 2017 BRED was not the subject of any sanctions for anti-competitive conduct or breach of antitrust or anti-monopoly laws.

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, 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).
- **Professional 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 whistle-blowing 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/TF Directive, with a particular focus on Politically Exposed Persons (whether French or non-residents). The BRED process has already been adapted to the 4th AMF/TF European Directive in anticipation of its transposition into French law.

Combating corruption and anti-money laundering

In support of its anti-corruption efforts, BPCE coordinates with the Caisses d'Epargne and Banques Populaires to integrate the provisions of Article 17 of the so-called Sapin 2 Law, which took effect on 1 June 2017.
In parallel with the creation of the French Anti-Corruption Agency, which falls under the Ministry of Justice and has control and sanctioning authority, the system required by the Sapin 2 Law contributes to the general management of activities (code of conduct, staff training, alert system, etc.) and the reinforcement of the internal control system (accounting audits, global assessments, etc.) with the objective of preventing acts of corruption in France and abroad.

As a stakeholder in certain working groups organised by the Central Body, BRED has enhanced its internal doctrine by incorporating a code of conduct and expanding its ethics alert system. Employees, who have already been receiving training in ethics, fraud, etc., are now administered a module dedicated to the fight against corruption. Finally, the control system was adjusted so as to integrate corruption-related controls (accounting audits, etc.).

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.
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.

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.).

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. 76% of Professional customers and 80% of Retail customers were satisfied with the way they were dealt with in their branch. In addition, 99% of our Corporate customers were satisfied and recommended BRED to their friends and family in terms of the quality of the processing of national and international payment methods.
In 2017, the customer satisfaction system was expanded again with a systematic survey administered a few days after using the bank's website or mobile apps. This allows us to obtain feedback from our customers regarding the quality and ease of use of the features available to them as well as solicit suggestions to improve the quality of our digital services. Amongst our retail and professional customers, 92 % were satisfied with our website and our smartphone application. All these measures will be renewed and widened in 2018 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.
- 45 branches received the HAND certification from a Véritas-accredited body.

In accordance with Decree 2017-431 of 28 March 2017, BRED is currently taking steps to fulfil the obligation to publish an accessibility log for our commercial premises. In addition, a project is currently under way to improve the accessibility of our telephone platforms to the hard of hearing.

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 both in terms of its design and marketing approach.

Another procedure, the New Process and New Product Committee (NPNPC) is intended to satisfactorily manage the risks associated with the marketing of products to customers by considering the various regulatory, legal, compliance, financial risk and fraud requirements.

This system applies to products and services as well as sales processes, including remote sales.
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.

2.2.4 - 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. With a belief: 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, traceability and updating of this kind of information is therefore a real necessity.
For this purpose, in addition the data quality process used in our banking practices and our tools, the BRED Group has put a data quality improvement policy in place as part of a plan initiated by the BPCE Group.

This policy is designed to ensure the availability and integrity of the data while guaranteeing compliance with legal and regulatory obligations, including Basel standard BCBS239 and the personal data protection law.

The “Vie du Compte” and Data Governance services of the BRED Group work in close coordination to implement this policy through verification campaigns, correction of identified errors or anomalies, quality monitoring using specific indicators, etc.

Data reliability efforts are carried out through regulatory projects (the Eckert Law, the Macron Law) initiated by BRED or the BPCE Group.

In addition, the Data Protection Correspondent (DPC) ensures that the computer processing of data is consistent with the protection of the personal data of customers and employees.
BRED has also put itself in a position to fulfil the obligations imposed by the European legislator through the General Data Protection Regulation (GDPR), which applies starting 25 May 2018. This is (EU) Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

The objective of these regulations is to create a strong standardised framework for data protection that takes into account recent technological developments (Big Data, connected objects, Artificial Intelligence) and the challenges that come with these developments. The individual is at the heart of this legal framework, which therefore strengthens its rights (consolidation of information obligations, restrictions in terms of the collection of consent, new rights to data portability, erasure, etc.).
A Data Protection Officer (DPO) has been appointed as required by the regulation. He reports to BRED's Compliance Department. IT work has been performed to establish a log of processing purposes and respect for the right to be forgotten.

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. To do so, it developed security methods based on electronic certificates through its subsidiary, Click & Trust, which offers a very high degree of security and allows its customers to perform 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 and during dematerialisation, ensuring that their transactions remain secure.
BRED also assists and advises customers wishing to adopt mobile banking 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

BRED uses all means at its disposal as a bank, employer and sponsor to promote the sustainable and harmonious development of society through the financing of projects with a positive impact on the economic development of the community, environment and social cohesion: BRED pursues 3 objectives:

- 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 2ème 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.

2.3.1 - Access to banking services

Alongside all the BPCE Group entities, in 2016 BRED adopted the AFECEI [2] 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, they are assigned to a specialist team responsible for recovering debts while avoiding legal action (SRA). The aim of this service is to review the customer's position and put an approach in place 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 taking on debt or reduce their debt. 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.

In 2017, which allowed these customers to be reassigned to their original manager at their local branch. The Hauban branch retains management of more vulnerable customers or customers who have undergone a major restructuring plan. The Hauban branch also has the duty of managing customers coming from the right to banking services program.

In total, 9,700 customers, including 7,700 retail customers, are managed by the SRA by a team of approximately 30 employees. In 2017, the action area of the Hauban branch was extended to all customers from the overseas departments.

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.

2 *AFECEI: the Association française des établissements de crédit et des entreprises d'investissement developed a professional charter that has regulatory value.*

Protected adults

Almost 14 years ago, BRED set up a special Protected Adults unit to offer services to this special category of customer. It works directly with guardians and other representatives and associations appointed by the courts in France and the Overseas Territories to represent protected adults.

To meet the banking needs of these customers, BRED has developed specific services that facilitate the everyday life of protected adults and their guardians or representatives. The unit's members provide training for branch staff to ensure these customers receive a friendly welcome and an appropriate service, and also to help them to identify and report any cases of abuse of the vulnerable adult.

2.3.2 Social engagement

Involvement in our local communities and equal opportunities

Of all of our actions, we are particularly dedicated to supporting the economic and social inclusion of persons in difficulty: micro-loans, for example, can be an effective means to fight against poverty and develop economic activity. Thus, BRED supports ***Adie***, the Association pour le droit à l'initiative économique, 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's clients can create their own businesses as self-employed entrepreneurs using the micro-loans and logistical support offered by the association. The Banques Populaires are the first network to finance Adie's micro-loans, with **26%**[3] coverage of their production.

In particular through Adie, BRED gets involved in its local communities as a sponsor of many prizes, like Créadie or CréaJeunes.

PRODUCTION OF ADIE MICRO-LOANS		
	Number	**Amount**
2017	174	€ 747,084
2016	212	€ 1,575,096
2015	207	€900,808
2014	367	€1,464,914

On a similar vein with respect to crowd-funding, BRED is the co-creator and partner of **Babyloan**, the leading online European micro-loan website through which internet users can assist individuals from multiple countries by loaning them an amount of money as a selfless gesture.

When it comes to equal opportunities and education, for example, we help ***Les Ecoles de la 2ème Chance***, created by former Prime Minister Edith Cresson, to educate young people return to school after leaving the traditional school curriculum.

As part of its efforts to promote the professional integration of young people, BRED takes positive action to combat the youth unemployment crisis by encouraging its employees to get involved with the actions of ***Café de l'Avenir***. It is a member of this association's Board of Directors and is operationally invested in all of its activities.

Equal opportunities also means helping young people to access the most suitable training for them. Thus, BRED is a member of the ***AMEF*** bureau (Association Métiers Entreprises et Formations), which for nearly 30 years now has brought together volunteers from the world of education and business with the objective of facilitating guidance, training and professional integration at all levels and for all ages and granting scholarships to deserving young people.

With the same objective, BRED contributes to the development of accounts for business creators supported by the ***Fondation de la 2ème Chance***, which aims to support people ages 18 to 62 who have faced great difficulties in their life and now live under very precarious conditions but show a real desire to change their lives.

[3] ADIE 2016 activity report

It supports financially the creation/recovery or training projects whose objective is to successfully create a realistic and sustainable professional project.

We share these same ambitions with ***La Fondation HEC***. Through this partnership, we are able to fund the studies of scholarship students. This foundation has also invested in the Frateli project, which supports students from modest backgrounds who show strong potential.

We have followed the same type of approach with ***La Fondation "Un Avenir Ensemble"*** - a creation of the Grand Chancery of the Legion of Honour - to contribute to greater cohesion within our society by forging links of solidarity between the generations and different social classes. In this context, we assist deserving students by facilitating their education and helping them achieve the best studies.
As a result of our commitment to learning and personal development, we are partners in projects supporting deserving students and pupils through ***Internat de la Réussite*** in Martinique, through which we help disadvantaged youth obtain support to increase their chance of getting into a good school.
This year, BRED approached ***Fondation Néoma***, a school that educates and supports tomorrow's managers and entrepreneurs and is resolutely committed to diversity and equal opportunities to discover and train new talent.

In Thailand, BRED IT encourages its employees to help disadvantaged children unable to access educational establishments in Thailand. BRED IT provided support to ***Wangbua school*** in the province of Petchaburi.
Sports also provides an opportunity to combat unequal opportunity. It promotes team spirit and an open mind while developing values of solidarity. For example, BRED supports the ***US Créteil Voile***, which funds sailing courses for young people who do not go on holidays.
We also have agreements with ***Habitat et Humanisme Ile de France,*** which supports reintegration through housing assistance.

With regard to disabilities, we are a sponsor of ***Association Accueil aux Familles et Insertion***, which provides psychological support, literacy programs, professional reintegration programs, etc. to those in need.

Transmission of knowledge

Transmission of knowledge is an essential part of its policy to which it is committed. For example, BRED's sales teams participate in the training of apprentices in the communities in which it is active through the ***apprenticeship training centres*** (***CFAs***) of the ***Chambres de métier et d'apprentissage***.

Because BRED wishes to make its voice heard and share its vision and specific strategy in line with its cooperative principles, it supports and participates in the "***Assises Internationales de la Coopération et du Mutualisme et aux Nocturnes de l'Economie*** " (International symposium for cooperation, mutualism and the economy), an annual event that brings together university professors, politicians, business leaders and students for the dissemination of economic knowledge.

BRED is a partner of the ***University of Lyon***, which intends to link itself to discussions on the economic subjects of interest to the public through an event called ***Journées de l'économie*** (Sessions on the economy), at which presentations and exchanges on cyclical topics such as climate policy, the economy of terrorism, the future of pensions or international migrations are debated.

The ***Réseau Entreprendre pour Apprendre*** (the Undertake to Understand Network) raises awareness among young people between the ages of 8 and 25 about creating businesses and the importance of establishing connections between their knowledge and the use of that knowledge in any professional environment, while developing their autonomy, responsibility and creativity.

BRED is a privileged parter of the ***Fondation Alliance Française***, which is active on five continents. More than 800 Alliance Française offices promote the French language and culture to half a million students across 135 countries. BRED supports more than 200 of these offices.
In the area of fine crafts, BRED and the Fédération des Banques Populaires actively participate in the ***Salon Révélation*** (Revelation Exhibition) held in the Grand Palais in Paris with the aim of showcasing prize-winning craftspeople.

In certain areas, especially in Normandy, BRED is a member of the ***Entreprendre*** (Undertaking) and ***Initiatives*** networks, which offer programs designed to support companies at every stage of their development.
This year, BRED backed ***HANDISUP Normandie***, which assists more than one thousand students working in various areas such as sales, accounting, electronics, IT, banking and insurance.

In Cambodia, BRED supports the ***Harmonie Mékong*** association, whose mission is to encourage initiatives in sustainable development, such as in the organic agriculture sector, and that is committed to developing cultural diversity and the teaching of the French language by opening schools and libraries.
The **French Fijian Support Association** protects the interests of Fijian rugby players.

Art and culture

BRED also participates in life in the local communities and supports initiatives intended to strengthen social bonds, particularly through cultural sponsorship activities.

This may take various forms, including its participation in the Banques Populaires Foundation, which supports young and talented musicians, or ***Fondation Flaubert***, in partnership with the University of Rouen, which contributes to the promotion of intellectual, cultural and artistic life in the city and to the influence of the Haute-Normandie region. More locally, BRED also supports urban initiatives. This is the case for the ***Ratrait*** association, which brings the Ménilmontant quartier alive every year.

In the 12th arrondissement of Paris, there is the ***Les Douze Courts de Minuit***, a festival of exceptional short films that BRED has supported since its creation.
Le Cercle Orchestre de Paris, of which BRED is one of its sponsors, is in reality an endowment fund that develops programs for youth from disadvantaged backgrounds as well as in the health and disability area.

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 involved every year in "***Les Musicales de Bagatelle***" or "***Open Air Classics***". It helps to spread the word about these events and invites members to take part. BRED also supports other artistic festivals (comedy, theatre, dance, etc.), such as ***Ramatuelle*** or ***D'Edgard***. These events contribute to the development of cooperative membership.

This year, BRED supported the ***Association Tout en Mesure***, whose objective is to promote a renewed approach to classical music.

In the world of sailing, BRED and its counterparts have sponsored the Eric Tabarly Association for eu [sic - two?] years, which works to maintain and restore Pen Duick yachts and sail them. The association carries on the maritime and educational work of Éric Tabarly by promoting the development of maritime culture and by increasing interest and pursuing research and innovation in the various areas of [sic - text cut off].

BRED's other commitments

There is a solidarity sponsorship program in place at BRED: when our customers sponsor someone close to them to open an account, BRED pays €5 to one of the following associations: ***Doctors Without Borders***, the ***Alzheimer's Research Foundation*** and ***Jeunesse au Plein Air***.

Because proximity is one of BRED's essential values, every year, the ***BRED Foundation*** awards prizes to associations working in the solidarity and local development domains. In 2017, these prizes were awarded to the Foyer d'entraide de la Légion d'Honneur, the Fée Cécilia association, the Ponto Solid'air association, the Corporation des étudiants en médecine de Caen and the Deauville Sailing Club.

The Foyer d'entraide de la Légion d'Honneur supports and cares for former Legionnaires who are injured, ill or maladjusted. The Fée Cécilia association assists disadvantaged children in the Deauville sector until they are hired for their first job. Finally, Ponto Solid'air provides material and moral assistance to persons in need, in particular by managing a "café social" as a place where they can receive support and solace and talk about their problems.
BRED's employees are encouraged by management to participate in charity runs throughout the year, like ***Odysséa*** and ***Téléthon***.

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-today 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:

1. 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.
2. BRED undertakes to respect diversity and provide equal opportunities in all areas of its human resources management.
3. 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 hires recruits for all of the bank's business sectors, including in the sales departments. 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.

BRED is a firm which continues to employ at a constant rhythm with the objective of encouraging the recruitment of young people. As evidence, BRED maintains a high level of recruitment under work-study contracts, welcoming 186 young people in 2017 (190 in 2016).

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.

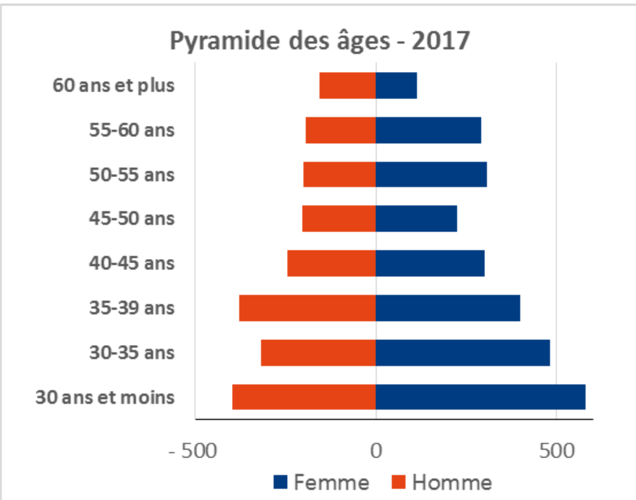
BREAKDOWN OF NEW HIRES BY CATEGORY AND TYPE (*)			
	2017	**2016**	**2015**
Non-management/management			
Non-management staff	74.7%	75.4%	82.6 %
Management staff	25.3%	24.6%	17.4 %
Men/Women			
Women	55.2%	55.4%	53.6 %
Men	44.8%	44.6%	46.4 %
(*) excluding international			

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 (98.2%), in line with its desire to be a socially responsible employer.

CHANGES IN HEADCOUNT			
	2017	**2016**	**2015**
France	3,426	3,382	3,378
French overseas	792	780	724
International	555	506	370
Total	**4,773**	**4,668**	**4,472**
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 64.7 % of the workforce below 45 and just 5.6 % over 60.



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, given the competitive context and very high mobility between banks, nevertheless choose to leave the firm (resignation) or retire (23.9 % of reasons given for departure).

BREAKDOWN BY REASON OF DEPATURES OF EMPLOYEES UNDER PERMANENT CONTRACTS (CDI)						
	2017		2016		2015	
	Number	%	Number	%	Number	%
Resignations	168	37.3%	117	34.7%	108	30.7%
Redundancy	33	7.3%	68	20.2%	52	14.8%
Transfer	35	7.8%	21	6.2%	16	4.5%
Retirement	108	23.9%	77	22.8%	98	27.8%
Contract termination by	17	3.8%	11	3.3%	14	4.0%
Contract termination	88	19.5%	38	11.3%	59	16.8%
Death	2	0.4%	5	1.5%	5	1.4%
Total	**451**	**100.0%**	**337**	**100.0%**	**352**	**100.0%**

3.1.2 - Advancement of talents, development of skills and encouragement of loyalty among staff members

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 periodic assessment interview (APA), which is formalised in 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).

Training

BRED's training program establishes the objectives and content of actions put in place to contribute to the advancement and continuous development of employees' skills and knowledge over the course of their professional life at the company in order to ensure that they maintain their skills at a level appropriate to the evolution of the bank's business lines and the expectations of our customers in a complex context.

In light of these factors, training is administered to all employees, newcomers and experienced professionals alike, young, middle-aged or senior, at all times during their career to prepare each and every one of them to take on the professional challenges that they face.
But beyond these performance-related and competitive challenges, the training plan must also take into account as much as possible the expectations of employees in terms of their professional development.

The bank's 2018 training plan adheres to the legal provisions concerning professional training, employment and corporate democracy (Law no. 2014-288 of 05 March 2014).
The skills put to the service of our customers guarantee the sustainable personal development of all of our staff.
For 2018, the priority training areas are as follows:

- Enhance employees' skills in order to support ongoing transformations and keep them employable,
- Support changes in the managerial function,
- Support the adoption of digital technology,
- Guarantee proper application of regulatory changes.

In 2018, BRED is demonstrating strong willingness to reinforce the integration process for new employees. This willingness led to the creation of an event expressing BRED's ambition, "Banking without distance, human and digital" and the launch of the BRED School for Advisors, the "ECB", intended for new employees of the branch network. This initial program of the retail banking division is supplemented with training programs specific to each business line to support employees throughout their career.

Degree programs are also offered. Welcoming employees through work-study programs also promotes the professional integration of young people into the Bank's business lines.
This training is administered in close coordination with the banking partners: Centre de Formation de la Profession Bancaire (CFPB) (Training Centre of the Banking Profession), BPCE, as well as the schools, universities and specialised apprenticeship training centres.

The EMB, BRED's Management School, has added new training modules in order to support changes in the managerial function. With HEC, we created the 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. After opening its doors in Paris-Joinville, Saint-Denis in Réunion and Fort-de-France, the EMB also opened in Nouméa and Bangkok.

By maintaining its investment in training at nearly 6.0 % of the payroll, and with almost 98 % 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% ([4]), and the statutory minimum requirement (1%). The number of hours allocated to training in 2017, i.e. 181,145 hours, compared to 198,801 in 2016, is indicative of BRED Group's sustained efforts to provide training for its employees in the demanding and ever changing banking sector.

BRED trained 3,895 employees in 2017, and if we add the training conducted in the three foreign subsidiaries, 4,220 employees were trained.

BREAKDOWN OF THE NUMBER OF STAFF HAVING UNDERGONE AT LEAST ONE TRAINING COURSE BY GENDER AND BY CATEGORY

	2017			2016			2015		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management staff	1,355	672	2,027	1,325	657	1,982	1314	635	1,945
Management staff	873	995	1,868	824	915	1,739	828	939	1,767
Total	**2,228**	**1,667**	**3,895**	**2,149**	**1,572**	**3,721**	**2,142**	**1,574**	**3,716**

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. Thus, 16 employees successfully completed courses leading to a diploma in 2017.

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;

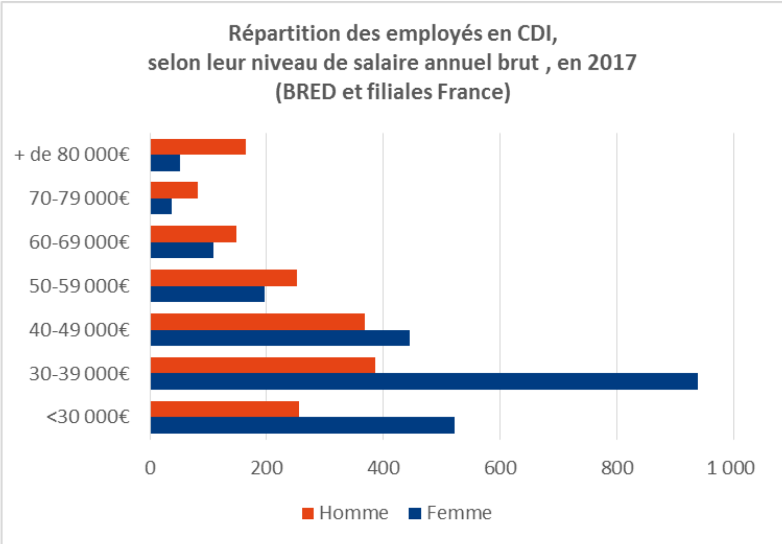
[4]http://www.fbf.fr/fr/secteur-bancaire-francais/metiers-de-la-banque/chiffres-cles/les-chiffres-de-la-formation-continue

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 ([5]), 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.

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*						
	2017		2016		2015	
	Women	Men	Women	Men	Women	Men
Change of level	193	136	229	138	171	112
Change of category	42	31	45	24	32	28
No. of individual pay increases	525	454	780	559	695	504
Changes made to overall staff levels	22.4%	27.1%	31.9%	32.8%	28.7%	30.0%
(*) BRED and French subsidiaries						

[5] The number of printers has decreased significantly from 3,739 personal printers to 2,164 and from 853 big printers 2014 to 486 in 2015

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, 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.

Diversity charters

BRED's solidarity and diversity approach is structured around three agreements: an agreement on gender equality, an inter-generational agreement and an agreement on disabilities.
The provisions of these agreements prohibit discrimination on the basis of gender, family circumstances, maternity, physical appearance, health, disability, genetic characteristics or age.

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.
An initial company-wide agreement was signed with the trade union organisations in January 2008. BRED subsequently confirmed in 2016 that the fair management of its company and employees was a priority. It therefore continued the work already under way to eliminate any form of gender discrimination at work and in particular reduced unjustified pay gaps and implemented a career management policy that promotes gender equality.

This agreement emphasises five priority areas: effective compensation, recruitment, professional training, terms of employment and the relationship between professional life and family responsibilities.
Women account for over half of the workforce, at a stable level over the past three years. In 2017, 56.9% 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 47% at our foreign subsidiaries.

TOTAL HEADCOUNT BY REGION AND GENDER									
	2017			2016			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
France	1,525	1,901	3,426	1,472	1,910	3,382	1,451	1,927	3,378
French oversea	241	551	792	235	545	780	228	496	724
International	295	260	555	259	247	506	191	179	370
Total	**2,061**	**2,712**	**4,773**	**1,966**	**2,702**	**4,668**	**1,870**	**2,602**	**4,472**
Total headcount within the scope of the CSR report 4.4: Reporting scope) (see 4.4 Reporting scope)									

All regions - BREAKDOWN OF STAFF BY GENDER (Excluding work-study and temporary contracts)									
	2017			2016			2015		
	Non-managem	Managem ent staff	Total	Non-managem	Managem ent staff	Total	Non-managem	Managem ent staff	Total
Wome	65.1%	47.8%	**56.8%**	66.8%	48.2%	**57.9%**	68.0%	47.7%	**58.4%**
Men	34.9%	52.2%	**43.2%**	33.2%	51.8%	**42.1%**	32.0%	52.3%	**41.6%**
Tot	**100.0%**	**100.0%**	**100.0**	**100.0%**	**100.0%**	**100.0**	**100.0%**	**100.0%**	**100.0**

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 47.8% of BRED's management positions held by women, it is approaching equality at the executive level.

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 executives, men's salaries remain 17.5% higher than women's; however, this gap has been closing over the last decade.
BRED recently obtained the AFNOR certification for "Workplace Gender Equality".

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.

AVERAGE ANNUAL SALARY OF PERMANENT STAFF BY GENDER						
	2017		2016		2015	
	Non-	**Management**	**Non-**	**Management**	**Non-**	**Management**
Average gross annual salary excluding profit-sharing and bonuses, BRED and French subsidiaries						
Women	€31,175	€51,259	€31,083	€50,350	€30,835	€47,935
Men	€31,020	€60,321	€30,672	€60,343	€30,229	€54,426
Average gross annual salary excluding profit-sharing and bonuses, international entities						
Women	€9,762	€22,918	€9,461	€39,170	€9,778	€45,696
Men	€13,031	€42,076	€11,166	€60,138	€12,686	€67,211

Developing equality and diversity: the "BRED Pluri'Elles" Network

The "Bred Pluri'Elles" network, created at the beginning of 2013, is one of the BRED Group's active social networks and promotes values related to equality and diversity: openness – acceptance – courage. Today, it brings together a little more than two hundred men and women who strive to ensure that within the BRED community individuals' knowledge and interpersonal skills are valued first and foremost without any consideration of demographic characteristics so as to eliminate to the greatest extent possible any impediments created by stereotypes in terms of diversity of gender or age, regardless of the activities and communities concerned.

The network is a discussion forum 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.

The 4th agreement, which covers the 2017/2019 period and was signed at the end of 2016, is applicable for all Banque Populaire companies and is intended to develop awareness-raising programs regarding disabilities and promote the hiring and continued employment of disabled persons. The commitments enshrined in this branch agreement are clear and involve the training of all employees as well as recruitment from the disability-friendly and protected sector.

Since June 2017, the disability team has been joined by one person to help develop the programs and provide support for disabilities.

This team is responsible for implementing the provisions of this agreement, the priority of which is the continued employment of disabled persons in close coordination with the occupational health services: individual monitoring, workstation adaptation, skills assessment, support during training. This agreement provides for the development of recruitment under permanent contracts, fixed-term contracts, work-study contracts, internships and summer staff, regardless of the position.
Partnerships have therefore been created with firms specialising in disabilities and diversity, such as Mozaik RH, Tremplin and Handisup, for example, in order to diversity recruitment methods for sustainable integration. In 2018, the use of work-study contracts was enhanced to allow candidates without any experience or training to train in our business. Further use will also be made of the Disability-Friendly and Protected sector.

In 2017, a special page was created on BRED's intranet for the publication of brochures and informational guides on cancer and chronic diseases and dissemination of newsletters and video clips. A Braille quiz was sent to all employees in June 2017 and more recently during the 2017 European Disability Employment Week “silence” cafés were organised and a booklet on sign language was circulated with an educational kit, in addition to the BPCE #handigital challenge and a photo contest on Twitter.

EMPLOYMENT OF PEOPLE WITH DISABILITIES						
		2017	2016	2015	2014	2013
Direct employment	Number of new hires	5	3	4	3	11
	Number of work stations adapted	15	12	12	16	15
Employment rate (within the meaning of the	Direct employment rate	2.35 %	2.25 %	2.30 %	2.46 %	2.28 %
	Indirect employment	0.47 %	0.63 %	0.55 %	0.30 %	0.33 %
Overall employment rate		**2.82 %**	**2.88 %**	**2.85 %**	**2.76 %**	**2.61 %**

Support for seniors

BRED assists seniors in their professional development and helps them before and during their retirement as part of the BPCE GROUP's employment and expertise management planning agreement signed on 22 December 2017.

BPCE GROUP's employment and expertise management planning agreement

Respect for social equilibrium in companies creates an intergenerational dynamic that benefits everyone. Three key points are emphasised through this agreement:

- The search for balance in the age pyramid by integrating young employees under the age of 30 and retaining seniors in positions,
- The quality of youth integration programs and development of their skills, particularly through work-study programs,
- The proper transmission of knowledge and skills.

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 2017, 9.2% of permanent staff, of whom 89.8% 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, a dedicated external line providing support and psychological assistance in an independent, anonymous and confidential manner was put in place in 2017.

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 2017 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.
The occupational health service, with the support of BRED's social worker, is a privileged actor in service of its employees to identify at-risk situations and intervene when necessary. Its role is first and foremost to prevent any harm to employees' health as a result of their professional activities. It may be alerted of any issues and take the necessary measures.

No specific agreement has been signed on occupational health.
Happily, there are no fatal accidents to report. The severity and frequency of occupational 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.

ACCIDENTS IN THE WORKPLACE						
	2017		2016		2015	
	Number	Number of days' absence	Number	Number of days' absence	Number	Number of days' absence
Number of accidents reported with resulting absence		**1,772**	**91**	**1,894**	**91**	**1,990**
Accidents in the workplace		857	36	1,334	35	1,037
Accidents when travelling to and from work		915	55	560	56	953
Days lost in terms of business days - BRED and French subsidiaries						

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. It therefore has developed its Consultation Management program in order to involve employees from every working unit in the search for ways to improve their work.

ABSENTEEISM RATE DUE TO ILLNESS			
	2017	**2016**	**2015**
Absenteeism rate for illness	4.45 %	4.20 %	4.06 %

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, 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 their 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.
BRED's employee representative bodies in France and the overseas territories 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 2017, the central works council was convened twice for ordinary meetings and four times for an extraordinary meeting.
The health and safety committee for metropolitan France was convened eight times.
During negotiation sessions, three company agreements were also signed in 2017:

- Salary agreement
- Profit-sharing agreement
- Participation agreement

BREAKDOWN OF PART-TIME PERMANENT CONTRACTS BY CATEGORY AND GENDER									
		2017			**2016**			**2015**	
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-	188	11	199	190	25	215	200	10	210
Management	138	26	164	140	9	149	135	25	160
Total	**326**	**37**	**363**	**330**	**34**	**364**	**335**	**35**	**370**
BREAKDOWN OF PART-TIME PERMANENT CONTRACTS ACCORDING TO TIME WORKED									
Less than 50 %	*14*	*2*	*16*	*18*	*1*	*19*	17	1	*18*
50 %	*28*	*9*	*37*	*31*	*7*	*38*	28	9	*37*
50% to 79 %	*82*	*9*	*91*	*85*	*8*	*93*	87	8	*95*
80 %	*86*	*10*	*96*	*78*	*11*	*89*	83	8	*91*
Over 80 %	*116*	*7*	*123*	*118*	*7*	*125*	120	9	*129*
Total	**326**	**37**	**363**	**330**	**34**	**364**	**335**	**35**	**370**

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.

Because of the nature its activities, BRED is not concerned by issues relating to noise pollution and land cover or by significant discharges into the water, air or soil.
Restaurant services at our two main sites are outsourced to the API company, which encourages consumers to exercise portion control and displays anti-waste commitments in their restaurants.

3.2.1 - Circular economy

"Circular economy refers to an economic model whose objective is to produce goods and services sustainably by limiting consumption and waste of resources (raw materials, water, energy) as well as production of waste. This requires doing away with the linear economy model (extract, manufacture, consume, discard) in favour of a circular economic model.[6]
There are already a number of positive aspects in BRED's day-to-day activities that fall under the circular economy:

1. In its role as a user:
- the optimisation of its energy consumption and energy efficiency measures;
- the prevention and management of waste, particularly D3E with our ATF Gaya service provider (a disability-friendly company), which recycles our IT equipment.
- sustainable utilisation of resources (water, paper, etc.).

2. In its role as a producer:
- Electronic statements and electronic signature of digital contracts;
- The Banking without Distance strategy, which reduces the number of customer trips to their branch

3. In its role as a contributor to the financing of the economy:
- Contribution to the funding of responsible companies in the area of recycling, such as funding a production line for the Morphosis company.

With regard to the food recovery and recycling actions intended to prevent waste, the restaurant services at our two main sites are outsourced to the API company, which encourages consumers to exercise portion control and displays anti-waste commitments in their restaurants ([7]).

[6] Ministry of Economic Transition and Solidarity, December 2016
[7] 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

3.2.2 – Direct environmental footprint

BRED's environmental policy is based on three major aspects:

1) Creating and monitoring dashboards to measure the impact of our activity on greenhouse gas emissions (our carbon footprint).
2) Addressing the impact of ongoing climate change by improving our energy efficiency and reducing our demand.
3) Reducing all types of travel (a CTP was implemented in 2017).

Carbon Footprint

In accordance with the Grenelle II environmental legislation[8], BRED has periodically calculated its Carbon Footprint since 2011.
To do so, it uses the "Bilan Carbone®" method designed for the banking sector and dedicated to branch network activities, which was developed by BPCE and the ADEME and focuses on 50 main issues that are reviewed, modernised and refined every year for the various entities of the group, taking into account their specific characteristics. It is a monitoring indicator.
This work is managed by the CSR Sustainable Development Department, whose associates calculate this carbon footprint (GHGF - greenhouse gas footprint).

SOURCES OF GREENHOUSE GAS EMISSIONS						
In equivalent tonnes of CO2	**2017**		**2016**		**2015**	
Energy	5,518	15%	6,089	17%	6,843	23%
Purchases	13,691	36%	11,931	33%	7,557	26%
Business travel	7,240	19%	5,401	15%	2,248	8%
Non-current assets	5,504	15%	5,332	15%	4,652	16%
Other items (waste + freight + excluding energy)	5,663	15%	7,564	21%	8,154	28%
TOTAL	37,616	100%	36,317	100%	29,454	100%

The BGES provides the company with information on its environmental impact. The current aim is to identify all sources of emissions (see above) that can be adjusted in order to reduce its overall impact on climate change.

BRED CARBON FOOTPRINT			
In equivalent tonnes of CO2	**2017**	**2016**	**2015**
Direct emissions of greenhouse gases (Scope 1 - Direct combustion of fossil fuels and emissions of refrigeration gases)	993	889	1,285
Indirect emissions of greenhouse gases (Scope 2 – Electricity consumed and heating network)	4525	5200	5558
Total direct and indirect greenhouse gas emissions (Scopes 1 and 2)	**5518**	**6089**	**6843**
Other total indirect greenhouse gas emissions (Scope 3 – Other emissions excluding utilisation)	32,089	30,752	22,922

[8] Article 75 of Law no. 2010-788 of 12/07/2010

Energy consumption

Action has already been taken to manage electricity consumption over the past three years with 2017 consumption nearly 18% lower than in 2015:

- Improved energy efficiency (optimisation of lighting with increased use of low-consumption light bulbs in new branches and renovated branches, 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);
- Installation of video-conferencing 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;
- Purchase of a BBC ([9]) and HQE ([10]) environmentally-certified building in Joinville-Le-Pont, which hosts 1,200 employees. Employees encouraged to limit their energy consumption and waste at these main sites.
- Water saving system in toilet facilities through installation of sensor taps;
- Introduction of a system for the recovery, recycling and ecologically-friendly processing of ink cartridges, among other things, in partnership with the company “Le Petit Plus”.
- The contract entered into between the BPCE Group and ENGIE (formerly GDF Suez) for the invoicing of BRED's energy consumption is designed to optimise the traceability of energy consumption to better manage and reduce consumption.
- BRED has two electric vehicles in its service fleet (Zoé Renault).

Business transport

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 - and regularly reviewed for the purpose of decreasing costs and the environmental impact of BRED's travel - encourages employees to use trains whenever the distances permit rather than air travel.
A Company Travel Plan (CTP) was put in place in 2017. This is a legal obligation created by Article 51 of the French Energy Transition for Green Growth law. Its objective is to put measures in place so as to streamline employee travel, whether this is between home and work or in a professional context, and promote the development of alternative modes of transport other than the personal vehicle (public mass transit, dedicated public transit, car-sharing, biking, etc.).
First, the sustainable development department conducted a survey of employees at headquarters, who were asked questions so as to better understand their travel between home and the workplace, after which a cycling allowance was put in place as an initial step. In 2018, this CTP will be developed further so as to reach its objective little by little.

MEASURES TAKEN TO REDUCE TRANSPORT-RELATED ENERGY CONSUMPTION			
Indicators	**2017**	**2016**	**2015**
Total petrol consumption by company cars *(in litres)*	30,033	6,407	5,155
Total diesel consumption by company cars *(in litres)*	56,809	79,465	116,772
Business travel in personal cars *(in km)* [(11)]	1,713,770	1,836,224	1,949,948
Business travel by train *(in km)*	366,522	263,633	247,018
Business travel by short and long-haul air travel *(in km)*	6,386,362	6,354,125	5,298,860

(*) Consumption by BRED employees in mainland France

[9] BBC: Bâtiment de Basse Consommation (Energy Efficient Building), meaning “energy efficient”. This term refers to a building for which the consumption of energy needed for heating and air conditioning is significantly less than standard dwellings.
[10] HQE : Haute Qualité Environnemental (High Environmental Quality). The HQE certification is one way that developers obtain recognition of the environmental quality of their design and construction through an independent third party.
[11] Based on mileage allowances

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			
Indicators	**2017**	**2016**	**2015**
Total consumption of unrecycled, unlabelled A4 paper *(in tonnes)*	258	278	286
Total consumption of paper for entire workforce *(in kg/FTE)*	54	61	
Total consumption of recycled or FSC/PEFC certified paper for entire workforce *(in 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

ENERGY CONSUMPTION						
	2017		**2016**		**2015**	
	kWh	**€K (*)**	**kWh**	**€K (*)**	**kWh**	**€K (*)**
Total final energy consumption	**27,876,966**	**3,120.2**	**30,406,914**	**3,735.7**	**33,998,625**	**4,182.5**
Total electricity consumption	23,530,325	2,924.2	26,488,120	3,405.9	28,791,710	3,800.7
Total gas consumption *(in KWh HHV) (**)*	1,321,354	65.97	2,538,734	127.1	3,863,796	203.8
Total consumption of steam-heat network	1,025,287	130.02	1,380,060	155.3	1,343,119	156.9
Annual fuel oil purchases *(based on 9.86 kWh per litre)*	486,946	36	861,537	47.4	295,849	21.1
Total energy consumption per m2 (excluding fuel oil)	219.42 kWh/*m²*		215.9 kWh/*m²*		203.6 kWh/*m²*	
Total surface area	117,335 m^2		140,830 m^2		166,987 m^2	
o/w branches and business centres	63,157 m^2		90,515 m^2		90,487 m^2	

The proportion of renewable energies in total final energy consumption is not known.
(*) Including taxes
(**) GCV: Gross Calorific Value (thermal energy released during combustion on one kilogramme of fuel.)

WATER CONSUMPTION			
Indicators	**2017**	**2016**	**2015**
Total spending on water *(in €k incl. tax)*	155.5	143.3	176.7
Total water consumption *(in m3)*	36,694	34,066	41,957

use in its offices and branches, and is not affected by any local restrictions on water supply or use.

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 GHS emissions, the work to integrate the notion of biodiversity in banking practices is less advanced.

Pollution prevention

Because of its activities, BRED is not concerned by issues relating to noise pollution and land cover because its offices and commercial premises, which frequently are on multiple floors, means that its land cover is lower than that of industrial activities which extend over a single level.
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 ([12]).

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			
Indicators	**2017**	**2016**	**2015**
Total spending on waste management services *(in €k excl. tax)*	197	192	259
Volume of waste produced by the entity *(in tonnes)* *Paper/cardboard/plastic and WEEE (mainly IT equipment)*	526	510	665

3.2.4 - Managing environmental and social risks

Environmental risks mainly arise from the company’s banking business. They arise when environmental criteria are not taken into account in the projects financed by the bank. In France, more and more the law is requiring that these criteria be 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 2017, BRED recorded no provisions or guarantees in its financial statements to cover environmental risks.

12 *See the Decree of 25 January 2013 governing the operation of non-residential lighting coming in particular form offices, shops, façades and window displays. Source: http://www.legifrance.gouv.fr/*

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 better incorporating CSR into its procurement policy.

Responsible purchasing charter

BRED is part of the BPCE Group's process, 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 (13).

This approach will be sustainable and effective if its elements 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 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. To do so, it prefers local suppliers – 96.16% of our suppliers are based in our territories.

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 the procurement process and supplier relations:

- The implementation of the Responsible Procurement Policy was formalised in the procurement process by systematically incorporating clauses on sustainable development into the IT specifications and terms and conditions for procurement of transport services; in particular, service providers must keep BRED informed of all actions that could have a significant impact on the carbon footprint of the activities entrusted to them by BRED.
- With equivalent selection criteria, preference is given to local suppliers in both mainland France and French overseas territories.
  In 2017, 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.

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 2017 we recycled 1840 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.

[13] *http://www.bpce.fr/Fournisseur/La-politique-achats-responsables/Engagements-durables*

Waste recycling: BRED recycled some 230 tonnes of paper in 2017 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.

3.3.2 - 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 role 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	**2017**	**2016**	**2015**
Number of full-time equivalent (FTE) jobs in the adapted and protected work sector	18.99	23.58	19.64
Amount of purchases from the protected worker sector (€k excl. tax)	347	558	377

For the past four 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. In 2013, BRED outsourced its single-piece mail services to "Atelier Du Courrier" which became a disability-friendly company in 2017. It applies postage to letters with savings resulting from centralisation with flows from other customers.

4 - 2017 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 summary table of the CSR indicators as well as an equivalence table comparing the national regulatory obligations with the international standards are included in this report.

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 - Reporting period

Published information concerns the period from 1 January 2017 to 31 December 2017.
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 2017.

4.4 - Reporting scope

BRED's long-term objective is to comply with its regulatory obligation to provide a consolidated CSR reporting package corresponding to the statutory consolidation scope.
However, compliance with this regulatory obligation will be achieved gradually. The reporting scope for the 2017 financial year was determined on the basis of current possibilities and was expanded to a foreign subsidiary, BRED Bank Fidji Ltd, with additional subsidiaries having forwarded their data. This scope will continue to expand each year to ultimately achieve the statutory consolidation scope.
The reporting scope concerns the 19 entities of BRED's French subsidiaries:

- Prepar Vie
- Prepar Courtage
- Prepar Iard
- Sofider
- BRED Cofilease
- Promepar Gestion
- BIC BRED
- BRED Gestion
- Sofiag
- Cofibred
- Cofeg
- Click and Trust
- Perspectives et participations
- SPIG
- Vialink
- Socama BRED
- FCC Elide
- FCT Eridian
- Fipromer

Plus 4 foreign companies:

- Banque Franco-Lao
- BRED Bank Vanuatu
- BRED IT.
- BRED Bank Fidji Ltd

For information, the subsidiaries that have yet to be incorporated as at 31 December 2017 are as follows:

- BCI Mer Rouge
- BIC BRED Switzerland
- EPBF Brussels
- NJR Invest- Brussels
- NJR Finance BV – Brussels
- BRED Bank Cambodia
- Brd China Ltd Chongquing – China
- Foncière du Vanuatu – Republic of Vanuatu
- NJR Invest- Brussels

Subsidiaries consolidated using the equity method are not including in this scope.
The 2017 scope covers 92.9 % of BRED Group's headcount

4.5 - Clarifications regarding corporate data

- The workforce data concerns employees on the payroll as at 31 December 2017. 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 2017 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 2017. 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 - Clarifications regarding environmental data

The environmental data covers BRED headquarters, i.e. for 2017 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 - Clarifications regarding societal 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 information on 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 OF ONE OF THE STATUTORY AUDITORS DESIGNATED AS AN INDEPENDENT THIRD PARTY REGARDING THE CONSOLIDATED CORPORATE, ENVIRONMENTAL AND SOCIAL INFORMATION FOUND IN THE MANAGEMENT REPORT

BRED Banque Populaire

Registered office: 18, quai de la Rapée - 75012 Paris

Report of one of the Statutory Auditors designated as an independent third party regarding the consolidated corporate, environmental and social information found in the management report.

Financial year ended 31 December 2017

To the shareholders,

In our capacity as one of the statutory auditors of BRED Banque Populaire, designated as an independent third party, accredited by the French Accreditation Committee (COFRAC) under number 3-104914, we hereby present our report on the consolidated company, environmental and civic information for the financial year ended on 31 December 2017 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).

However, it is not our responsibility to express an opinion on compliance with other applicable legal provisions, as applicable, and in particular those established by Law no. 2016-1691 of 9 December 2016, the so-called Sapin II Law (anti-corruption law).

[14] The scope of which can be found at www.cofrac.fr

For our work we have used the skills of six people; this took place between September 2017 and May 2018, 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[15].

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 - 2017 CSR Reporting Methodology" in the management report included in the reference document.

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.

3. Reasoned opinion on the truthfulness of the CSR Information

Nature and scope of the work

We held 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.

[15] ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*

For the CSR Information that we considered to be most material[16]:

- 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, 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 88% of the workforce considered to be representative of the HR aspect and 100% of environmental and societal data considered to be representative[17] of the environmental and societal 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 on 2 May 2018

KPMG SA

Anne Garans
Sustainability Services

Marie-Christine Jolys
Associate

[16] Social indicators: Breakdown of workforce as at 31/12 by gender, age and geographic location; Total number of 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: Energy consumption (electricity, natural gas, fuel oil and steam), CO_2 emissions related to energy consumption, Consumption of fuel in connection with business travel using a company car, official car and the shared fleet of cars.

Societal indicators: ADIE business micro-loans, solidarity-driven SRI investments.

Qualitative information: Training policies implemented; Measures taken to promote the insertion and employment of people with disabilities; Anti-discrimination policy; Consumption of raw materials and measures taken to improve efficient use thereof; 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; Conditions of dialogue with the persons and organisations concerned by the company's activities.

[17] See the list of environmental and societal indicators provided in the footnote on page 3 of this report.

6 - CROSS-REFERENCE TABLE COMPARING THE CSR DATA PRODUCED WITH THE NATIONAL REGULATORY OBLIGATIONS

(Article 225 Grenelle Act 2) [18]

6.1 - Corporate information

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	ANNUAL REPORT INDICATORS	REFERENCES
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	3.1.1.
	Breakdown of employees as at 31/12 according to age and gender (age pyramid)	3.1.1.
recruitments and dismissals	New hires according to: - contract (permanent, fixed-term, work-study) - grade (management, non-management) - gender	3.1.1.
	Departures from permanent positions, according to reason	3.1.1.
compensation and changes in compensation	Basic average salary of employees with permanent contracts according to grade and gender, and average M/F salary ratio	3.1.3.
Organisation of work		
organisation of working time	Percentage of part-time employees (permanent contracts only), including the percentage of women	3.1.4.
	Average weekly working hours on an annual basis	3.1.4.
	Breakdown of permanent contracts as at 31/12 according to working hours	3.1.4.
absenteeism	Absenteeism rates	3.1.4.
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	3.1.4.
	Number of meetings: health and safety committee (CHSCT), personnel representatives, works council	3.1.4.
summary of collective agreements	Descriptive text	3.1.4. 259
Health and safety		
health and safety conditions in the workplace	Description of health and safety conditions in the workplace	3.1.4. 258
review of agreements signed with trade union organisations and employee representatives concerning health and safety in the workplace		3.1.4.

[18] Article L.225-102-I 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.

accidents in the workplace, including their severity and frequency, and occupational illnesses	No. of accidents in the workplace	3.1.4.258
	Monitoring of reasons for accidents in the workplace	3.1.4.
Training		
training policies implemented	Percentage of payroll allocated to training	3.1.2.
	Amount of training expenditure (euros)	
	Breakdown of employees on permanent contracts as at 31/12 who received training, according to category and gender	**3.1.2.**
	Total volume of training expenditure as a % of total payroll % of workforce trained	3.1.2. 253
total number of training hours	total number of training hours	3.1.2.
Gender equality		
measures taken in favour of gender equality	Description of gender equality policy	3.1.3.
	See all indicators by gender, to include: average M/F wage; pyramid of ages	3.1.1.
measures taken to promote the insertion and employment of people with disabilities	Description of policy on employment of people with disabilities	3.1.3.
	Rate of employment of people with disabilities (direct and indirect)	3.1.3.
	Number of new hires and adapted workstations	
anti-discrimination policy	Description of anti-discrimination policy	3.1.3.
Promotion and compliance with the ILO's fundamental conventions regarding		
respect of freedom of association and the right to collective bargaining		3.1.4.
elimination of discrimination in respect of employment and occupation		
elimination of forced or compulsory labour		
effective abolition of child labour		

6.2 - Environmental information

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	ANNUAL REPORT INDICATORS	REFERENCES
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	3.2.
- 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	3.1.2.
- resources allocated to the prevention of environmental risks and pollution		3.1.2.

Amounts of provisions and guarantees for risks related to the environment		N/A
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	N/A
- measures for the prevention, recycling and elimination of waste	Volume of waste electrical and electronic equipment (WEEE)	3.2.3.
- management of noise pollution and any other type of pollution caused by a specific activity	Not applicable given our business activities	N/A
Circular economy		
Waste prevention and management		
	Measures for the prevention, recycling and elimination of waste	3.2.3.
	Action in the fight against food waste	3.2.3.
Sustainable use of resources		
- water consumption and water supply in light of local restrictions	Total water consumption	3.2.3.
	Total water-related expenditure	3.2.3.
- 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	3.2.3.
	Consumption of blank paper per FTE	3.2.3.
	Total paper consumption	3.2.3.
	Total consumption of recycled and/or FSC or PEFC certified paper	3.2.3.
	Total consumption of blank paper	N/A
- energy consumption, measures taken to improve energy efficiency and use of renewable energies	Total energy consumption per m²	3.2.2.
	Description of products and services in terms of energy performance of buildings	3.2.2.
	Total business travel by car	3.2.2.
	Description of initiatives to reduce energy consumption and greenhouse gas emissions	3.2.2.
- land use	Not applicable given our business activities	N/A
Climate change		
	Direct greenhouse gas emissions (scope 1)	3.2.2.

- 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	Indirect greenhouse gas emissions (scope 2) 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)	3.2.2.
- adaptation to the consequences of climate change	Description of measures taken	3.2.2.
Protection of biodiversity		
- measures taken to preserve or increase biodiversity	Description of strategy implemented with regard to its biodiversity management policy	3.2.3.

6.3 - Societal indicators

INFORMATION TO BE INCLUDED IN THE MANAGEMENT REPORT	ANNUAL REPORT INDICATORS	REFERENCES
Local, economic and social impact of the company's activities		
- regional lending	Loans to individuals: annual production in amount	2.1.1.
	Loans to professionals and businesses: annual production in amount	
- to neighbouring or local populations	Number of branches/sales outlets/business centres (including stand-alone ATMs)	2.1.1.
	Number of branches in priority and rural areas	
	Number of branches with disabled access (2005 Disability Act) as a proportion of all branches	
Relations with individuals and organisations concerned by the activities of the company, including occupational insertion associations, educational establishments, environmental associations, consumer associations and local residents		
- dialogue with these concerned individuals and organisations	Description of main stakeholders and related consultation process	1.3.
- partnership and sponsorship initiatives	Amount of donations made over the financial year to organisations eligible for tax treatment under the sponsorship system	1.1.
Subcontracting and suppliers		
- consideration of social and environmental issues in the procurement policy	Amount of purchases from the protected sector (2013 estimate)	3.3.2.
	Number of full-time equivalent (FTE) jobs in the adapted and protected work sector	1.1.
	Description of responsible procurement policy	3.3.1.
	Training in "responsible purchasing"	N/A
- the importance of subcontracting and taking the social and environmental responsibility of suppliers and subcontractors into account when entering into relationships	Description of measures taken	3.3.
Fair practices		

- actions taken to prevent corruption	Percentage of employees (management and non-management) trained in anti-money laundering policy	2.2.1.
	Description of the current policy and procedures to prevent internal and external fraud	2.2.1.
- measures taken to protect consumers' health and safety	Description of the CSR analysis of new products and services	2.2.3.
	Measures taken to facilitate access by people with disabilities or reduced mobility	2.3.1.

6.4 Business indicators

Responsible products and services		
Green credit solutions	Eco-PTZ: stock (number and amount) as at 31/12	2.1.3.
SRI	SRI and solidarity funds: outstanding amounts of funds marketed as at 31/12/2013	2.1.2.
LDD (sustainable development passbook savings accounts)	Sustainable development passbook savings accounts (LDD): stock (number and amount) as at 31/12	2.1.3.
Micro-financing	Adie business micro-loans: annual production in number and amount	2.3.2.

7 - CROSS-REFERENCE TABLE COMPARING THE NATIONAL REGULATORY OBLIGATIONS AND THE INTERNATIONAL STANDARDS

	Areas/ Reference documents	Equivalence GRI 3.1	Equivalence GRI 4[19]	Equivalence with Art. 225 - Grenelle 2 Act -	Equivalence with NRE	Global Compact
	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°	
	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°	7/8/9
	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)		
		EN26	G4-EN27	Art. R. 225-105-1-I 3° d)		
	Transport	EN29	G4-EN30		148-3 1°	
	Environmental approach			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
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)	
	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 c) and d)	Art. 148-2.2°	1/3/4/5/6
	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 opportunity	LA13/LA14		Art. R. 225-105-1-I 1°f)	Art. 148-2.3°	

[19] 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.

	Areas/ Reference documents	Equivalence GRI 3.1	Equivalence GRI 4[19]	Equivalence with Art. 225 - Grenelle 2 Act -	Equivalence with NRE	Global Compact
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				

7

General meeting

ORDINARY GENERAL MEETING OF 29 MAY 2018

AGENDA

1. Management report by the Board of Directors on the 2017 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 2017. Discharge to the Board of Directors.

3. Approval of the consolidated financial statements for FY 2017. Discharge to the Board of Directors.

4. Appropriation of FY 2017 income and determination of interest to be paid on the cooperative 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 2017 financial year to the directors and categories of staff members listed in Article L.511-71 of the French Monetary and Financial Code.

7. Determination of the amounts paid to members of the Board.

8. Renewal of the term of office of a director.

9. Ratification of the co-opting of a director.

10. Appointment of a cooperative auditor and an alternate.

11. Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares.

12. 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 FY 2017 financial statements (1st and 2nd resolutions)

Your Board asks you to approve its management report as well as the annual individual company and consolidated for the 2017 financial period.

Appropriation of income and determination of interest to be paid on the cooperative shares (3rd resolution)

Concerning the assignment of the company results for the financial period, which come out at €158,719,306.04, you are firstly asked, taking account of the capital increases made in 2017, to assign the legal reserve up to 5% of the profit for the year, i.e. €7,935,965.30.

Given that the retained earnings account shows a positive balance of €110,000,000, the distributable profit stands at €260,783.340.74. We propose that you proceed as follows:

- pay interest on cooperative shares at a rate of 1.61 % of the average par value of cooperative shares in 2017, i.e. € 0.166 on each of the shares with rights accruing from 1 January 2017, i.e. a total amount of €15,980,703.80;
- allocate €134,802,636.94 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' cooperative shares	Total interest paid out on shares	Amounts eligible for rebate of 40 % (1)
2014	61,488,311	€11,067,895.99	€11,067,895.99
2015	€66,647,978	€ 11,354,840.74	€ 11,354,840.74
2016	€81,458,639	€ 11,642,714.06	€ 11,642,714.06

(1) For natural persons

Regulated agreements and commitments (4th resolution)

We ask you to acknowledge that no agreement under Article L.225-38 of the French Commercial Code was entered into during the financial year and that the agreements entered into and authorised prior to financial year 2017 continued to produce their effects.
These agreements are presented in the special Statutory Auditors' report.

Consultation on the aggregate amount of compensation of any kind paid to the categories of staff members listed in Article L.511-71 of the French Monetary and Financial Code (5th resolution)

Pursuant to article L. 511-73 of the Monetary and Financial Code, you are asked for consultative advice on the remuneration paid in 2017 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 in charge of Sales;
- 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 191 persons for the 2017 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 2017 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 2017 amounted to €26,784,156. This amount includes the remunerations established for 2017, the non-deferred variable remunerations paid in 2017 for the 2016 financial period and the deferred variable remunerations paid in 2017 for previous financial periods.

Determination of amounts paid to members of the Board of Directors (6th resolution)

You are also asked to establish at 792,000 euros the annual overall amount of compensatory payments for time passed for the current financial period.

Board of Directors (7th and 8th resolutions)

The mandate of a member of your Board of directors, Mr Bruno Blandin, expires on conclusion of this meeting. We ask you to approve the renewal of his mandate for a term of six years, to expire on conclusion of the General Meeting convened to approve the financial statements for the 2023 financial year.

We also ask you to approve the co-opting of Mr Benoit Bas as director. This mandate ends at the end of the General Meeting called to approve the financial statements for the 2019 financial period.

The functions of corporate officers are set out in the "Corporate Governance" section of the annual report.

Cooperative auditor (9th resolution)

Pursuant to the French law on the social solidarity economy (Economie Sociale et Solidaire) of 31 July 2014, BRED is required to undergo an audit by a cooperative auditor every five years in order to verify the compliance of the bank's organisation and operation with the principles and rules of cooperation and suggest corrective action, as necessary.

We ask you to appoint Mr Etienne Madranges as cooperative auditor and Mr Philippe Radal as alternate auditor for a term of five years.

Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares (10th resolution)

The purpose of the tenth 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 9,626,930 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 (11th resolution)

Lastly, the eleventh 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 2017 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 2017.

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 2017 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 2017.

Third resolution: Appropriation of income and determination of interest to be paid on the cooperative shares

The members note that a profit of €158,719,306.04 was recorded in 2017 and resolves to allocate it as follows, in accordance with the proposals of the Board of Directors:

(In euros)

Profit for the financial year	158,719,306.04
Allocation to the legal reserve	- 7,935,965.30
Retained earnings	110,000,000.00
Distributable profit	260 783,340.74
Interest on cooperative shares	- 15,980,703.80
Allocation to other reserves	- 134,802,636.94
The balance, or 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 €0.166 for each dividend-bearing cooperative share from 1 January 2017.

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 2018. 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	Total interest paid out on shares	Amounts eligible for rebate of 40 % (1)
2014	61,488,311	€11,067,895.99	€11,067,895.99
2015	€66,647,978	€ 11,354,840.74	€ 11,354,840.74
2016	€81,458,639	€ 11,642,714.06	€ 11,642,714.06

(1) For natural persons

Fourth resolution: Approval of the agreements and undertakings referred to in Articles 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 aggregate amount of compensation of any kind paid to the categories of staff members listed in Article L.511-71 of the French Monetary and Financial Code.

After reviewing the report by the Board of Directors, the members, who are consulted pursuant to article L.511-73 of the French Monetary and Financial Code, indicate that they are in favour of the aggregate amount of compensation of any kind paid during the 2017 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 €26,784,156.

Sixth resolution: Determination of the amounts paid to members of the Board of Directors

After reviewing the report by the Board of Directors, the General Meeting:

- resolved to set the aggregate amount paid as compensation for time spent on governance of the cooperative bank at €792,000 for 2018;
- notes that this amount covers compensation for the directors and Chairman of the Board of Directors.

Seventh resolution: Renewal of the term of office of a director

The General Meeting renews, for a period of six years, the mandate of Mr Bruno Blandin as director.

This mandate ends at the end of the General Meeting called to approve the financial statements for the 2023 financial period.

Eighth resolution: Ratification of the co-opting of Mr Benoit Bas as director

The General Meeting ratifies the decision taken by the Board of Directors at its meeting of 02 October 2017 to co-opt Mr Benoit Bas to the post of director, replacing Mr Pierre Murret-Labarthe, who has resigned, for the remaining term of the mandate of his predecessor, namely until the conclusion of the General Meeting convened to approve the financial statements for the 2019 financial year.

Ninth resolution: Appointment of a cooperative auditor and an alternate.

The General Meeting appoints, for five financial years:

- Mr Etienne Madranges as cooperative auditor,
- Mr. Philippe Radal as alternate cooperative auditor.

These mandates end at the end of the General Meeting called to approve the financial statements for the 2022 financial period.

Tenth 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 Statutory Auditors' report on their assessment on the conditions for establishment of the purchase 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 9,626,930 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.

Eleventh 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 2017)

To the Shareholders

BRED BANQUE POPULAIRE

18, quai de la Rapée, 75012 PARIS

In our capacity as Auditors, 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 French Commercial Code, it is your responsibility to determine whether the agreements are appropriate and should be approved.

When applicable, we are also required to provide you with the information stipulated in article R.225-31 of the French Commercial Code on the performance during the 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 previously approved by the General Meeting

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.

1. **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 2017 financial statements of BRED Banque Populaire.

2. Agreement related to social protection of the Chairman of the Board of Directors

- Person concerned

Mr Stève Gentili, Deputy Chairman of the Supervisory Board of BPCE and 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 €89,727.44 in 2017.

3. 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 was 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. By way of an amendment concluded on 1 October 2016, this lease was renewed under similar conditions for an annual before-tax rent of €102,161.17, with similar charges.

- Terms and conditions

This agreement gave rise to payment of €102,161.71 in 2017.

Paris la Défense, 2 May 2018

KPMG S.A

Marie-Christine Jolys
Associate

Neuilly-sur-Seine, 2 May 2018

PricewaterhouseCoopers Audit

Anik Chaumartin
Associate

Nicolas Montillot
Associate

EXTRAORDINARY GENERAL MEETING OF 29 May 2018

Agenda

1. Modification of the articles of association following appointment of directors representing the employees and standardisation with the standard articles of association of the Banques Populaires.

2. Adoption of modified articles of association.

3. Delegation of authority to the Board of Directors to increase the share capital by a maximum amount of €500,000,000 through issue of cooperative shares in cash or capitalisation of reserves and to modify article 7 of the articles of association.

4. Delegation of authority to the Board of Directors in order to carry out a share capital increase reserved to employees in accordance with the provisions of Article L.225-129-5 of the French Commercial Code. Special Statutory Auditors' report on the cancellation of the preferential subscription right.

5. 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

The purpose of this General Meeting is to submit the modification of our company's articles of association for your approval as well as delegate authority to your Board of Directors to proceed with capital increases.

Modifications to the articles of association (1st and 2nd resolutions)

Legislative or regulatory developments since 2016 require the text of the articles to be updated. Please find enclosed the draft resolutions submitted for your approval.

The purpose of the first resolution is to take into consideration the modifications resulting from the provisions of Law no. 2015-994 of 17 August 2015 on social dialogue and employment, called the "Rebsamen Law", which requires companies directly or indirectly employing more than 1,000 permanent employees to appoint one or more employee representatives to their boards.

The fulfilment of this obligation requires a modification to the articles of association in order to establish the method for appointing directors to represent the employees and incorporate specific rules in this regard (articles 13 and 35).

Additionally, a proposal is made to eliminate the statement regarding alternate statutory auditors, which is now a suppletive provision since Statutory Auditors that are legal persons are designated in this case in accordance with Law no. 2016-1691 of 9 December 2016, the so-called Sapin II Law (Article 27).

You are asked to adopt each modification (first resolution) and the new articles of association in their entirety (second resolution).

Renewal of the delegation of authority regarding capital increase (3rd resolution)

In order to allow your company to maintain its activity and stability as well as its financial autonomy, we ask you to grant the Board of Directors the necessary authority for a period of 26 months to approve one or more capital increases with BPCE's authorisation for a maximum amount of €500,000,000 by issue of cooperative shares at nominal value to be subscribed in cash as well as by capitalisation of reserves under the conditions and within the limits established by the Banques Populaires specific regulations.

The capitalisation of reserves may take place by increasing the nominal value of cooperative shares or creating and distributing new cooperative shares for free or by any simultaneous combination of these various processes.
With regard to capital increases by cash subscription, the cooperative members will have an preferential right in proportion to their cooperative shares as of right for new shares or may apply for excess shares if the Board so authorises for the subscription of issued cooperative shares.

Cooperative shares that have not been subscribed through this preferential right may be subscribed by persons who are not yet cooperative members but who meet the requirements to become members.

In case of excess applications, the Board may increase the number of shares by up to 15% of the initial issue.

In case of insufficient subscriptions, the Board may also use the option provided for by Article L.225-134 of the French Commercial Code, which allows it to limit the amount of the capital increase to the amount of the subscriptions provided that they have reached at least three-quarters of the planned increase.

With regard to potential free allocations of shares by capitalisation of reserves, we ask you to authorise your Board to decide, at its discretion, that fractional rights will not be negotiable and that the corresponding cooperative shares will be sold, with the proceeds from the sale being allocated to the right-holders.

We also ask you to delegate to your Board the authority necessary to establish the terms and conditions of issue, take note of the completion of the resulting capital increases and proceed with the associated modification to the articles of association.

This delegation supersedes any delegations that may have been previously granted for the same purpose, as applicable, with respect to any unused portion.

Principle of a capital increase reserved for employees (4th resolution)

In accordance with the provisions of Article L.225-129-6 of the French Commercial Code, for all decisions to proceed with a capital increase by cash contribution and in any event every three years, the Extraordinary General Meeting must resolve on a draft resolution to carry out a capital increase under the conditions provided for in Articles L. 3332-18 to L. 3332-24 of the French Labour Code, i.e. in favour of the company's employees.

It is in order to meet this legal obligation that we propose a resolution to authorise your Board to proceed with a capital increase of a maximum amount of 0.5% of the capital existing at the time of the issue reserved to the employees within a maximum of 26 months from the date of the General Meeting.

However, it should be noted that in the case of cooperative companies and, consequently, Banques Populaires, employee share ownership does not achieve its primary goal, which is to associate employees with the stock market valuation of their company, in other words, create shareholder value.

Cooperative companies are not listed, and their securities are not based on the search for as much profit as possible for the shareholder but rather on the stability, responsibility, solidarity and proximity of the company: in other words, in terms of corporate values, the primacy of the customer/member's satisfaction, development over time and competitiveness. Furthermore, we remind you that any employee of the bank may become a member on an individual basis under the same condition as our customers.

This is why, as has always been the case since the aforesaid text took effect, your Board does not intend to approve this draft resolution, and it invites the members to vote against it. The Board's decision not to approve the draft resolution means that proxies without a pre-indicated proxy-vote (so called “en blanc” proxies) are automatically counted as unfavourable votes to the draft resolution pursuant to Article L.225-106 III, paragraph 5, of the French Commercial Code.

Powers for formalities (5th resolution)

The purpose of the fifth 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 13, 23, 27, 28 and 35.

- In article 13:
  Introduction of Section I:
  "I - Provisions concerning directors appointed by the General Meeting of Shareholders:" -

  Addition of a 2nd paragraph, which reads as follows:
  "The mandates of directors are subject to the right of opposition of the competent authority".

  Modification of the 5th paragraph, as follows:
  "When a director reaches the age of 68 and if he/she remains in office, this would have the effect of bringing the number of members of the board of directors elected by the General Meeting of Shareholders who are over the age of 68 to more than one third, the Board of Directors will determine which of its members must leave office".
  and introduction of a 2nd paragraph, which reads as follows:
  "*II - Provisions regarding directors representing employees:*
  The Board of Directors includes one or two director(s) with voting rights to represent the employees.

  Just like the other directors, the directors representing the employees are subject to the right of opposition of the competent authority.

  The number of administrators representing the employees is determined as a function of the number of directors appointed by the General Meeting of Shareholders, as follows:
  - *one director when the board has less than or equal to twelve members,*
  - *two directors when the board has more than twelve members.*

  The number of members on the board to be taken into account when determining the number of directors representing the employees is assessed on the date of appointment of the employee representatives to the board.

  The terms of office of the directors representing the employees is 6 years from their date of appointment. The mandate may be renewed.

  The directors representing the employees must be less than 68 years of age on the date on which they take office.

  They must have an excellent reputation, subject to specific legal provisions.

  Any increase or decrease in the number of directors appointed by the General Meeting shall have no effect on the term of office of the directors representing the employees. This mandate ends at the end of their term.

  In case of vacancy due to death, resignation, revocation, termination of employment contract or for any other reason whatsoever, the vacant position shall be filed in accordance with the specific conditions established by the French Commercial Code.

  The directors representing the employees are designated by the trade union organisations that are the most representative at the professional elections of the Company and its subsidiaries.

If the workforce drops below the legal threshold and this is noted by the Board of Directors at the closing of a financial year, the mandate of the employee representative(s) will continue until its end. ". The rest of article 13 remains unchanged.

- Article 23: title modified from "*Remuneration of Directors*" to "*Compensation for the Directors and Chairman*"
- Article 27: the first paragraph containing statements regarding the Alternate Statutory Auditors is eliminated. The article now reads as follows: "*The Company's financial statements are audited by at least two Statutory Auditors, who are appointed and carry out their mission under the conditions provided for by law";*
- Article 28: elimination of the statement "*except as permitted under Article L.225-39 of the French Commercial Code*";
- Article 35 – I, 5th paragraph: modification related to the appointment of directors representing the employees, as follows: "*appoint and dismiss directors, without prejudice to the specific legal provisions applicable to directors representing the employees, and observers". -*

Second 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;

2- decides that the new articles of association shall come into force as of today's date.

Third resolution: delegation of authority to the Board of Directors to increase the share capital by issue of cooperative shares in cash or capitalisation of reserves

After hearing the Board of Directors' report, the General Meeting delegates to the Board of Directors in accordance with Article L.225-129-2 of the French Commercial Code the necessary authority for a period of 26 months from today's date to approve one or more capital increases with BPCE's authorisation up to an overall ceiling of €500,000,000 by creation and issue of cooperative shares in cash as well as by capitalisation of reserves under the conditions and within the limits established by the Banques Populaires specific regulations.
The capitalisation of reserves may take place by increasing the nominal value of cooperative shares or creating and distributing new cooperative shares for free or by any simultaneous combination of these processes.
With regard to capital increases by cash subscription, the cooperative members will have an preferential right for the subscription of issued cooperative shares in proportion to the amount of their shares.
In the event that the subscriptions for new shares as of right and, if the Board of Directors so authorises, applications for excess new shares, have not absorbed all of the cooperative shares issued, the Board of Directors may open the subscription of unsubscribed shares to persons who are not yet cooperative members but who meet the requirements to become members.
In case of excess subscriptions, the Board may increase the number of shares by up to 15% of the initial issue.
In case of insufficient subscriptions, the Board of Directors will have the option in accordance with Article L.225-134 of the French Commercial Code limit the amount of the capital increase to the amount of the subscriptions provided that they have reached at least three-quarters of the planned increase.
In case of capitalisation of reserves by free allocations of shares, the Board of Directors is expressly authorised by the General Meeting to decide, at its discretion, that fractional rights will not be negotiable and that the corresponding cooperative shares will be sold, with the proceeds from the sale being allocated to the right-holders.
In this context and under these limitations, the Board of Directors shall have all powers to decide and carry out the capital increase(s) that it deems appropriate and in particular to establish all of the terms and conditions for issue of the new cooperative shares to be issued, acknowledge the completion of these capital increases and proceed with the associated modifications to the articles of association.
This delegation of authority shall supersede any prior delegation with the same purpose.

Fourth resolution: delegation of authority to the Board of Directors in order to carry out a share capital increase reserved to employees in accordance with Article L.225-129-5 of the French Commercial Code. Special Statutory Auditors' report on the cancellation of the preferential subscription right.

Note: This draft resolution proposed in accordance with the law has not been approved by the Board of Directors, which invites the cooperative members to demonstrate their opposition.

After reviewing the report by the Board of Directors and the special Statutory Auditors' report on the cancellation of the preferential subscription right, the General Meeting decides, pursuant to the provisions of Article L.225-129-6 of the French Commercial Code, to reserve a capital increase in cash to the company's employees under the conditions provided for in Articles L.3332-18 to L.3332-24 of the French Labour Code.
If this resolution is adopted, the General Meeting decides to authorise the Board of Directors to proceed with a capital increase within no more than 26 months from today's date for a maximum amount of 0.5% of the amount of the share capital at the time of issue, which will be reserved to the company's employees as part of a company savings plan and carried out in accordance with the provisions of Articles L.3332-18 to L.3332-24 of the French Labour Code, and to establish the other procedures for the increase.

Fifth 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.

RENEWAL OF THE TERM OF OFFICE OF A DIRECTOR

(Article L.225-115, paragraph 3, of the French Commercial Code)

Bruno Blandin: Manager of Ets Claude BLANDIN & FILS SARL, ultimate group holding company.
Born 7 October 1952

Other offices held within the BPCE Group:
- Director of BRED Cofilease.
- Permanent representative of Cofeg on the Board of Directors of SOFIAG (Société Financière Antilles-Guyane).

Other offices held outside of the BPCE Group:
- 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 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.

Mr Blandin holds 2,787 shares in BRED Banque Populaire.

RATIFICATION OF THE CO-OPTING OF A DIRECTOR

(Article L.225-115, paragraph 3, of the French Commercial Code)

Benoit BAS: Corporate Affairs and Communications Director at JT International.
Born 16 January 1975
Mr Bas does not hold any other office.

Mr Bas holds 100 shares in BRED Banque Populaire.

APPOINTMENT OF A COOPERATIVE AUDITOR AND AN ALTERNATE

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

Cooperative auditor
Etienne Madranges: lawyer at the bar of Versailles.
Born 17 February 1951

He is a graduate of Etudes Politique de Paris, holder of a Certificate of Aptitude to Practice as a Lawyer and student of Ecole Nationale de la Magistrature. Until recently, he was a magistrate of the judiciary for 40 years and more specifically was an assistant public prosecutor at the public prosecutor's office of the Court of Appeal of Paris.

Etienne Madranges has held other offices at various ministries and has many legal, financial and economic skills.

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 RCS Paris
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 (societe anonyme cooperative 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 €995,424,562. It is divided into 96,269,300 cooperative shares with a par value of €10.34, all fully paid up and held in registered form only.
BRED has not issued any financial instruments giving access to its capital.

Market for 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 (€10.34) by account to account transfer following approval by the Board of Directors. The number of cooperative members as at 31 December 2017 was 181,602.

Dividend policy

Interest paid on cooperative shares was:

- €0.27 for the 2012 financial year;
- €0.262 for the 2013 financial year;
- €0.191 for the 2014 financial year;
- €0.184 for the 2015 financial year;
- €0.179 for the 2016 financial year;

Thresholds

Pursuant to article L.233-6 of the French 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:

	01/01/2017	During 2017	31.12.2017
SAS Girasol 6	0.0	100	100
SAS Girasol 7	0.0	100	100
SNC Jaspe 7	0.0	100	100
SNC Jaspe 8	0.0	100	100
SNC Jaspe 9	0.0	100	100
SNC Jaspe 10	0.0	100	100
SNC ICP MOBILIER 2016	0.0	99.99	99.99
SCI LE SOLEIL	0.0	99	99

This report was prepared by the Corporate Communications Department.
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