



2014 ACTIVITY REPORT

**VALUE-ADDED
STRATEGY
IN THE SERVICE
OF OUR
CUSTOMERS**

| Contents

AN ETHICAL AND EFFICIENT NEIGHBOURHOOD BANK

Stève Gentili, Chairman p. **02**

OUR SUCCESS IN THE SERVICE OF OUR CUSTOMERS

Olivier Klein, Chief Executive Officer p. **06**

01 Commercial banking

STRATEGY p. **10**

02 Consolidated income statement

KEY FIGURES p. **22**

03 Analysis of

RESULTS p. **28**

04 OUTLOOK

..... p. **42**



Stève Gentili, Chairman

“

AN ETHICAL
AND EFFICIENT
NEIGHBOURHOOD
BANK ”

I

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

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

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

The incorporation status of a bank such as BRED, which belongs to its customers, makes it very different from banks owned by financial shareholders, which are dependent on the markets and share-price



140,000

COOPERATIVE SHAREHOLDERS

movements. Ownership of its capital by its customer-shareholders enables it to focus on long-term financing of investments that create value: apart from the remuneration of its cooperative shares – set each year by the general meeting of shareholders – all the profits made are wholly reinvested in the business.

Whether owner-customers or users of its services, BRED now has 140,000 cooperative shareholders, including 5,300 new members who joined us during the recent capital increase, which was 111% oversubscribed. We constantly endeavour to keep them informed and gather their views, particularly through meetings at the branches where cooperative shareholders can discuss the Bank's future, its projects and their expectations in terms of services.

In the present era of e-communication, the bred-societaires.fr website provides a platform for discussion and sharing of information about the solidarity initiatives taken by BRED, its partners and its cooperative shareholders.

“ BRED IS REAFFIRMING ITS IDENTITY AS A COOPERATIVE BANK ANCHORED IN THE REAL ECONOMY. ”

THE
FIGURE

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

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

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

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



Strengthened by our successes, and in keeping with our values,

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

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



Olivier Klein, Chief Executive Officer

“
OUR SUCCESS IN
THE SERVICE OF
OUR CUSTOMERS”

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

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

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

THE
FIGURE

+6%

IN NET BANKING INCOME EXCLUDING
NON-RECURRING ITEMS

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

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

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

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

“ FOR THE PAST
TWO YEARS WE HAVE
BEEN REDESIGNING
OUR DISTRIBUTION
MODEL TO MAKE IT
MORE AGILE, MORE
INTERCONNECTED AND
MORE PROACTIVE. ”

THE
FIGURE**+ 15%**

OUR INTERNATIONAL AND OVERSEAS COMMERCIAL BANKING ACTIVITIES ALSO POSTED STRONG GROWTH BUOYED IN PARTICULAR BY THE TAKE-OFF OF BRED FIJI, CREATED IN 2012

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

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

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

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

With this strong year behind us, the BRED group can draw on **solid fundamentals to continue its expansion**. Our goal, in keeping with our role as a cooperative bank, is to continue to finance and drive the economic development of the territories we serve. In 2014, outstanding



home loans to retail customers increased by 10.2% and equipment loans to business customers grew by 6.2%.

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

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

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

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

01

COMMERCIAL BANKING **STRATEGY**



D

espite an unpropitious economic environment, BRED's net banking income continued to grow in 2014. The development strategy initiated two years ago is bearing fruit, as can be seen from the more than 3% increase in net banking income for the commercial banking division. The new strategy responds in particular to behavioural changes in the Group's customers and is based on two fundamental principles: making banking more accessible to and practical for customers and offering greater added value in the support provided for their personal projects, over time.

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

THE
FIGURE

NET PROFIT
ATTRIBUTABLE TO
EQUITY HOLDERS
OF THE PARENT
GREW BY

9.7%

01

COMMERCIAL BANKING STRATEGY

A bank that proactively serves its customers

BRED's business development is based on building customer loyalty and attracting new customers. Its strategy is underpinned by the proactive approach taken by the sales staff and their ability to identify and provide for all their customers' needs.

In 2014, the Bank achieved a very satisfactory increase in its customer bases, reflecting its strong momentum. The number of retail customers increased by 1.9%, with a 4.3% increase in active customers equipped with products. In the professional segment, the number of customers increased by 3.4% while the number of customers with a double banking relationship (covering their professional and personal needs) grew by 7.7%. In the corporate segment, the customer base grew by almost 1.0%.

Accessible and practical banking facilities

As has been confirmed by all the customer surveys, the personal account manager continues to be the lynchpin of the banking relationship. BRED's strategy is therefore based on complementary channels and a close relationship between customers and their personal account managers. This relationship has been further strengthened by providing customers with their account managers' direct contact details (telephone number and email address). They can therefore contact their account managers at any time by whichever means they wish. They can go to the branch to meet them in person or discuss matters over the telephone, or by email, if they prefer.

To make this relationship even easier, since April 2013 the Bank has been offering customers a new remote banking service, BredConnect. Customers can carry out all their day-to-day banking transactions online in total security and sign their contracts using a smartphone. This makes it much easier for them to adapt their contracts or subscribe to new products and services through their account managers, without having to go to the branch. The new version of the website and mobile phone application also offers customers a safe electronic facility and budget management services, with the possibility of classifying expenses.

Customers can contact general advisors through the BRED Direct Customer Relationship Centre from 8 a.m. to 10 p.m. In 2013 and 2014, all the Bank's tele-advisors received comprehensive training to ensure the same quality of service as that provided by in-branch account managers. Lastly, a secure messaging service enables customers to communicate with their account managers online in total safety.



A NEW REMOTE BANKING SERVICE, BREDCONNECT

Customers can carry out all their day-to-day banking transactions online in total security and sign their contracts using a smartphone.



THE
FIGURE

BRED ESPACE:

20,000

CUSTOMERS AT THE
END OF 2014

BRED Espace: a wholly online bank

BRED has also continued to develop its wholly online bank, which had 20,000 customers at the end of 2014, to ensure continuity of service for customers working or living abroad and for people from French overseas territories working or studying in France or returning to their home country.

BRED Espace combines operating excellence with the ease of access of an online bank, while ensuring the levels of support and advice sought by customers by offering them a single relationship with a personal account manager. If they wish, customers can also meet their account managers in person at one of BRED's high-street branches. Customers perceive this as a real benefit.

01

COMMERCIAL
BANKING
STRATEGY

Helping customers to carry out their personal projects

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

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

In 2014, BRED continued to support its customers' personal projects by offering savings solutions with different investment horizons, to suit each individual's projects while conserving their capacity to cope with unexpected expenses and by focusing savings capacity on projects that are important to families, such as a home purchase, their children's future or preparing for retirement.

The Bank's staff receive constant training to ensure a proper understanding of customers' needs and the most appropriate solutions to support customers' projects over the long term. Purchasing a home continues to be one of the major projects in life: in 2014, BRED helped nearly 10,000 households in this respect and had a record year with a total of €1.2 billion in loans granted.

For professional customers, developing their business activity requires constant investment. Aware of this need, in 2014 BRED multiplied its efforts alongside tradesmen, small retailers, self-employed professionals and farmers to accompany them in a lasting relationship, thanks to appropriate solutions, from the start of their projects to the transfer of their businesses.

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



WE ALSO ENCOURAGE
co-construction of unique,
personalised solutions.



THE
FIGURE

BRED HELPED NEARLY

10,000

HOUSEHOLDS TO
PURCHASE A HOME
IN 2014

State-of-the-art wealth management

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



NEW MOMENTUM

was given to BRED.

01

COMMERCIAL BANKING STRATEGY

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

Committed to its corporate customers



WE WORK CONSTANTLY

to build our advisors' skills and develop top-level expertise in the most demanding fields to be able to advise our increasingly demanding customers at all times.

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

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

Enhancing the customer experience

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

Customer perception of our services remains very good, as confirmed by the annual quality survey. The survey showed that 90% of professional customers, 92% of individual retail customers and 98% of large corporate customers were satisfied with the way they were dealt with in their branch and would recommend BRED to others. Similarly, the quality of telephone and online relationship management, developed since 2013, has also continued to improve.



THE
FIGURE

92%

OF INDIVIDUAL RETAIL CUSTOMERS AND 90% OF PROFESSIONAL CUSTOMERS WERE SATISFIED WITH THE WAY THEY WERE DEALT WITH IN THEIR BRANCH

01

COMMERCIAL
BANKING
STRATEGY

The system for gathering customers' views was expanded and transformed in 2014. Round tables were organised to enable customers to express their views on the organisation of the Bank's networks. BRED's commitment to a co-construction approach took concrete form by inviting customers to "user tests" at meetings, before taking a final decision on matters such as upgrades to the Bank's website or mobile phone application.

All these measures will be continued and further developed in 2015 with the introduction of a systematic "real-time" assessment of the customer experience by inviting customers to give their assessment just a few days after a contact experience with the bank.



Ever more firmly rooted in the regions it serves



A PROGRAMME KNOWN AS "EFFICIENCE"

ensuring a more fluid
customer experience by
drawing in particular on
digitalisation.

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

The Bank therefore continues to invest in its sales network. It opened a new branch in Val de Reuil in 2014 and the pace will quicken in 2015 and 2016 with around 15 new branches scheduled to open. The network renovation programme was also stepped up in 2014 to strengthen the Group's image of modernity, while gradually adapting the branch format, with redesigned customer reception areas for improved handling of customers' day-to-day transactions and meeting spaces adapted both to one-to-one meetings and remote relationships, as each branch is also becoming an e-branch.



Constantly upgraded **tools and processes**

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

01

COMMERCIAL
BANKING
STRATEGYA bank with an
international focus

2014 featured the creation of two new representative offices, one for BRED in Burma and one for BRED's subsidiary, BCI Mer Rouge, in Ethiopia. These offices will provide a base for offering services to local banks and to French companies seeking to export to or invest in these countries, in accordance with local and international regulations.

Under the aegis of a newly created International Department, all the commercial banking subsidiaries abroad and in French overseas territories continued to structure their risk control and organise their business expansion based on the BRED group's Conquête Interne – Conquête Externe (internal conquest – external conquest) method adjusted for the particularities of each country.

In 2015, BRED will pursue its policy of expansion in still emerging countries in south-east Asia, the Pacific and the Horn of Africa.

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

A bank
that belongs
to its customers

BRED is a cooperative bank and, as such, belongs to its cooperative shareholder-customers, whose number increases year by year as shown by the success of its capital increase in 2014, which confirmed the success already enjoyed in 2013. At the end of 2014, BRED had nearly 140,000 cooperative shareholders.

BRED's cooperative shareholders support the development of a banking model whose business performance is based on the real economy and long-term management in the interest of its customers and the regions it serves. For a cooperative bank such as BRED, protecting customers' interests and helping them achieve their projects is the guideline for its actions on a daily basis.

BRED ensures dialogue with its cooperative shareholders by organising shareholder meetings throughout the year. In 2014, each branch had the opportunity to meet cooperative shareholders and answer their questions.

A bank that is owned by its cooperative shareholders is a bank with a different vision of the banking business, particularly in terms of its recruitment policy. The Bank recruits an average of between 220 and 260 people each year; taking on a significant number of young people under work-study schemes while maintaining a quota of 10% of hires that can be considered atypical in terms of training, experience or age. The successful integration of these new recruits is ensured by the Bank's professional training system, which provides them with a general banking culture and specific job training to enhance their skills.



MEETINGS

**organised throughout
the year enable BRED to
interact with its cooperative
shareholders.**

A bank that belongs to its cooperative shareholders is also a bank that supports all its customers, even when they face financial difficulties. For many years now, BRED has operated a mechanism for helping vulnerable customers by putting in place appropriate solutions for consolidating their financial situation and helping them back to recovery. At the end of 2014, more than 2,600 customers were benefiting from this mechanism.

In the same way, the Group's cooperative values go hand in hand with the values of solidarity deployed by BRED in its regions. The Bank works alongside local associations and agents to help society in numerous areas. It is particularly involved in supporting business start-ups, for example (through microcredit in particular), as well as social inclusion and solidarity, and actively supports initiatives in the areas of education and research. BRED is also strongly committed to equal opportunities, in order to help talented people, regardless of their origins, achieve excellence. It works in many ways to facilitate social mobility, which is a factor of social inclusion and cohesion.



THE
FIGURE

2,600

CUSTOMERS BENEFITED
FROM BRED'S SUPPORT
SYSTEM FOR VULNERABLE
CUSTOMERS

02

CONSOLIDATED INCOME STATEMENT **KEY FIGURES**





02

CONSOLIDATED
INCOME STATEMENT
KEY FIGURESConsolidated
income
statement

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

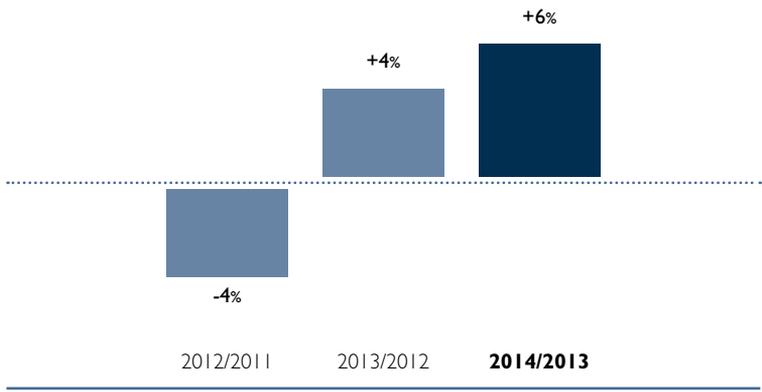


THE BRED GROUP'S
NET BANKING INCOME
GREW BY 1.8% TO

**€972.3
MILLION**

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

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



02

CONSOLIDATED
INCOME STATEMENT
KEY FIGURES

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



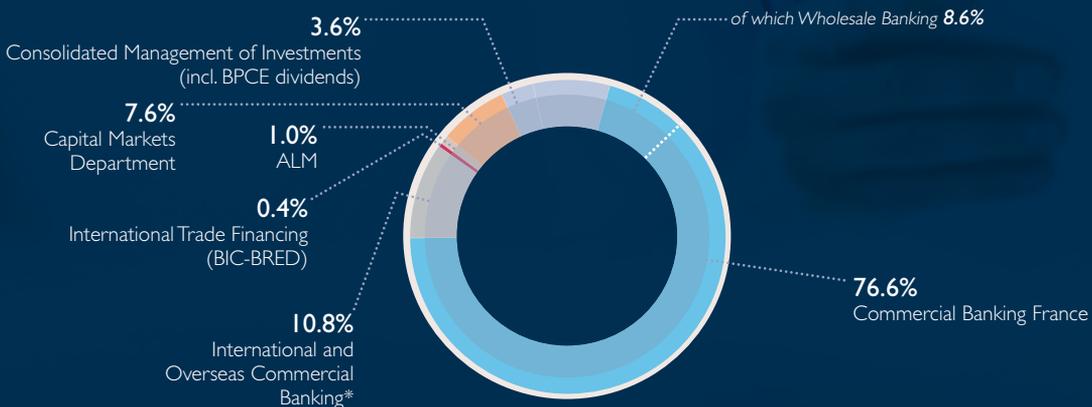
**THE BRED GROUP
THUS ACHIEVED A VERY
GOOD PERFORMANCE
IN 2014,**

**buoyed by its commercial
momentum, capacity to
identify new markets and
agile execution.**

03

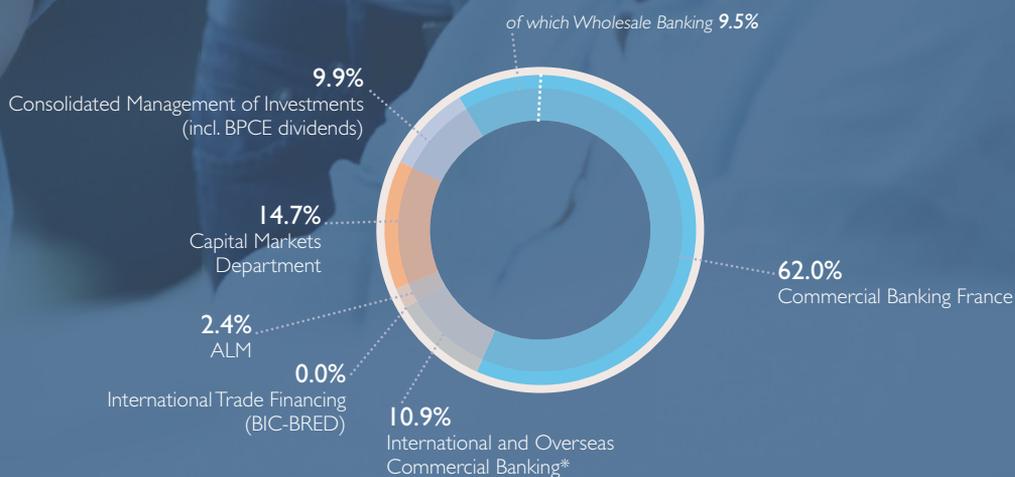
ANALYSIS OF RESULTS

BREAKDOWN OF RECURRING NET BANKING INCOME BY DIVISION



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

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



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

03

ANALYSIS OF
RESULTSCommercial
Banking
France

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

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

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

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

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

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

Consumer credit also grew, with a 4.5% increase in outstanding loans over 12 months.

Lastly, after falling in 2013, equipment loans grew by 6% in 2014.

THE
FIGURES

335

LOCAL BRANCHES

16

BUSINESS CENTRES

6

BRED PREMIER BRANCHES

11

ASSET MANAGEMENT
CENTRES

1

CERCLE PREMIER WEALTH
MANAGEMENT CENTRE

4

CENTRES FOR SELF-EMPLOYED
PROFESSIONALS IN OVERSEAS
DEPARTMENTS

Income Statement

Management presentation excl. non-recurring items, IFRS basis

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

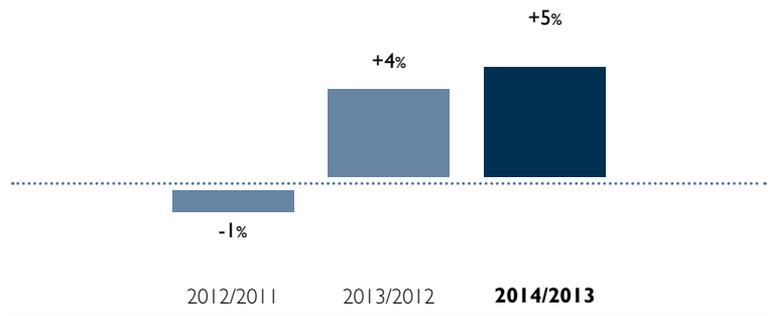


03

ANALYSIS OF RESULTS

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

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



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

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

Net fee income increased by €1.6 million (up 0.5%) for the commercial banking France division. The efforts made to attract new customers and increase the product penetration rate offset the regulatory capping of service fees.



BRED's CETI RATIO
stands at **13.64%**,
positioning it among
the most strongly
capitalised banks.

Fee income generated by BRED SA's lending activity grew by €2.0 million, or 7%, thanks to growth in outstanding loans and the strong development of financing solutions for mid-tier companies. Fee income generated by the sale of personal protection and non-life insurance products grew by €2.2 million (up 7.5%) thanks in particular to the strong performance of loan insurance. Life insurance also contributed €0.5 million (up 4%) to the growth in fee income.

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

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

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



THE FIGURE

NET BANKING INCOME, EXCLUDING NON-RECURRING ITEMS, INCREASED NEARLY 4% TO

€779 MILLION

FOR COMMERCIAL BANKING IN FRANCE.

03

ANALYSIS OF
RESULTSCapital
Markets
Department**Income statement: management presentation excl. non-recurring items,
IFRS basis**

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

**THE CAPITAL MARKETS
DEPARTMENT**

**once again posted
strong results thanks to
the good performance of
the strategies implemented
in recent years.**

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

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

The liquidity management service offering customers money market investment solutions also continued to develop, with its scope extended to other currencies (GBP and USD). Its business volumes increased by 33%. The hedging strategies implemented to manage risk and adverse scenarios also contributed to earnings. Lastly, an offer of financing solutions focused on debt origination was put in place during the year.

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

Consolidated Management of Investments

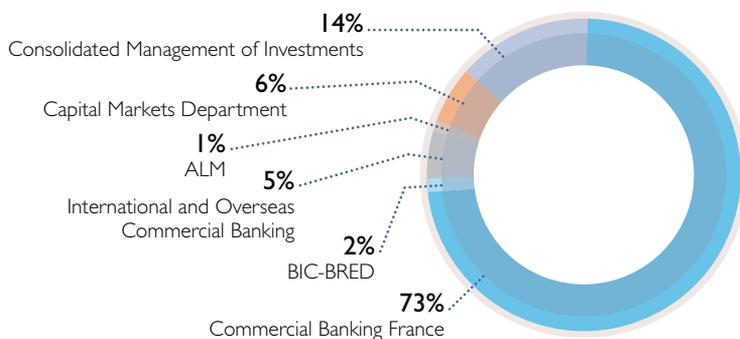
**Income statement: management presentation excl. non-Recurring items,
IFRS basis**

(€ million)	2012	2013	2014	2014/2013
Interest and similar income	41.2	35.1	36.9	5.1%
Net fee income				ns
Net banking income	41.2	35.1	36.9	5.1%
Operating expenses	-7.1	-4.8	-4.9	1.1%
Gross operating profit	34.1	30.3	32.0	5.8%
Cost of risk excl. collective provisions	-0.7	-0.1	0.8	ns
Operating profit	33.4	30.2	32.8	8.6%
Gain (loss) on non-current assets	-0.3	1.1	0.0	ns
Profit on ordinary activities (excl. profit-sharing and collective provisions)	33.1	31.3	32.8	4.7%

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

Return on Equity of the Business Divisions

RISK-WEIGHTED ASSETS BY BUSINESS DIVISION



03

ANALYSIS OF
RESULTSConsolidated
Balance Sheet

Assets

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

Liabilities

(€ billion)	2012	2013	2014
Financial liabilities at fair value through profit or loss	1.0	2.1	3.4
Hedging derivatives	0.8	0.4	0.6
Amounts due to credit institutions	10.8	9.3	8.1
Amounts due to customers	20.4	21.9	25.7
Debt securities	3.5	2.4	2.9
Deferred tax liabilities	0.0	0.0	0.1
Accrued expenses and other liabilities	0.6	1.2	1.3
Technical reserves of insurance companies	5.6	5.9	6.4
Provisions	0.2	0.2	0.2
Subordinated debt	0.4	0.4	0.3
Shareholders' equity	3.0	2.6	2.9
Total Liabilities	46.3	46.5	51.8

The BRED group's consolidated assets totalled €51.8 billion at 31 December 2014, corresponding to an increase of €5.4 billion over 12 months.

Cash and amounts due from central banks decreased by €1.4 billion to end the year at €1.7 billion, negative ECB deposit rates having prompted the Group to optimise this item.

Financial assets and liabilities at fair value through profit or loss each increased by €1.2 billion and amounted to, respectively, €6.3 billion and €3.4 billion at the end of 2014. This change was linked mainly to the fall in interest rates and not to volume effects.

Available-for-sale financial assets amounted to €15.7 billion, corresponding to an increase of €1.9 billion year on year. They are composed for €13.5 billion of bonds and other fixed-income securities and for €2.2 billion of shares and other variable-income securities. Loans and receivables due from credit institutions were up by €2.7 billion to €9.7 billion. This increase was due essentially to the increase in securities received under repurchase agreements, which resulted from the strategy of reducing central bank deposits. Amounts due to credit institutions, including securities sold under repurchase agreements, totalled €8.1 billion, down by €1.2 billion relative to the previous year due in particular to repayment of the European Central Bank's targeted longer-term refinancing operation (TLTRO).

Loans and receivables due from customers stood at €14.8 billion at 31 December 2014 compared with €14.2 billion at the end of the previous year, reflecting the increase in outstanding home and equipment loans. Amounts due to customers, corresponding to customer deposits, totalled €25.7 billion, €3.8 billion more than at the end of 2013. As well as successfully marketing products generating stable deposits, BRED benefited from substantial deposits made by institutional customers.

Debt securities, consisting of certificates of deposit and medium-term notes issued by BRED to its customers, amounted to €2.9 billion at end-2014 compared with €2.4 billion at end-2013. Insurance companies' technical reserves were up by €0.5 billion to €6.4 billion, mainly reflecting the increase in savings invested in life insurance products and asset revaluation effects.

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

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

03

ANALYSIS OF
RESULTSCapital Adequacy and
Liquidity**Capital and reserves and prudential ratios****Consolidated capital and reserves and prudential capital**

The capital adequacy ratio is now calculated according to Basel III regulations.

Overall capital adequacy ratio: minimum regulatory requirements

	2014	2015	2016	2017	2018	2019
CET I	4.00%	4.50%	4.50%	4.50%	4.50%	4.50%
Capital conservation buffer	n/a	n/a	0.62%	1.25%	1.88%	2.50%
Maximum counter-cyclical buffer	n/a	n/a	0.62%	1.25%	1.88%	2.50%
Systemic risk buffer (Groupe BPCE)	n/a	n/a	1.00%	1.00%	1.00%	1.00%
TIER 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
TIER 2	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Total	8.00%	8.00%	10.24%	11.50%	12.76%	14.00%
<i>n/a: not applicable</i>						

The reform will be phased in gradually from 2014 to 2019.

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

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

Prudential capital therefore amounted to €2,393 million at 31 December 2014, up by €303 million compared with 2013. Note that prudential capital is composed entirely of CET I core capital.

(€ million)	2012 Basel II	2013 Basel II	Proforma 2013 Basel III phase-in	2014 Basel III phase-in
Capital	520.3	573.3	573.3	627.2
Consolidated reserves	2,336.9	1,809.0	1,809.0	1,973.3
IAS/IFRS impact on consolidated reserves	-30.14	34.3	34.3	84.1
Profit for the period	179.9	182.6	182.6	200.4
Proposed distribution of dividends	-23.14	-11.2	-11.2	-11.1
Consolidated capital and reserves	2,983.8	2,588.0	2,588.0	2,873.9
Non-controlling interests	32.1	30.9	0.8	0.8
Temporary adjustments for non-controlling interests	-26.7	-33.7	25.4	29.8
Non-current assets and other deductions	30.1	-34.3	-34.4	-34.6
Equity interests in credit and financial institutions to be deducted from core capital ⁽¹⁾	-635.3	-473.7	-543.2	-490.0
Deferred tax asset on temporary differences			-29.8	-22.3
Other adjustments to deductions	-261.1	-256.1	-102.5	-79.5
CET I phase-in adjustments			185.7	115.338
B2 Tier I / B3 Common Equity Tier I	2,122.9	1,821.1	2,090.0	2,393.4
B3 Additional Tier I capital				
SECONDARY CAPITAL (Tier 2) before deductions	385.6	289.2	247.5	179.7
Equity interests in credit and financial institutions to be deducted from additional capital ⁽¹⁾	-635.3	-473.7	-94.2	-93.547
Other adjustments	249.7	184.5		12.458
Phase-in adjustments to CET I			-153.3	-98.62
Secondary capital (Tier two)	0	0	0	0
B2 Other additional capital ⁽²⁾	64.1	78.7		
Total Prudential Capital	2,187.0	1,899.8	2,090.0	2,393.4

NB: The “Danish compromise” treatment is applied to equity interests in insurance companies under Basel III regulations.

The proforma ratio takes into account the Basel III changes applied at 31 December 2014.

(1) The rules for deduction of equity interests in financial institutions changed substantially between Basel II and Basel III.

(2) Other additional capital is no longer admitted under Basel III regulations.

a) As required by paragraph 1 of Article L.225-102 of the French Commercial Code, you are advised that employees do not own any shares issued by the Bank that are managed collectively or that they cannot dispose of freely.

b) A table is provided in the General Information section of this report detailing currently valid authorisations granted by the Shareholders’ General Meeting to the Board of Directors for the purpose of increasing the share capital pursuant to the provisions of paragraph 7 of Article L.225-101 of the French Commercial Code.

03

ANALYSIS OF
RESULTSCapital Adequacy
ratio

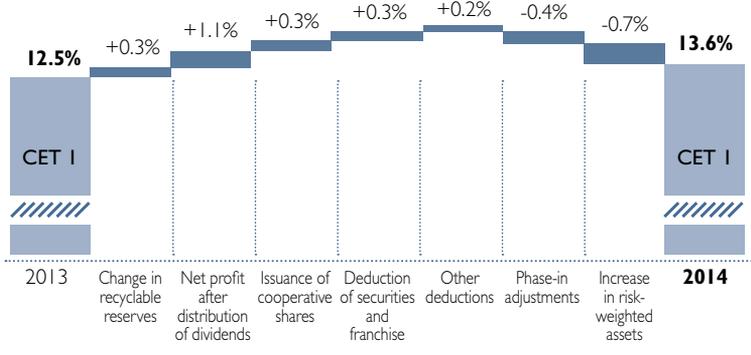
Capital employed increased by €66.4 million, i.e. around 5%, in 2014. Its composition remained virtually unchanged, with 79% accounted for by loans to customers.

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

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

(€ million)	2012	2013	2013	2014
	Basel II	Basel II	Proforma Basel III phase-in	Basel III phase-in
Common Equity Tier One (CET1)	2,122.9	1,821.1	2,090.0	2,393.4
Additional Tier 1 capital	0.0	0.0	0.0	0.0
Additional capital after deductions (Tier 2)	64.1	78.7	0.0	0.0
Prudential Capital	2,187.0	1,899.8	2,090.0	2,393.4
Requirement for counterparty risk	1,057.7	1,021.8	1,129.0	1,197.4
Requirement for market risk	67.8	78.7	78.7	75.7
Requirement for operational risk	132.1	129.2	129.2	130.1
Total Capital Requirement	1,257.6	1,229.7	1,336.9	1,403.3
Overall Capital Adequacy ratio ⁽¹⁾	13.91%	12.36%	12.51%	13.64%
Common Equity Tier One ratio	13.50%	11.85%	12.51%	13.64%

Changes in the capital adequacy ratio between 2013 and 2014



Leverage ratio

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

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

Liquidity

Growth in customer deposits excluding financial customers outpaced growth in outstanding loans in 2014, thereby bringing the loans/deposits ratio down from 91.9% to 88.9% over the year; i.e. leading to surplus customer deposits of €2.0 billion. Including the deposits of financial customers, the loans/deposits ratio is 59.3% with surplus deposits of €1.1 billion.

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

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

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

04

OUTLOOK





I

n common with the rest of the French banking sector, BRED will be faced with a number of contrary trends in 2015. The fall in long-term rates, against a backdrop of stabilisation of interest rates on regulated savings, is a factor of erosion for the interest margin, and consequently for the net banking income, of commercial banks. Also, the introduction of a European banking union and the substantial allocations that will have to be made to the resulting resolution and guarantee funds will undoubtedly have a negative impact on earnings.

BRED is nonetheless in an excellent position to continue its expansion despite these obstacles. The strategy initiated in 2013 combining a proactive sales approach and practicality has triggered a winning momentum that will continue in the coming year. BRED will also benefit from the gradual maturing of the international operations set up in recent years.

Lastly, in financial terms, BRED benefits from an excellent balance – rare among French banks – between customer loans and deposits, which ensures strong independence from the financial markets. The very comfortable levels of its capital adequacy and liquidity ratios enable it to play its part in financing the economy and to pursue its expansion.

04

OUTLOOK

Changes in BRED Banque Populaire's portfolio of equity interests

Thresholds crossed

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

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

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



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BRED Banque Populaire – a French limited co-operative bank governed by Articles L512-2 et seq. of the French Monetary and Financial Code and all the regulations relating to popular banks (banques populaires) and credit institutions, with capital of €627,180,772.20 – Registered office: 18, Quai de la Rapée - 75604 PARIS Cedex 12 – Paris Companies and Trade Register no. 552 091 795 – VAT no. FR 09 552 091 795 – registered with ORIAS as an insurance intermediary under no. 07 003 608.

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