THE JOURNEY OF BANKING WITHOUT DISTANCE

2020 ANNUAL REPORT

BRED
BANQUE POPULAIRE

Contents

MEET ISABELLE GRATIANT

Chair of the Board of Directors

2020 has been a uniquely paradoxical year for our Banque Populaire. On the one hand, a public health crisis has resulted in an economic and social crisis, but on the other hand, we can all be proud of our efforts, our strategy and our results!

BRED's strength lies in its ability to cope with all situations.

More present and active than ever in its territories, with a greater commitment overseas and a relentless determination to have an international profile, it has not closed any branches, unlike other banking organisations, and, far from cutting back on staff, it has, on the contrary, continued to recruit personnel.

In such a challenging time for public health, its strength has also been to combine the protection of its employees with the service it offers its customers.

Sustained efforts in the area of digitalization have made it possible to meet the challenge of remote working.

A century ago, at the end of an exhausting war for the nation, the founders of our bank demonstrated exceptional foresight, using their entrepreneurial vision to intelligently put themselves at the service of a mutualised economy of recovery and sharing.

I do not think it is an exaggeration to say that we are paying them a fine tribute by continuing their work with the same foresight.

Innovative legislation has brought about new requirements for companies. BRED's cooperative auditor, who carries out a fully independent audit within our bank on an annual basis, emphasised that the requirements of the new law, their implementation and the evolution of our statutes and internal rules are all perfectly consistent.

One of BRED's greatest assets is its speed of reaction.

And this has enabled us to provide rapid support for our most vulnerable customers, to whom we have paid particular attention. It remains one of our priorities to facilitate access to banking services.

Our concerns were once again focused on training, gender diversity in career opportunities, participatory management and active listening in order to improve working conditions. We have continued our policy of taking account of energy and ecological transition criteria.

As part of the unprecedented €300 billion government plan to support businesses, many government-guaranteed loans have been contracted and our teams have taken into account each borrower's situation and tailored their repayment plans. The density of the responses and the effectiveness of the solutions we provided during 2020 make us optimistic and give us hope. A hope that we would like to see shared by all our employees, by our 200,000 cooperative customers, who represent the richness of France's socio-cultural fabric, and by all our partners.

More than ever, BRED, a bank founded on proximity and solidarity, is far, very far from the markers of the ultra-liberal economy. What makes it proud and useful are its values and the cooperative model to which it is attached.

Banking is a profession.

For BRED, it is also a responsibility.

MESSAGE FROM OLIVIER KLEIN

Chef Executive Officer

How did BRED react to the triple public health, economic and financial crisis?

BRED's results in this pandemic crisis testify to its resilience and the relevance of the course it has taken, as well as to its ability to meet the challenges that commercial banks have been facing for several years.

BRED's net banking income (NBI) stood at €1,283 million, a rise of 2.5% (up 2.8% excluding nonrecurring items) in all its activities, both in France and in other countries. Growth of 3.6% in income from Commercial banking in France, which accounts for two-thirds of BRED's growth in NBI, was made possible by stepping up our strategy of distance-free banking and the transformations carried out over the past few years to provide our customers with even more added value.

The pandemic has seen us focusing on providing the essential service of commercial banking, a service that each of our customers is entitled to expect and which is, above all, essential to the proper functioning of society and its economy, ensuring the servicing of payments not only for individuals and companies but also for institutions, extending credit deadlines for sectors in difficulty, and setting up new loans needed for companies, starting with micro-businesses and SMEs, to be able to continue to operate, and, in some cases, survive during this period.

All our employees have played their part and all our branches have remained open. It was essential for us to be present for each of our customers and to ensure the closest possible relationship with each of them, whether they are private individuals, retailers, craftsmen, self-employed professionals or small or large companies. We wanted to be at their side and support them during this period.

This human link is one of the fundamental strengths of our business. Our cooperative values and our commitment to the economy, to our regions and to the men and women who work daily to make them flourish, make more sense then ever.

In our foreign business, too, we have maintained growth in our NBI, which rose 3.5 % at constant exchange rates, in the Horn of Africa, in Southeast Asia and in the South Pacific. These territories experienced the pandemic to a lesser degree than in Europe and managed to sustain their economies despite a drop in tourism, in certain cases, due to the closure of borders. Our businesses involving financing international trade also performed well.

We have continued to invest in making the customer experience smoother and improving our model of a global relation of proximity

BRED's cost-to-income ratio was stable at 60.1%. It remains one of the best in the French banking sector

Thanks to the intervention of the French government and the European Central Bank, the economy has been protected up until now, meaning that BRED has not had to increase its provisions for credit risk. However, provisions have been made to prepare for the financial difficulties that some economic sectors will face in the future. This led to a net profit of €270 million, down 11.9%, reflecting a very good performance considering the context.

These results and the solidity of BRED, with a solvency ratio of 17.3%, demonstrate the bank's ability to support economic recovery.

People talk a lot about the "post-crisis world". Does the crisis pose a challenge to the BRED model?

I am not sure that there will be a "post-crisis world". The pandemic is greatly speeding up transformations that were already taking place. In the banking sector, the persistent context of low rates, combined with the risk of partial disintermediation, continues to have a negative impact on profitability. The downsizing already observed at several banks, with the loss of a growing number of branches and bank advisors, is intensifying. The shift in customer behaviour, with fewer and fewer customers visiting branches for everyday transactions, under the influence of the digital revolution, has been further accentuated by the pandemic.

At BRED, the crisis has confirmed our strategy of banking without distance. It has proved the wisdom of maintaining and strengthening local roots and a global relationship of proximity with each of our customers, in each of our territories. Although technology has profoundly changed the way we do business, our customers increasingly demand high value-added advice, whether in our branches or remotely.

This is why we have extended our "100% advisory" branches to our entire network. In concrete terms, our customers can count on their advisors being fully available and attentive to their needs. They will leave their meeting – whether physical or over the phone – with precise, in-depth answers to their needs, whatever the degree of expertise this requires. Our advisors receive constant training to increase their expertise in the specific types of clients they cater for, so they can create greater added value and act more proactively.

We are also developing new and more comprehensive solutions to support each client in their life and business projects. In 2020, we were the first and only bank to offer our professional customers a platform of extra-banking services that is fully integrated into their account management area and meets the criteria of security, practicality and added value that our customers require. These services will be enhanced and developed for private customers.

This strategy is backed up by heavy investment in technological innovations. Everything possible is done to free them from repetitive tasks with no added value. This approach is applied throughout BRED's value chain; this enables us to make the most of our specialist skills and to strengthen synergies that constantly serve our customers.

Our size is a key advantage that sets us apart from our competitors, because it allows our customers to benefit from our financial strength and expertise, while at the same time ensuring close relationships and fostering the cross-fertilisation of all our know-how.

At the end of the day, we are right where our clients expect us to be. We have stayed true to our core business: supporting our clients in their life and business projects, with a long-term vision.

How do you see the crisis ending?

Government actions to support businesses and households in the face of the potentially devastating economic and human effects of the pandemic were essential. Governments therefore took the right measures, with the speed demanded by the situation.

We will only have a clearer view of the economic reality and the difficulties faced by companies and households once the current support measures have been gradually phased out. We hope that the strength of national and European recovery and forward-looking policies along with the spread of vaccines will enable us to recover as of 2021, with a substantial growth rate.

We will also need to support growth by implementing structural policies that help to release the country's many growth potentials.

As a bank, it will be our responsibility to continue to do our job to the best of our ability, in line with our cooperative values, to support our customers – companies and individuals alike – and thus contribute with them to the sustainable development of the communities we serve.

1

Report on corporate governance

This report has been drawn up in accordance with the last subparagraph of Article L. 225-37 of the French Commercial Code and prepared based on the work of the Board of Directors and its various Committees, meetings with the Chairmen of the Board Committees, the General Management and external auditors. It was approved by the Board of Directors on 29 March 2021.

1 - PRESENTATION OF THE BANK

1.1 - Identity

Company name and registered office
BRED Banque Populaire (abbreviation: BRED)
18 Quai de la Rapée - 75604 PARIS

Registration
552 091 795 RCS Paris
LEI NICH5Q04ADUV9SN3Q390

Duration
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.

1.2 - Legal form and applicable laws

BRED Banque Populaire, the “Company”, is a French limited liability cooperative mutual bank (*société anonyme coopérative de banque populaire*) with fixed capital, governed by Articles L.512-2 et seq. of the French Monetary and Financial Code and all laws and provisions relating to mutual banks, the French Act of 10 September 1947 governing the status of cooperative bodies, Titles I to IV of Book II of the French Commercial Code, Chapter I of Title I of Book V and Title III of the French Monetary and Financial Code, their implementing decrees and by these articles of association.

In addition, the Company is governed by general decisions and in particular the decision relating to the guarantee system for the network of mutual banks laid down by BPCE under the powers granted to it by 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.

The legal documents relating to BRED Banque Populaire (articles of association, minutes of general meetings, statutory audit reports) may be consulted at the Company’s registered office or at the registry of the Paris Commercial Court.

1.3 - 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 perform all related operations specified in Article L.311-2 of the French Monetary and Financial Code, provide the investment services specified in Articles L.321-1 and L.321-2 of the above Code and all

other activities in which banks may legally engage. 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.

1.4 - Financial year

The financial year lasts 12 months from 1 January to 31 December.

1.5 - The BPCE Group and BRED Banque Populaire's position within the BPCE Group

The BPCE Group works in all banking and insurance businesses, harnessing its two large cooperative networks – Banque Populaire and Caisse d'Epargne – as well as its subsidiaries.

A description of the BPCE group and its organisation chart, contained in the Universal Registration Document and its updates, can be accessed on the BPCE website via the following link: https://groupebpce.com/investisseurs/resultats-et-publications/documents-de-reference.

BRED Banque Populaire is an associate of BPCE. A central body within the meaning of the French Monetary and Financial Code and a licensed credit institution, BPCE is incorporated in the form of a French SA with management and supervisory boards and is 50% owned by Banques Populaires. BRED Banque Populaire held a 4.95% stake at 31 December 2020.

1.6 - Equity holdings and controlling interests

Pursuant to Article L.233-6 of the French Commercial Code, the major holdings or controlling interests in companies having their registered offices in France (as a %) to be reported are as follows:

	1 January 2020	31 December 2020
SNC NIAOULI	0%	100%
SCI RUBENS	0%	14.52%

2 - SHARE CAPITAL

At 31 December 2020, the share capital of €1,375,717,807.62 was divided into 132,026,661 fully paid up cooperative shares, each with a par value of €10.42 and all of which can be held in registered form only.

2.1 - Change in share capital

Change in the share capital of BRED Banque Populaire				
	Amount of share capital	**Number of members' cooperative shares**	**Par value of the share capital**	**Number of cooperative members**
At 31 December 2020	€1,375,717,807.62	132,026,661	10.42	191,978
At 31 December 2019	€1,361,627,925.30	130,674, 465	10.42	194,869
At 31 December 2018	€1,176,070,192.80	113,301,560	10.38	189,367
At 31 December 2017	€995,424,562.00	96,269,300	10.34	181,602
At 31 December 2016	€839,838,568.09	81,458,639	10.31	164,800

Pursuant to Article L. 512-5 of the French Monetary and Financial Code, in general meetings no cooperative member may personally or via a proxy and in respect of the voting rights attaching to the shares he/she holds directly and/or indirectly and of the powers granted to him/her, dispose of more than 0.25% of the total voting rights attaching to the Company's shares. This restriction does not apply to the chairman of the meeting when voting with respect to the proxies he/she has received and as legally required under Article L. 225-106 of the French Commercial Code. The number of voting rights held directly or indirectly includes those attaching to the shares held by a member on a personal basis, those held by any legal entity that he/she controls within the meaning of Article L. 233-3 of the French Commercial Code and shares equivalent to held shares, as these are defined in Articles L. 233-7 et seq. of the Code.

2.2 - Cooperative shares

The shares of BRED Banque Populaire are not admitted to trading on a regulated market. This means that its shares are not listed. The shares of BRED Banque Populaire are registered and recorded in separate accounts.

Transfers, which are essentially between Bank customers, are at par value and inter-account.

Share ownership automatically involves acceptance of the Company's articles of association and the decisions of its General Meeting.

2.3 - Remuneration for cooperative shares

Shares carry the right to annual interest at a rate set by the AGM. Pursuant to Article 14 of the Law of 10 September 1947 on cooperation status, the rate may not exceed the average yield of private sector bond issues (TMOs) plus two points over the three calendar years prior to the date of the AGM.

Interest is calculated *pro rata* of the number of full months of share ownership. The cooperative shareholder also has the right, in accordance with the law and the articles of association, to attend general meetings and vote on resolutions.

Interest paid on cooperative shares was:

- €0.179 for the 2016 financial year;
- €0.166 for the 2017 financial year;
- €0.168 for the 2018 financial year;
- €0.158 for the 2019 financial year (see details below).

<u>With regard to interest on cooperative shares paid for the 2019 financial year:</u>
On 27 July 2020, the European Central Bank issued recommendation ECB/2020/35, reiterating the position it expressed on 27 March 2020 and asking credit institutions to refrain from paying any cash dividends until 1 January 2021.

In order to comply with the new recommendation while allowing cooperative shareholders to receive remuneration for their cooperative shares in Banque Populaire banks, BPCE, in its capacity as central institution, exercised its powers as a public authority. BPCE's Management Board therefore decided that the remuneration approved by the Banque Populaire general meetings in respect of the 2019 financial year would be paid through the allocation of new cooperative shares.

Remuneration in respect of the 2019 financial year was paid, as originally decided, on 30 September 2020 but the payment was made in the form of new Company shares rather than entirely in cash. Where the remuneration payable did not allow allocation of full shares only, the cooperative shareholder was paid in as many full shares as possible, and any remaining fractional shares were paid in cash.

2.4 - Treasury stock

At 31 December 2020, 1,045,583 BRED shares were indirectly held by the Company itself.

2.5 - Delegations granted by the General Meeting to the Board of Directors relating to capital increases

Date of the General Meeting	Overall cap on authorisation	Validity	Capital increase carried out on the basis of this authorisation
General Meeting of 28 May 2020	€500,000,000 by the issue of shares	26 months	At 31 December 2020, no capital increase had been carried out on the basis of this authorisation.

3 - ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

3.1 - Board of directors

PASCAL MARTIN DE FRÉMONT
Director representing employees

JEAN-PIERRE FOURÈS
Director

GEORGES TISSIÉ
Deputy Chairman

NATHALIE BRIOT
Director

BRUNO BLANDIN
Secretary to the Board

MICHEL CHATOT
Director

ANNE BAY
Director

ISABELLE GRATIANT
Chairman of the Board of Directors

GÉRARD KUSTER
Deputy Secretary

LAURENT MIGNON
Chairman of the Executive Board of the BPCE Group

STÈVE GENTILI
Deputy Chairman

BENOIT BAS
Director

NADINE CALVÈS
Director

RAPHAËL POCHET
Director

FRANÇOIS MARTINEAU
Deputy Chairman

MICHÈLE CLAYZAC
Deputy Secretary

LAURENCE DUGELAY
CSEC Delegate

PASCAL DROUHAUD
Director

ISABELLE PASTORET
Director

PHILIPPE SAVARANIN
Director representing employees

LEÏLA TURKI
Director

BOARD MEMBER ABSENT WHEN THE PHOTOGRAPH WAS TAKEN:

PATRICIA LEWIN Director

3.1.1 - The role of the Board

The Board of Directors is a collegial body which 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 and devotes sufficient time to its role.

The articles of association state that the Board’s powers include:
- Setting the Company's general strategy and objectives.
- Authorising commitments that exceed the internal delegation of authority granted to the CEO.
- Examining and approving the annual and consolidated financial statements and drawing up the Company's management report.
- Proposing, subject to statutory limits, the annual interest rate to be applied to cooperative shares.
- Deciding on the admission and exclusion of members.
- Convening General Meetings.
- Adopting internal regulations setting out its operating rules and those of the special committees.

To supplement the articles of association, the Board of Directors has adopted internal regulations that are regularly updated to comply with the law, regulations and corporate governance best practice.

The Board also performs the tasks and exercises the powers assigned to it by the Decree of 3 November 2014 on internal controls within companies in the banking, payment services and investment services sector that are supervised by the Autorité de Contrôle Prudentiel et de Résolution (hereafter the “Decree of 3 November 2014”). 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 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 Board also complies with the EBA/GL/2017/11 guidelines on internal governance issued by the European Banking Authority (hereinafter the “Guidelines on Internal Governance”). Those guidelines specify the internal governance systems, processes and mechanisms to be adopted by credit institutions to ensure that they are effectively and prudently managed. In this context, the Board of Directors, in its capacity as a supervisory management body must, in particular, critically examine, supervise and monitor the information provided and the decisions taken by the General Management and take appropriate measures to ensure the effectiveness of the institution’s internal governance framework.

3.1.2 - The specific responsibilities of the Chairman of the Board

The Chairman's responsibilities are set out in the articles of association and the internal regulations. He must particularly:
- Organise and oversee the work of the Board of Directors;
- Ensure that strategic issues are discussed as a priority;
- Report to the General Assembly;
- Liaise with the General Management to prepare the general strategy and objectives proposed to the Board of Directors.

3.1.3 - Composition of the Board

At 31 December 2020, the Board of Directors was composed of 20 directors, including two directors representing employees.

Chairman of the Board of Directors

Isabelle Gratiant
Main role: Chairman of the Board of Directors of BRED

End date of mandate: General Meeting 2022 ***Number of cooperative shares held:*** 19,686 ***Date of birth:*** 8 April 1960	***Mandates or functions within BRED Banque Populaire Group*** • Chairman of the Board of Directors of BRED and BRED COFILEASE. • Director of Click and Trust, Prepar Courtage, COFIBRED and the BRED Banque Populaire Enterprise Foundation. ***Mandates or functions outside BRED Banque Populaire Group*** • Professor (university).

Members of the Bureau

- **Deputy Chairmen**

Stève Gentili
Main role: Deputy Chairman of the Board of Directors of BRED Banque Populaire

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 27,621 ***Date of birth:*** 5 June 1949	***Mandates or functions within BRED Banque Populaire Group*** • Deputy Chairman of the Board of Directors of BRED Banque Populaire. • Chairman of the Board of Directors of IRR INVEST SA, NRJ INVEST SA, COFIBRED, BIC-BRED, BIC BRED – SUISSE SA, BRED Banque Populaire Enterprise Foundation and SPIG. • Director of PROMEPAR ASSET MANAGEMENT, BRED GESTION, BCI MER ROUGE, PREPAR IARD, BRED COFILEASE and EPBF. • Member of the Supervisory Board of PREPAR VIE. ***Mandates or functions outside BRED Banque Populaire Group*** • Deputy Chairman of the Board of Directors of PRAMEX INTERNATIONAL.

François Martineau

Main role: Counsel

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 2,276 ***Date of birth:*** 11 June 1951	***Mandates or functions within BRED Banque Populaire Group*** • Deputy Chairman of BRED Banque Populaire. ***Mandates or functions outside BRED Banque Populaire Group*** • Counsel. • Co-manager of Lussan Société d'Avocats. • Chairman of the Conservateur Foundation. • Deputy Chairman of Associations Mutuelles le Conservateur and Assurances Mutuelles le Conservateur. • Chairman of the Strategic Coordination Committee of AXA, AXA Assurances IARD, and AXA Vie. • Director of AXA Assurances IARD, Conservateur Finance, SAMA (Société des amis du Musée de l'armée) and ACDM (Association des amis des concerts du dimanche matin).

Georges Tissié

Main role: former Presidential advisor on social affairs in professional organisations

End date of mandate: General Meeting 2025 ***Number of cooperative shares held:*** 1,485 ***Date of birth:*** 8 June 1953	***Mandates or functions within BRED Banque Populaire Group*** • 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). ***Mandates or functions outside BRED Banque Populaire Group*** • Advisor to the Chairman on social affairs in professional organisations (until 30 September 2019).

- **Secretaries**

Bruno Blandin

Main role: Manager of Claude Blandin & Fils SARL

End date of mandate: General Meeting 2024 ***Number of cooperative shares held:*** 3,231 ***Date of birth:*** 7 October 1952	***Mandates or functions within BRED Banque Populaire Group*** • Secretary of the Board of Directors of BRED Banque Populaire. • Director of BRED Cofilease. • Permanent representative of COFEG on the Board of Directors of SOREDOM. ***Mandates or functions outside BRED Banque Populaire Group*** • Manager of Etablissements Claude Blandin et Fils SARL (ECB), lead holding company of a group of commercial companies. • Manager of Caraibes Marchand de Biens SARL, SCA Bonne Mère, SCI Alpha, SCI B&P, SCI Beta, SCO Boyer Saint Rose, SCI Californie 97, SCI CBP, SCI de l'Angle, SCI Delta, SCI Energie, SCI l'Epi Epinay, SCI Epilson Voie Verte, SCI de l'Espérance, SCI ETA Lareinty, SCI Forest Hill, SCI Delta, SCI Gamma, Scia Iota Jabrun, SCI Kappa Lamartine, SCI Marengo Collery, SCI Moise Polka, SCI Omicron Frébault, SARL Le Parc d'activités de Jabrun, SCI Rivière aux Herbes, SCI Sigma Dugazon, SCI Théma, SCI Theta Eiffel, SCI Descartes-Champs, SCI la Droue Rambouillet, SCI de Guesclin Dinan, SCI Efo-Morangis, SCI Loire Sud-Nantes, SCI Martot 321, SCI les Neuvilliers-Vire, SCI Phil Villiers le Bel, SCI Pyrénées Paris 20th *arrondissement*, SCI Sentier de Falaise, SCI du Tregor Lannion, SCI Turgotti Cherbourg, SCI Union-Delessert. • Manager of SARL B6, SARL BEB, SCI ATHENAIS, SCI ALLEGRI PCM, SARL LES HAUTS DE TRIANON, SCI TAMARINE, SCI LIBRA Saint François. • Deputy CEO of Blandin SAS and Blandin Concept Automobiles SAS. • Director of GIE C2B, GIE CBI, CANAL + ANTILLES, et de SEM PATRIMONIALE REGION GUADELOUPE, F.E.D.O.M (DOM/TOM Federation). • Chairman of Union des Entreprises - MEDEF GUADELOUPE • Chairman of the Overseas Committee and Member of the Executive Committee of MEDEF National in Paris. • 1st Vice-President and Director of Grand Port Maritime de la Guadeloupe (member of the Supervisory Board) • Elected member of the Guadeloupe Islands Chamber of Commerce and Industry (CCI-IG).

Michèle Clayzac

Main role: former Head of the Private Office of the CEO of the Val-de-Marne CPAM

End date of mandate: General Meeting 2024 ***Number of cooperative shares held:*** 1,212 ***Date of birth:*** 15 October 1944	***Mandates or functions within BRED Banque Populaire Group*** • Deputy Secretary to the Board of Directors of BRED Banque Populaire (until 22 February 2021). • Director of BRED Initiatives. ***Mandates or functions outside BRED Banque Populaire Group*** • Director of the ACEF of BRED territories • Vice-President of the Fédération nationale des ACEF SOCACEF. • Chairman of the Board of Directors of ACEF des Territoires BRED, of the Association pour le crédit et l'épargne des fonctionnaires de Paris et sa région and of the Board of cooperative shareholders of the Saint-Maur-Des-Fossés branch of BRED Banque Populaire. • Permanent BRED representative on the Chambre Régionale de l'Economie Sociale et Solidaire d'Ile-de-France. • President of the "Cooperatives" College of CRESS IDF.

Gérard Kuster

Main role: Consultant in Business Ethics at Ethics Premium and Ekilirae

End date of mandate: General Meeting 2022 ***Number of cooperative shares held:*** 4,858 ***Date of birth:*** 20 December 1948	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. • Deputy Secretary to the Board of Directors of BRED Banque Populaire. • Chairman of the Risk Committee and member of the Audit and Accounts Committee of BRED Banque Populaire. • Director of PREPAR Courtage and Promepar Asset Management. ***Mandates or functions outside BRED Banque Populaire Group*** • Director of Transparency International France, Cercle de la Compliance and Forum Francophone des Affaires. • Consultant in Business Ethics at Ethics Premium and EKILIBRE Conseil • Member of the Ethics Committee of Aéroports de Paris (ADP).

- **Directors**

Benoit Bas

Main role: Corporate Affairs and Communications Director at Japan Tobacco International

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 101 ***Date of birth:*** 16 January 1975	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. • Director of the BRED Banque Populaire Enterprise Foundation. ***Mandates or functions outside BRED Banque Populaire Group*** • Corporate Affairs and Communications Director at Japan Tobacco International. • Director of ALCOME (eco-organization).

Anne Bay

Main role: Co-manager – Chief Financial Officer – Nostromo communications agency

End date of mandate: General Meeting 2022 ***Number of cooperative shares held:*** 101 ***Date of birth:*** 25 January 1962	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. ***Mandates or functions outside BRED Banque Populaire Group*** • Co-manager – Chief Financial Officer – Nostromo Communications Agency.

Nathalie Briot

Main role: Institutional relations and lobbying consultant

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 101 ***Date of birth:*** 11 July 1954	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. • Director of the BRED Banque Populaire Enterprise Foundation. ***Mandates or functions outside BRED Banque Populaire Group*** • Institutional relations and lobbying consultant.

Nadine Calves

Main role: Management Officer at the General Secretariat of the French Finance Ministry

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 489 ***Date of birth:*** 6 April 1965	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. • Director of the BRED Banque Populaire Enterprise Foundation. ***Mandates or functions outside BRED Banque Populaire Group*** • Management Officer at the General Secretariat of the French Finance Ministry.

Michel Chatot

Main role: former General Controller at Caisse des Dépôts

End date of mandate: General Meeting 2025 ***Number of cooperative shares held:*** 1,712 ***Date of birth:*** 6 June 1947	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. • Board Observer of COFIBRED (Compagnie financière de la BRED).

Pascal Drouhaud

Main role: Director of Economic Development and Ecosystems for Central America – Colombia – Ecuador for Bombardier Transportation

End date of mandate: General Meeting 2025 ***Number of cooperative shares held:*** 200 ***Date of birth:*** 3 July 1964	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. ***Mandates or functions outside BRED Banque Populaire Group*** • Director of Economic Development and Ecosystems for Central America – Colombia – Ecuador for Bombardier Transportation. • Manager of International Consulting Strategy EURL.

Jean-Pierre Fourès

Main role: Co-Manager of SEC SARL

End date of mandate: General Meeting 2023 ***Number of cooperative shares held:*** 3,809 ***Date of birth:*** 28 July 1947	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire, BRED Gestion, Banque Internationale de Commerce – BRED (France), Banque Internationale de Commerce – BRED (Suisse) and the BRED Banque Populaire Enterprise Foundation. • Chairman of the Board of Cooperative Members of BRED Banque Populaire in Paris Est and BRED Banque Populaire in Seine-Saint-Denis. ***Mandates or functions outside BRED Banque Populaire Group*** • Co-Manager of SEC Sarl.

Patricia Lewin

Main role: Outreach Delegate, DGRIS, French Ministry of the Armed Forces

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 455 ***Date of birth:*** 24 November 1960	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. ***Mandates or functions outside BRED Banque Populaire Group*** • Chief reputation officer of the DGRIS (General Directorate for International Relations and Strategy) at the French Ministry of the Armed Forces.

Isabelle Pastoret

Main role: General Controller at the French Ministry of Finance, Trade and Industry

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 515 ***Date of birth:*** 29 April 1962	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. ***Mandates or functions outside BRED Banque Populaire Group*** • General Controller at the Ministry of Finance, Trade and Industry. • Member of the Île-de-France Economic and Social Council (CESER).

Raphaël Pochet

Main role: Security executive training consultant

End date of mandate: General Meeting 2026 ***Number of cooperative shares held:*** 1,220 ***Date of birth:*** 3 February 1953	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. ***Mandates or functions outside BRED Banque Populaire Group*** • Security executive training consultant.

Leïla Turki

Main role: Senior executive in an asset management company

End date of mandate: General Meeting 2025 ***Number of cooperative shares held:*** 3,021 ***Date of birth:*** 25 October 1972	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire. ***Mandates or functions outside BRED Banque Populaire Group*** • Senior executive in an asset management company. • Manager of ASK Consulting.

Directors representing employees

Pascal Martin de Frémont

Main role: Back-office agent at BRED Banque Populaire

End date of mandate: General Meeting 2025 ***Number of cooperative shares held:*** 132 ***Date of birth:*** 30 August 1965	***Mandates or functions within BRED Banque Populaire Group*** • Back-office agent at BRED Banque Populaire. • Director representing employees at BRED Banque Populaire.

Philippe Savaranin

Main role: Deputy to the local commitments delegation (Ile de la Réunion) of BRED Banque Populaire

End date of mandate: General Meeting 2025 ***Number of cooperative shares held:*** 130 ***Date of birth:*** 17 June 1963	***Mandates or functions within BRED Banque Populaire Group*** • Deputy to the local commitments delegation (Ile de la Réunion) of BRED Banque Populaire. • Director representing employees at BRED Banque Populaire.

Method of appointment and term of office of directors

The directors, who are necessarily members of the Bank, are appointed by the General Meeting for a period of six years, at the proposal of the Board of Directors and after examination by the Appointments Committee.
The two directors representing the employees were appointed during the 2018 financial year, for a period of six years, by the two largest trade union organisations.

Balanced representation

The Board's composition is designed to balance:
- the experience, knowledge and skills required to perform the duties of a member of the Board of Directors, and
- a harmonious representation of the different socio-professional categories constituting the Bank's customers and the various regions in which it operates.

At 31 December 2020, the Board of Directors was composed of eight women and 10 men (i.e. 44% women and 56% men), excluding from the calculation the two directors representing employees in accordance with regulations.
In addition, the articles of association provide that the number of directors over the age of 68 may not exceed one third of the number of directors in office, it being understood that the two directors representing the employees are not affected by this provision.

Directors' ethics

The directors are particularly required to comply with the requirements contained in French and European regulations regarding the availability, attendance, skills, knowledge, good repute and confidentiality of the directors of a credit institution.

Participants of Board meetings

The General Management, the Secretary General, the representative of the Social and Economic Committee and the delegate of the central body (BPCE) shall attend meetings of the Board of Directors, without voting rights. Lastly, the statutory auditors and the company's operational and functional managers attend meetings whenever necessary.

3.1.4 - Work by the Board in 2020

Board of Director meetings are held when called by the Chairman, whenever Company business requires and at least six times a year.

The Board of Directors met seven times in 2020. The average duration of the meetings was four hours and director attendance was 90%.

Share capital

- Following examination by the bureau, the directors approved the transfers of cooperative shares.
- The directors also examined changes to the geographical distribution of the membership, as they do each year.
- The Board approved the method by which interest would be paid on cooperative shares for the 2019 financial year in a way that would take account of ECB recommendations in the light of the pandemic and the economic crisis. Interest on cooperative shares was paid in new cooperative shares (instead of in cash), thus increasing share capital to €1,375,717,807.62.

Governance

- The Board of Directors approved the training programme for directors representing employees, following the changes introduced by the Pacte Act.
- The Board of Directors duly heard the report on the work of the Appointments Committee and decided on the allocation of compensatory payments for time spent.
- It prepared and approved the resolutions submitted to the AGM and EGM.
- It amended the internal regulations of the Board of Directors following a recommendation from the European Central Bank (ECB) that internal control managers should have access to the Board.
- It also appointed a new Chairman of the Board of Directors, Isabelle Gratiant, and renewed the mandate of the CEO, Olivier Klein.

Remuneration

- The Board of Directors duly heard the report on the work of the Compensation Committee.
- 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.

Strategy, activity and operations

- General Management regularly reviewed the situation with regard to the global pandemic (Covid-19), its impacts and the measures adopted by BRED.
- The Board of Directors was kept duly informed of the state of the French, European and international economy, particularly with regard to the banking and financial markets. The members of the Board of Directors have paid close attention to changes to interest rates and their impact on the banking sector and on BRED.
- General Management regularly presented the way in which strategic guidelines and two international growth projects were being implemented.
- The Board heard the heads of the bank’s main departments on business activity and the growth in results, both of commercial banking in France and internationally, of the trading desk and in the consolidated management of investments.

Accounting and financial information

- The Board of Directors duly heard the report on the work of the Audit and Accounts Committee.
- It examined and approved the 2019 financial statements and consolidated financial statements and reviewed the quarterly results, the update of the prospective year-end figures, comparisons with the competitive environment, the medium-term plan and the budget for the 2021 financial year.
- It met with the Statutory Auditors. It conducted the annual review of regulated commitments and agreements entered into and authorised in prior years that continued during the 2019 financial year.
- It approved the draft report of the Board of Directors established in respect of 2019.
- The Board noted the impact of the pandemic on the Bank's balance sheet.
- It renewed its authorisations for the issuance of subordinated securities and euro medium-term notes (EMTNs).
- The Board authorised BRED to subscribe to BPCE's capital increase.

Internal control, risks, compliance

- The Board of Directors duly heard the report on the work of the Risk Committee and in particular the results of the work carried out by BRED Group Audit and follow-up on recommendations (across all issuers).
- It also noted the results of the general inspection, the audit plan and the multi-year plan for 2020-2023.
- The Board approved the annual report on internal controls prepared for the financial year 2019 and the annual report on the fight against money laundering.
- Directors monitored the Bank's risk governance and internal control framework. They duly heard the Director of Risk, Compliance and Permanent Control, notably regarding the summary of the 2019 permanent controls, the periodic review of dashboards and consolidated risk maps, as well as approval of policies and procedures.
- They also examined the mechanism governing commitments, including credit policies and associated delegation arrangements.
- The Board approved the risk appetite system presented by the General Management and the Risk Management Department. It was kept regularly informed about the monitoring and updating of the system.
- The Board approved the Basel 2 framework suitable for BRED.

3.1.5 - Board committees

The Board of Directors has created six special committees, whose members are all directors of the Bank. Members issue opinions intended for the Board and are appointed by the Board on the basis of their skills and professional experience for a period set at the time of their appointment.

The main tasks of the Committees

The Audit and Accounts Committee

The main responsibilities of the Audit and Accounts Committee are:
- To oversee implementation of accounting policies by the Bank;
- To monitor the financial reporting process and make recommendations to ensure its integrity;
- To monitor the effectiveness of the internal control, risk management and internal audit systems, with respect to the procedures concerning preparation and processing of accounting and financial information;
- To review and monitor the independence of the Statutory Auditors and receive their reports;
- To take responsibility for the selection process of the auditors and make a recommendation on their appointment, compensation, renewal and dismissal.

The Risk Committee

The main responsibilities of the Risk Committee are as follows:
- To advise the Board of Directors on the Bank's overall strategy and appetite for both current and future risks, taking into account all types of risk, to ensure that they fall within the Bank's economic strategy, objectives, culture and corporate values;
- To assist the Board of Directors with supervision of implementation of the Bank's risk strategy and the corresponding limits that have been set;
- To oversee implementation of the Bank's capital and liquidity management strategies as well as other relevant risks, such as market risk, credit risk, operational risk (including legal and IT risks) and reputational risk, in order to assess their suitability in respect of the risk appetite and risk strategy that have been approved;
- To examine various scenarios, including stress scenarios, in order to assess how the Bank's risk profile would react to external and internal events;
- To assess the recommendations made by the internal or external auditors and monitor appropriate implementation of the measures adopted;
- To supervise the appropriate level of prices for products and services offered to customers in light of the Bank's business model and risk strategy.

The Compensation Committee

The main responsibilities of the Compensation Committee are:

- To prepare the decisions that the Board of Directors takes concerning compensation, particularly compensation that has an effect on the Bank's risk and risk management;
- To conduct an annual review of:
  - The Bank’s remuneration policies;
  - Compensation, allowances and benefits of any kind granted to the Bank’s corporate officers;
  - Certain categories of employees including risk-takers, staff members with a control function, and any other employee in the same compensation bracket given his or her aggregate income, whose professional activities may have a significant impact on the risk profile of the Bank or the group;
- To assess the methods and systems adopted to ensure:
  - that the compensation system takes due account of all types of risk and levels of liquidity and capital;
  - that the overall remuneration policy is consistent and promotes sound and effective risk management; and
  - that it is consistent with the Bank's economic strategy, objectives, culture, corporate valuesand long-term interests.

The Appointments Committee

The main responsibilities of the Appointments Committee are:

- To identify and recommend to the Board those candidates suitable to sit on the Board, with a view to proposing their appointment at General Meetings;
- To assess:
  - the structure, size, composition and effectiveness of the Board of Directors with regard to the tasks assigned to it and to submit any useful recommendations to it;
  - the knowledge, skills and experience of Board members, individually and collectively, and report to the Board in this respect;
- To examine periodically the policies of the Board of Directors in the selection and appointment of accountable managers and to make recommendations to the Board of Directors;
- To set targets in terms of gender equality among members of the Board of Directors.

BRED has chosen to supplement the legal governance system with two additional special committees:

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.

The Strategic, Ethics and Environment Committee

The Strategic, Ethics and Environment Committee examines issues of strategic importance within their own economic and social environments.

Composition of the committees

Each committee is composed of at least three members chosen from among the directors and who do not exercise management functions within the Bank.

Committee members, individually and collectively, have suitable knowledge, expertise, professional experience and skills to sit on their respective committees.

Committee members are appointed by the Board at the proposal of the Chairman for the duration of their duties as directors.

At 31 December 2020, the main special committees were composed as follows:

Composition of the Board committees of BRED Banque Populaire				
	Audit and Accounts Committee*	Risk Committee	Compensation Committee	Appointments Committee
Chairman	Michel Chatot	Gérard Kuster	Georges Tissié	Stève Gentili
Committee Members	Bruno Blandin Michèle Clayzac Gérard Kuster François Martineau Isabelle Pastoret Leïla Turki	Michèle Clayzac François Martineau Isabelle Pastoret Leïla Turki	Benoit Bas Stève Gentili Patricia Lewin Pascal Martin de Frémont Raphaël Pochet	Benoit Bas Patricia Lewin Georges Tissié Raphaël Pochet

** Pursuant to Article L823-19 of the French Commercial Code, at least one member of the Audit and Accounts Committee has specialist financial or accounting expertise. Gérard Kuster was appointed by the Board of Directors as an independent member with financial and accounting skills.*

The main topics examined by the Board Committees in 2020

The Audit and Accounts Committee

The Committee met four times in 2020 and reported on its work to a meeting of the Board.
It reviewed BRED's company and consolidated financial statements as well as its interim accounting positions. Particular attention was paid to profits during a global pandemic.

It reviewed the process for preparing accounting and financial information, the results of 2020 audits by Financial Audit and the 2021 audit plan. The Committee also noted the legal changes resulting from the Sapin II Act and the particular accounting controls required in the fight against corruption and influence peddling.

It held discussions with the statutory auditors, covering the 2019 accounts, reviewed their reports, examined the independence and fees of the statutory auditors and took note of their audit plan. It also examined services in addition to the certification of accounts supplied by BRED's auditors.

The Risk Committee

The Risk Committee met six times in 2020 and reported on its work to a meeting of the Board.

Throughout 2020 and as a result of the global pandemic, at each meeting it examined the system implemented to protect the health of employees and customers while at the same time ensuring the continuation of business.

It was duly 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 2020 audit plan and the multi-year audit plan.

The Committee took note of the annual report on internal control, the report by the Investment Services Compliance Director, 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 and limits), focusing on credit risk, segmentation risk, balance sheet risk, compliance risk, country risk and operational risk. It regularly took note of risk appetite indicators and the quarterly consolidated risk map, including non-compliance risk.

The Committee was informed and approved the periodic updating of policies, particularly covering commitments, investment, liquidity, cash flow, balance sheet management, compliance, operational risk country risk and compliance of investment services. It took note of the procedures relating to the management and supervision of subsidiaries, as well as exceptional growth operations and transactions.

It regularly interviewed the managers of Bank departments, including Legal, Human Resources, Consolidated Investment Management, Information Systems Security and Business Continuity and Safety of Persons and Property.

The Compensation Committee

The Committee met twice in the past year and reported on its work to a meeting of the Board.

As every year, it examined and recommended that the Board should approve the variable remuneration scheme for the CEO.

It also examined the leaving package for the Chairman of the Board of Directors and the remuneration and social protection package for the new Chairman of the Board of Directors.

The Committee heard reports by Group Audit on risk-takers and monitoring of related recommendations. It received detailed information on changes to the regulated population and its variable compensation. It also examined the compensation of those responsible for BRED control functions.

The Committee conducted an annual review of the compensation policy and checked that it complied with the applicable regulations and industry standards.

It prepared draft resolutions submitted to the approval of the Annual General Meeting and relative to compensation.

The Appointments Committee

The Committee met three times in the past year and reported on its work at a Board meeting.
The Committee examined the mandates expiring at the AGM called to approve the financial statements for the financial year 2019 and recommended that the Board of Directors should advise renewal of the mandates of the eight directors concerned.

It recommended members of a new bureau and new special committees to the Board of Directors. It also examined several new candidates for directorships.

It looked at how compensation for time spent working could be allocated.

The Committee conducted the annual assessment of Board members and looked into a new assessment matrix.

3.1.6 - Management of conflicts of interest and regulated commitments

All directors must inform the Board of any situation of conflict of interest, even potential, and refrain from participating in the vote on the corresponding deliberation.

In accordance with the European Banking Authority (EBA) guidelines on internal governance and the European Securities and Market Authority (EBA/ESMA) guidelines on the assessment of the suitability of members of the management body and key-position holders, the Board of Directors has adopted a policy for the prevention and management of conflicts of interest aimed at identifying and overseeing situations that could potentially hinder the ability of management or the Board of Directors to adopt objective and impartial decisions aimed at best responding to the Bank's interests and exercising their functions independently and objectively.

Furthermore, it is emphasised that any agreement entered into directly or indirectly between BRED and its CEO, and more generally any person mentioned in Article L. 225-38 of the French Commercial Code, must be submitted for prior approval by the Board of Directors.

The same applies for any agreement made between BRED and another company if the CEO or one of the directors of BRED is the owner, indefinitely liable partner, manager, director, member of the supervisory board or, generally speaking, the head of said company.

Prior approval by the Board of Directors must be based on the benefits of the agreement to BRED, specifically the financial conditions associated with it.

It is stipulated that agreements concerning ordinary operations and concluded under normal conditions are not subject to this procedure.

In 2020, the Board of Directors approved two agreements that fell within the scope of agreements that must be authorised by the board of directors:
- the social protection agreement for the new Chairman of the Board, approved by the Board of Directors on 28 May 2020, resulted in a payment of €5,978.89 in 2020,
- the memorandum of understanding signed on 22 January 2021 with BPCE and BPCE International et Outre-mer, approved by the Board of Directors on 6 July 2020, which had no financial impact in 2020.

The agreements previously approved continued as follows:

- the social protection agreement for the Chairman of the Board of Directors, approved by the Board of Directors on 27 May 2015 and by the Ordinary General Meeting on 26 May 2016, resulted in a payment of €36,024.26 in 2020. This agreement ended on 28 May 2020;
- the lease agreement entered into between the Bank and SCI CBP, whose manager is the Bank's Director Bruno Blandin, which was authorised by the Board of Directors on 29 March 2016 and approved by the Ordinary General

Meeting on 26 May 2016. This agreement continued under the same terms and resulted in a payment of €110,264.28 in 2020;
- the protocol for the BPCE group's solvency contribution mechanism, approved by the Board of Directors on 3 December 2012 and approved by the Ordinary General Meeting on 23 May 2013, had no impact in 2020.

Pursuant to Article R. 225-30 of the French Commercial Code, the statutory auditors were informed of the above before the end of the month following the closing of the financial year.

3.2 - General Management and Executive Committee

The general management of BRED Banque Populaire comprises a CEO and two Deputy CEOs.

3.2.1 - General Management

CEO's role and powers

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

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

He must first obtain authorisation from the Board of Directors 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.

The Board of Directors authorises the CEO to delegate his powers wherever necessary and at his discretion.

Method for appointing the CEO

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.

Olivier Klein has been the CEO of BRED since 2012. His mandate was renewed from 15 June 2017 for a period of five years, in accordance with Article 20 of the Bank's articles of association, i.e. until 15 June 2022. At its meeting on 24 February 2020, the Board of Directors made an advance decision to renew the CEO's mandate until the AGM called to approve the financial statements for the 2022 financial year that will be held immediately after his 65th birthday.

Deputy Chief Executive Officers

The CEO is assisted by two Deputy CEOs: Éric Montagne and Olivier Lendrevie.

Accountable managers

In accordance with banking regulations, BRED has appointed two accountable managers (Olivier Klein and Éric Montagne). Olivier Klein and Éric Montagne are therefore the guarantors in respect of the supervisory authorities, especially the ACPR, and assume full responsibility for the following activities: effective determination of the direction of the institution's activity, accounting and financial information, internal control, and determination of capital.

3.2.2 - Offices and positions held by the CEO

Olivier Klein
Main role: CEO of BRED Banque Populaire

End date of mandate: General Meeting 2023	***Mandates or functions within BRED Banque Populaire Group*** • CEO of BRED Banque Populaire. • CEO of COFIBRED. • Member of the Vialink Strategic Committee. • Member of the Supervisory Board of PREPAR VIE. • Director of BRED Gestion, COFIBRED, BIC-BRED, BRED Bank Fiji Ltd, BRED Bank Cambodia, Banque Franco Lao, Promepar Asset Management, BIC BRED – Suisse SA. • Permanent representative of BRED Banque Populaire on the boards of directors of BCI Mer Rouge and BCI Nouvelle Calédonie. ***Mandates or functions outside BRED Banque Populaire Group*** • Rexecode and Unigestion Asset Management. • Manager of SCI Klein Boissonnade. • Member of the Supervisory Board and the Board Risk Committee of BPCE. • Deputy Chairman of the Supervisory Board of SOCFIM (until 27 May 2020).

3.2.3 - Executive Committee

The Executive Committee consists of the General Management as well as 13 other members who are heads of departments. It meets once a week.

OLIVIER KLEIN
CEO

ÉRIC MONTAGNE
DEPUTY CEO

OLIVIER LENDREVIE
DEPUTY CEO

RÉMI CHATAIGNIER
COMPANY SECRETARY

SIMONE DE OLIVEIRA
DIRECTOR OF IT

FRANÇOISE EPIFANIE
DEVELOPMENT DIRECTOR

BALTASAR GONZALEZ-COLLADO
DIRECTOR OF GROUP AUDIT

JEAN-PAUL JULIA
DIRECTOR OF CORPORATE BANKING

MATHIEU LE BELLAC
DIRECTOR OF STRATEGY AND TRANSFORMATION

CORINNE LÉGER-LICOINE
DIRECTOR OF BANKING SERVICES

STÉPHANE MANGIAVACCA
INTERNATIONAL DIRECTOR

PHILIPPE PRUD'HOMME
DIRECTOR OF HUMAN RESOURCES

CHRISTIAN SCHELLINO
COMMITMENTS DIRECTOR

PIERRE VEDRINES
CAPITAL MARKETS DIRECTOR

ARNAUD VIRICEL
DIRECTOR OF RISK, COMPLIANCE AND PERMANENT CONTROL

NADHIR ZOUAGHI
MAINLAND NETWORK DIRECTOR

4 - ANNUAL GENERAL MEETINGS

4.1 - Convening meetings

General Meetings are convened by the Board of Directors according to the terms stipulated by law. Since shares are in registered form, 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.

4.2 - 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 BRED 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.

4.3 - 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 BRED 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 and the Bank's articles of association, 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.

5 - STATUTORY AUDITORS

The company's accounts are controlled by 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.
They 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
PricewaterhouseCoopers Audit (appointed in 1996)	Mrs Anik Chaumartin Mr Emmanuel Benoist
KPMG (appointed in 1999)	Mr Ulrich Sarfati Mr Fabrice Odent

2

Activity report

ECONOMIC ENVIRONMENT

In 2020, the coronavirus-related health and economic crisis deeply disrupted the international environment. The various lockdown measures taken by the authorities around the world led to a sharp slowdown in the economy for nearly 3 months in the first half of 2020 and again in the fourth quarter in Europe. The 2020 balance sheet ends with a 6.8% decline in eurozone GDP. Within the European Union, while national performances everywhere are in the negative territory, there are significant differences: -11% in Spain, -9% in Italy, -8.3% in France and -5.4% in Germany.

GDP growth (%)	2020 estimates	2021 projections (IMF)
Eurozone	-6.8	4.2
Germany	-5.4	3.5
France	-8.3	5.5
Italy	-8.9	3.0
Spain	-11.0	5.9
United Kingdom	-10.0	5.9
United States	-3.5	5.1

In the face of this unprecedented recession, US and European central banks eased their monetary policies even further. Massive public and private sector asset purchase plans were launched, such as the €750 billion European plan. A cut in key rates and financing programmes through banks has also been implemented to support the economy.

In addition, the fiscal measures that have been in place since March 2020 have undoubtedly made it possible to anaesthetise many economic sectors that have become vulnerable. They also supported household purchasing power, which in France was preserved at the level of 2019. Households have built up a savings reserve due to an unprecedented contraction in consumption (forced savings, then precautionary savings). Companies, for their part, have obtained deferrals of expenses, conditions for compensation for short-time work borne by the State and subsidies that have protected their financial situation even though the State now has a greater debt profile. This is particularly the case for French companies, whose debt ratio, which was already high before the crisis, has accelerated this trend. Equivalent to 85% of GDP at the end of the first quarter of 2020, it is 18 points above the eurozone average. These interventions have significantly deteriorated the public finances of governments. In France, public debt reached close to 120% of GDP.

The vaccination process that began in 2021 and which is expected to accelerate makes it possible to envisage an exit from the crisis, with GDP in the eurozone that could recover by 4.2% over the year. However, this will be gradual, and the upsurge in infections at the beginning of the year as well as the emergence of variants are already weighing on expectations of a strong rebound in 2021. Growth in the first quarter has been challenged by the new health measures put in place to deal with it.

COMMERCIAL BANKING STRATEGY

Banks are operating in an increasingly complex and demanding environment, marked in 2020 by an unprecedented dual health and economic crisis. The necessary continuation of accommodative monetary policies and the expected increase in the cost of risk will further reduce the revenues and profitability of banking sector players.

In addition, health restrictions and the surge in the use of digital tools have accelerated changes in customer behaviour. Customers are increasingly autonomous for their day-to-day transactions. Most transactions previously carried out in branches have now shifted to digital tools or ATMs.

Banking needs linked to our customers' life and business projects have not decreased, however (savings, financing and insurance). On the contrary, in a context of crisis, long-term support and advice are more necessary than ever and appreciated by customers.

To tackle these challenges, several years ago BRED adopted its remote relationship promise. This means that it is a bank that abolishes physical distance and distant relationships by combining the best of human and digital assets.

A bank without distance means offering all our customers a comprehensive local relationship with added value:

- BRED puts each client in contact with a dedicated advisor with the expertise they need, regardless of their segment: individual, wealth management, professional, self-employed, corporate, association;
- it is a comprehensive relationship because this long-term relationship caters to all the needs of the family, the company and its director;
- finally, it is a local relationship because our advisers know their customers and establish a permanent, simple and human exchange with them, in our network of course, but also via telephone and digital communications. All combined with the extra warmth that comes from cooperative values.

INCREASINGLY PRACTICAL EVERYDAY BANKING

BRED continues to simplify remote exchanges with its customers by giving them greater practicality and comfort in their day-to-day banking operations as well as communications with advisors.

The BREDConnect website and app are being constantly improved to offer our customers both more services and an increasingly streamlined experience. Customers are now able to perform almost all of their day-to-day transactions independently, easily and with complete security. They can also make an appointment on the same day with their advisor from the mobile app. This app is also ranked among the best in the market according to stores' ratings.

Numerous contact options are available to customers – advisers' direct lines and email addresses are provided to customers to make it easy for them to contact us, 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 day-to-day enquiries. The opening of the new CRC in Fort de France in Martinique this year (after the opening of Caen's CRC in 2019) enables us to offer our customers ever more accessibility.

Finally, the refurbishment of branches continues, providing them with a complete, widely accessible self-service space (6am-10pm), with latest-generation cheque and cash machines and sliding glass doors that make it possible to differentiate between self-service space and consulting space.

ENHANCING THE CUSTOMER AND EMPLOYEE EXPERIENCE

In BRED, remote banking is based on trusted human relationships, as well as the promise of a streamlined and seamless 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 a long-term relationship of trust. To support this approach, over the past few years, BRED has been developing a customer satisfaction monitoring system through recurring or one-off surveys. As part of the continuous improvement plan for our customer service, real-time quality monitoring enables advisors to react quickly in the event of a deterioration in the quality of the relationship with a client. In order to strengthen this system, in 2020, BRED expanded the spectrum of customers surveyed as part of the hot surveys to customers who placed an incoming telephone call to their branch.

To support and accelerate the digitisation of customer and employee journeys, BRED has set up a Customer Experience Division. All of the customer and employee journeys are reviewed and rated and are discussed in an annual improvement plan.

In 2020, the improvement of journeys was accelerated, with the digitisation of the signature and archiving of most contracts (IARD, relationship agreements, savings, etc.). The roll-out of the home loan middle office and the digitisation of the signature of loan offers also helped streamline the real estate loan process.
Finally, the electronic signature of loans guaranteed by the French government (PGEs) has also helped to streamline the journeys of professional and corporate clients.

BRED is therefore combining digital and local to improve the customer and employee experience.

In 2020, BRED also reviewed its credit decision-making process. The role of the sales network has been strengthened in granting loans that give more proximity to decisions but also by strengthening the advisor's decision-making position with regard to the client.

A BANK THAT REGULARLY REVIEWS ITS SYSTEMS FOR THE BENEFIT OF ITS EMPLOYEES AND CUSTOMERS

The branch network, which alone accounts for nearly 65% of the NBI, is a major challenge for BRED. Faced with competition from neo-banks and major players in the marketplace to transform their local network, it is necessary to constantly review our organisation in order to build an increasingly efficient model, making it possible to keep the promise of "Banking Without Distance". In addition, the Covid crisis has accelerated the need to rethink our physical customer reception model in our branches.

Social distancing constraints have led to the extension of our 100% advisory branch system throughout the day. The objective is twofold:

- Ensure the safety of our customers and advisors by fully respecting barriers,
- Save more sales time for advisers to stay one step ahead of our customers by being proactive and allowing them to spend quality time with their customers, supporting them in their projects and providing them with value added advice.

In 2021, this system was implemented across our entire retail network in mainland France and the overseas territories.

A PROACTIVE BANK THAT ANTICIPATES AND SUPPORTS ITS CUSTOMERS' PERSONAL AND BUSINESS PROJECTS

BRED's comprehensive local relationship model is based on the relevance and customisation of the responses we provide to customers. This requires detailed customer knowledge, anticipation of their personal and business projects, providing them with support over the long term.

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 advisers, BRED invests in ongoing vocational training for its employees. Nearly 6% of the Bank's payroll costs are devoted to training, demonstrating the proactive policy in this respect, in a changing and demanding banking sector.

The BRED Advisors Academy, which provides training and support for new advisors over a period of 2 months from their arrival, was temporarily suspended in 2020 in the context of the lockdown. In 2021, BRED launched this training in digital format enabling our young employees to acquire the technical and interpersonal skills and knowledge of the tools necessary for the proper management of customers. This initial retail banking programme is supplemented with training programmes specific to each business line, to support employees throughout their career.
The role of e-learning and self-training platforms has also been strengthened to enable our employees to train despite social distances.

The quality of advice is promoted by support from a qualified adviser who is very familiar with their customer's background. They are the cornerstone of the system, a trusted partner to customers, both for their personal and professional needs. Every effort is made to ensure the stability of the relationship.

Systems and methods are developed to enable advisers to develop active listening, take a comprehensive approach to needs and build solutions tailored to customer projects.

BRED has continued to enhance its Customer Relationship Management (CRM) platform to further reinforce the relevance of the tools provided to advisers, by improving customer knowledge. In 2020, it was able to expand its sales opportunity distribution tool to the corporate customer market.

Finally, in 2020, BRED innovated by launching a service platform dedicated to its professional customers, Bred Services Pro+. While remaining true to its core business, BRED is constantly seeking to bring more value to its customers. BRED Services Pro+ offers them additional services with high added value with regard to the management and development of their business. The implementation of this platform was based first and foremost on listening to customers, their needs and expectations, and the search for the best partners on the market to provide solutions.
All services are easily accessible via the BRED account management environment, so customers can easily subscribe and use them safely.

A BANK ON THE HUMAN SCALE, OWNED BY ITS COOPERATIVE MEMBER CUSTOMERS AND COMMITTED TO ITS COMMUNITIES

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, BRED seeks to develop a differentiating cooperative model around the triptych of customers/staff/members. This strategy was confirmed in our reason for existing, within the meaning of the Pacte law: "resolutely cooperative and innovative, BRED provides a sustainable and close relationship to support all those who live and work in each region".

As proof of the importance that customers place on these values, almost 200,000 of them are holders of cooperative shares in 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. To maintain a close relationship with its members, BRED sends them a dedicated newsletter four times a year. In addition, they always have access to an information space on BRED's website and a website for access to discounts on the price of consumer goods, accessible at the following address: https://bred-avantages-clubsocietaire.fr.

As a cooperative bank, BRED is part of the social and solidarity sector of the economy. BRED's societal commitment is delivered through partnerships and philanthropic initiatives in collaboration with local associations and actors. The partnership and sponsorship policy pursues three main objectives: equal opportunities, transmission of knowledge and promotion of art and culture. BRED supports initiatives promoting business creation (particularly through micro-finance), education, research, social inclusion and solidarity. 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, especially vulnerable customers, via departments dedicated to tackling over-indebtedness and seeking amicable solutions to debt recovery, helping them to consolidate their financial situation and ease their path back to better fortunes. BRED has also adapted its range of services to promote the banking inclusion of disadvantaged and vulnerable customers, in particular with a bank branch dedicated to protected adults and their guardians or representatives.

A cooperative bank is also a bank whose recruitment policy reflects its values. In 2020, BRED, a bank on a human scale, accelerated its recruitment programme with the hiring of 1,046 new employees, across all its regions in France and abroad, including 251 work-study trainees, thereby demonstrating its commitment to the recruitment of young people. Their integration and prospects of success are supported by a vocational training programme which provides recruits with an understanding of the general banking culture as well as the professional skills they require to fully develop and enhance their expertise.

The members, through their loyal support of BRED, 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

State-of-the-art management for wealth customers

BRED Banque Privée provides all its customers – individuals, professionals and companies – with the expertise of its advisers to respond to their expectations in terms of structuring and managing their assets. It provides them with daily guidance on tax and legal aspects, the management of their financial assets and the financing of their life projects.

It is structured to offer a wealth management service adapted to customer types.

- 12 asset management centres at regional level welcome customers whose financial assets are greater than € 200,000. Those customers are assisted by a wealth adviser;
- Each customer of the branch network whose assets exceed €200,000 is offered a dual commercial relationship, with a dedicated adviser in branch for "day-to-day banking" and a wealth adviser or private banker, for advisory banking and asset management operations. There are 170 "private" branch advisers: 30 in French overseas territories and 140 in mainland France spread across the 330 branches;
- A dedicated wealth-management structure, BRED Wealth Management, consisting of seven private bankers and three assistants, supports families with financial assets exceeding €2 million and whose wealth is complex, often with an international dimension.

Asset management centres are generally located on the same site as business centres dedicated to SMEs. This proximity promotes support for business leaders, facilitating the valuation, transmission or disposal of their private and professional assets.

BRED Banque Privée also has a wealth, financial and real-estate engineering structure with 10 engineers. Its experts support advisers during meetings with customers or prospects and participate actively and regularly in updating the sales teams' knowledge. They draw up technical letters and asset reports in order to develop strategies and structure tailored solutions.

Lastly, BRED Direct Premium, a customer relations centre, has been providing telephone support to asset management centre customers since March 2019. With a dedicated team of six advisers accessible six days a week and until 10pm on weekdays, customers can be advised about their projects and their accounts.

An open-architecture solution

The asset management service is regularly enhanced, with the support of our subsidiaries PRÉPAR and PROMEPAR Asset Management and favours an open-architecture model to offer our customers the best expertise on the market.

PROMEPAR Asset Management, BRED's asset management subsidiary, provides BRED Banque Privée customers with a full range of services: discretionary management, target management of a unit-linked segment in life insurance and Undertakings for Collective Investment (UCIs). Each discretionary management customer has direct access to their PROMEPAR manager to monitor changes to their portfolio. It should be noted that customers can opt for Socially Responsible Investment (SRI) solutions, especially in discretionary management.

A high-end event-hosting site and services

To welcome customers in mainland France and overseas territories, asset management centres are designed to be spaces for dialogue fostering a close relationship. They are the subject of a significant investment programme.
Customers are also regularly invited to events, in close collaboration with subsidiaries and partners.

WORKING CLOSELY WITH CORPORATE CUSTOMERS

BRED has continued to engage 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.

The organisation of the SME market was reviewed with the goal of improving the management of all customer segments (small enterprises, SMEs, midcap companies) and deploying skills where they are needed.

BRED positions itself as a partner bank for SMEs and intermediate-sized companies and directors; a front-line Senior Banker, anticipating needs and offering long-term entrepreneurial and asset management advice and support to business leaders, in synergy with the Bank's various expertise structures, to offer high added-value transactions.

The positioning of teams upstream of the projects, working alongside managers and offering a range of expertise, differentiates us for corporate customers, particularly in cash management, international banking, financing and trading desk activities.

BRED has strengthened its Structured Financing system dedicated to SMEs with support for its customers in medium-sized transactions (€3-15 million): LBO, external growth and Capex.

Excellence training was provided to employees of the BCs in 2020, to ensure that each employee is able to 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.

CORPORATE BANKING DEPARTMENT

In 2020, the Corporate Banking Division (CBD) continued its development and initiated new relationships in its various institutional, real-estate and corporate markets, especially with intermediate-sized companies.

Its customers suffered from the crisis in 2020 to varying degrees depending on the economic sector. Thanks to a "remote banking" organisation, CBD has nevertheless maintained close ties with its customers throughout this period, particularly during the two lockdown phases, to provide advice and support in these difficult times.

In particular, CBD has been fully committed to two fundamental missions: ensuring that the its customers' bank flows are processed without difficulty and allowing them to rapidly strengthen their cash flow. In this respect, BRED participated in State-guaranteed lending operations (PGEs) or its customers' Covid liquidity lines and helped them finance themselves on the treasury markets (neuCP, neuMTN, EuroPP, etc.).

Despite this sudden and intense crisis, BRED maintained its long-term logic in the relationship with its customers, by continuing to support them in their business development projects or their own assets with the support of BRED Private Banking.

In order to better serve its customers, BRED is also continuing to develop innovative solutions in the cash flows area with the "cash action" plan and in terms of credit, with, for example, the financing of research tax credits (CIR) and the establishment of loans incorporating environmental criteria.

A BANK WITH AN INTERNATIONAL FOCUS

BRED meets the needs of its customers with an international activity thanks to a wide range of services including, for example, the management of documentary credits.

It is also present through its commercial banking subsidiaries in the South Pacific, South-East Asia and the Horn of Africa.

Its international trade financing activity is mainly carried out by BIC BRED SUISSE in Geneva.
BRED also offers international bank guarantee solutions, as well as international flow management services for corporate and institutional customers.

BRED ESPACE: A 100% ONLINE BANK

BRED Espace offers its 38,000 customers the benefits of an entirely online bank and the close relationship of a traditional bank.
It is rolling out an innovative development model and has acquired strong expertise over time from affinity-based customer targets:

- Students in general, with a branch dedicated to the major schools and partner universities;
- The overseas territories;
- International: natural persons - non-residents, expatriates (but also impatriates) - and institutions/actors of the local economy: embassies, consulates, French alliances abroad, etc.;
- Adults under guardianship.

These customers are very different but nevertheless have a common point: they are all interested in remote management. Each of them is managed by a dedicated team with in-depth knowledge of the specific issues encountered.

BRED Espace is not a low-cost online bank designed to compete with our branch sales network. This is an affinity online bank with real differentiating factors:

- A comprehensive offering as broad as that of our network, supplemented by products and services adapted to its target customers;

- The promise of a dedicated advisor.

Today BRED Espace, made up of sixty employees, continues to grow with the integration of the staff branch teams in 2019 and the creation of a market for professionals and self-employed professionals in 2020.

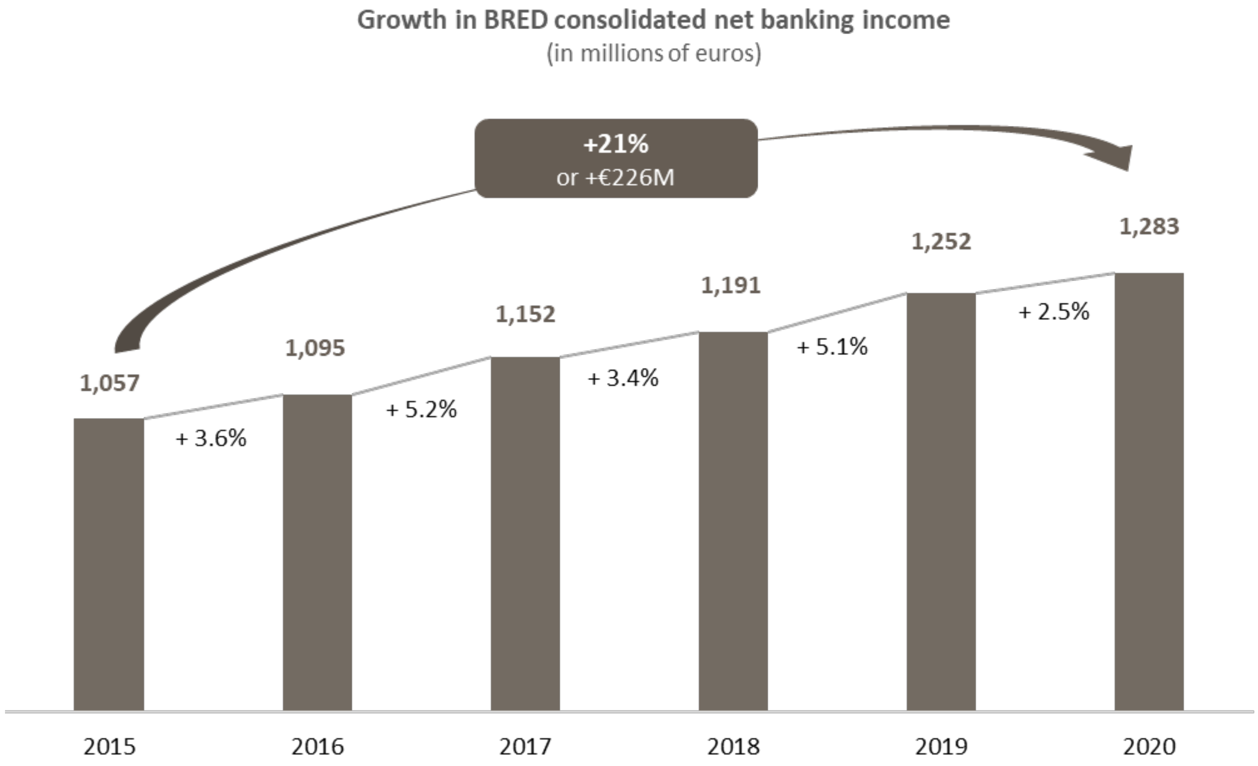
CONSOLIDATED INCOME STATEMENT: KEY FIGURES

Accounting and management presentation, IFRS

Consolidated income statement						
In €m	**2019**	**2020**	**2020-2019**	**2019**	**2020**	**2020-2019**
				Excluding non-recurring items*		
Net interest margin and similar income	783.3	810.3	+3.4%			
Fee income	468.7	472.8	+0.9%			
Net banking income	1,252.0	1,283.1	+2.5%	1,230.8	1,265.1	+2.8%
Personnel costs	-429.8	-437.0	+1.7%			
External services – excluding BPCE contribution	-170.2	-166.4	-2.2%			
Taxes and duties – excluding SRF	-30.2	-30.9	+2.3%			
Lease expenses (IFRS 16 view)	-27.9	-29.6	+5.8%			
Depreciation charges excluding leases	-41.9	-44.9	+7.1%			
Operating expenses excluding SRF and BPCE contribution	-700.0	-708.7	+1.2%	-698.9	-708.1	+1.3%
Single Resolution Fund (SRF)	-19.7	-22.2	+12.4%			
BPCE Contribution	-33.7	-39.6	+17.6%			
Expenses	-753.4	-770.5	+2.3%	-743.3	-763.7	+2.7%
Gross operating profit	498.6	512.6	+2.8%	487.5	501.4	+2.8%
Operating ratio	60.2%	60.1%	-0.1 pt	60.4%	60.4%	0.0 pt
Cost of risk on performing loans (strata 1 and 2)	*3.3*	*-79.7*	*N/A*			
Cost of risk on impaired loans (stratum 3)	*-83.2*	*-81.9*	*-1.6%*			
Cost of risk	-79.9	-161.6	X 2.0	-79.9	-161.6	X 2.0
Operating income	418.6	351.0	-16.2%	407.6	339.8	-16.6%
Share of profits of associates	25.3	18.9	-25.2%			
Gains or losses on other assets and change in value of goodwill	3.8	5.2	+37.9%			
Pre-tax profit	447.7	375.1	-16.2%	446.1	366.6	-17.8%
Income tax	-139.7	-104.8	-25.0%			
Net income	307.9	270.3	-12.2%	312.8	262.8	-16.0%
Minority interests	-1.2	-0.1	-87.3%			
Net income group share	306.8	270.1	-11.9%	311.6	262.7	-15.7%

**Excluding non-recurring items and pro forma of the financial equation in 2019 and 2020. BPCE SA's rules for re-invoicing expenses recognised in respect of its duties as a central institution changed in Q4 2020 with retroactive effect for 2019. Consequently, for comparison purposes, the 2019 financial statements have been restated to reallocate the expenses due for the year.*

BRED's consolidated net banking income has increased for the eighth consecutive year, rising by €31 million (+2.5%) to €1.283 billion. Excluding non-recurring items, NBI growth stands at 2.8%, a figure that confirms BRED Group's strategic choices.



Commercial Banking France, BRED's core business, remains the main driver of this growth. In 2020, in an environment characterised by the global pandemic, it posted a 3.6% increase in NBI (excluding non-recurring items).

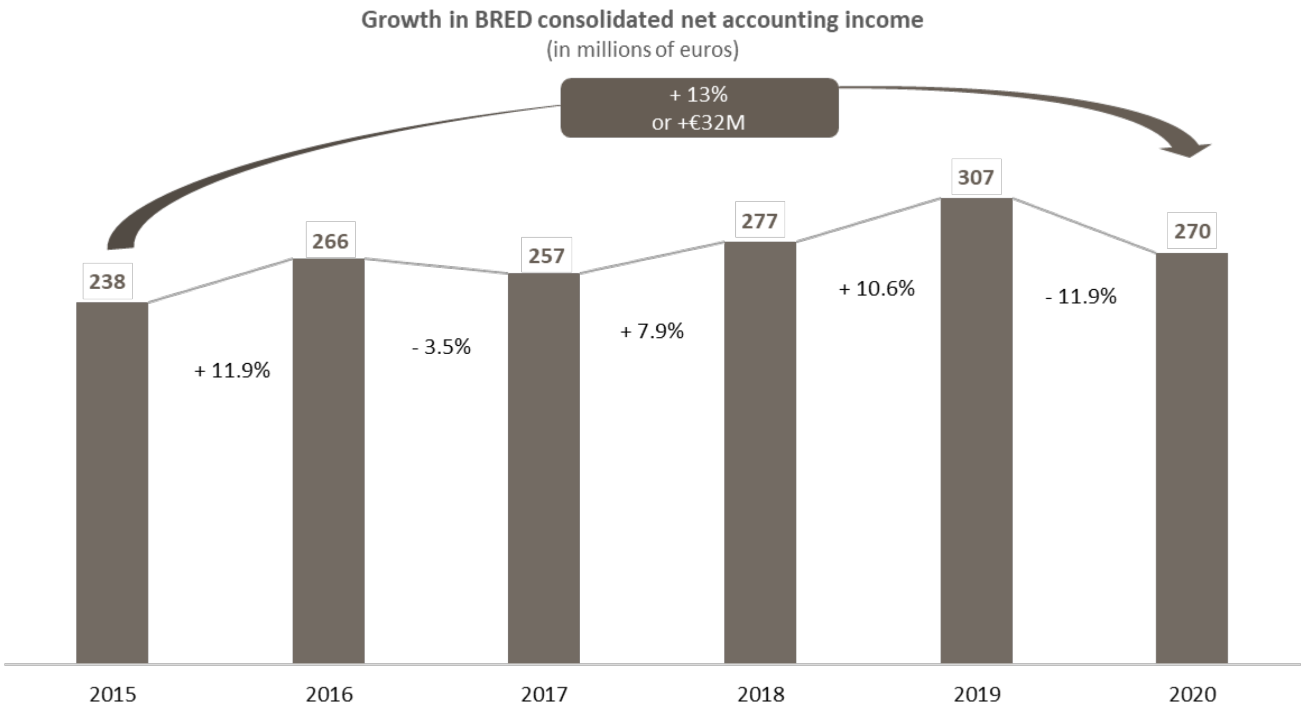
The International Banking and Overseas Territories Banking Division were penalised by the health crisis and the drop in tourism, but continued its development (+3.5% at constant exchange rates, excluding non-recurring items). It benefited from surge in activity in Cambodia and excellent performance in international trade financing in Geneva.

The Capital Markets activities, in which risk exposure had been reduced as of autumn 2019, achieved very good results, with NBI up +22.1%, despite the turbulent markets. The Consolidated Investment Management division recorded NBI of €17.1m in 2020 (excluding non-recurring items), which is lower than in 2019 due to the smaller contribution of the investment portfolios.

Operating expenses rose by 2.3% on a reported basis (2.7.% excluding non-recurring items), reflecting the proactive investment decisions in technology, the modernisation of the network and international development.

The overall cost of risk doubled in anticipation of the economic consequences of the crisis, with the cost of risk recorded (on impaired loans) down 1.6%.

BRED Group closed financial year 2020 with net income down 11.9% to €270.1 million or €262.7 million restated for non-recurring items (-15.7%).



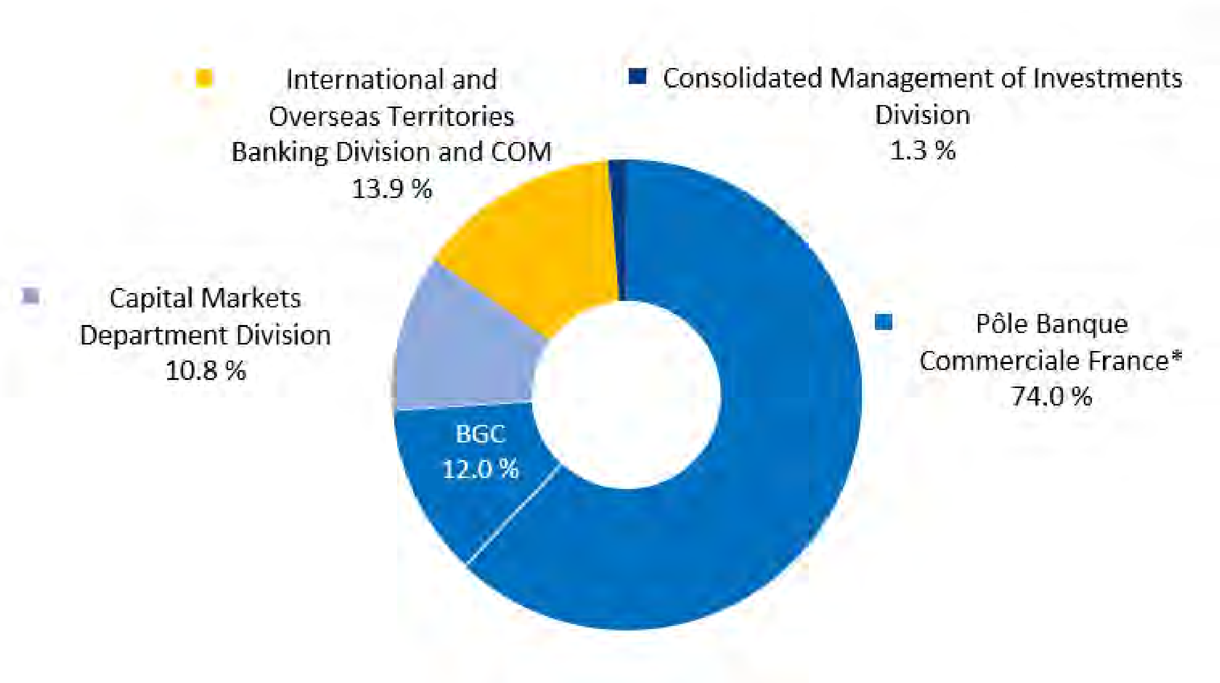
ANALYSIS OF RESULTS

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, the Corporate Banking Division 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 correspondent banking;
- Capital Markets Department;
- Consolidated Investment Management.

The contribution of each of these business divisions to the IFRS consolidated net banking income of 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.

Breakdown of NBI excluding non-recurring items by division



** Including ALM*

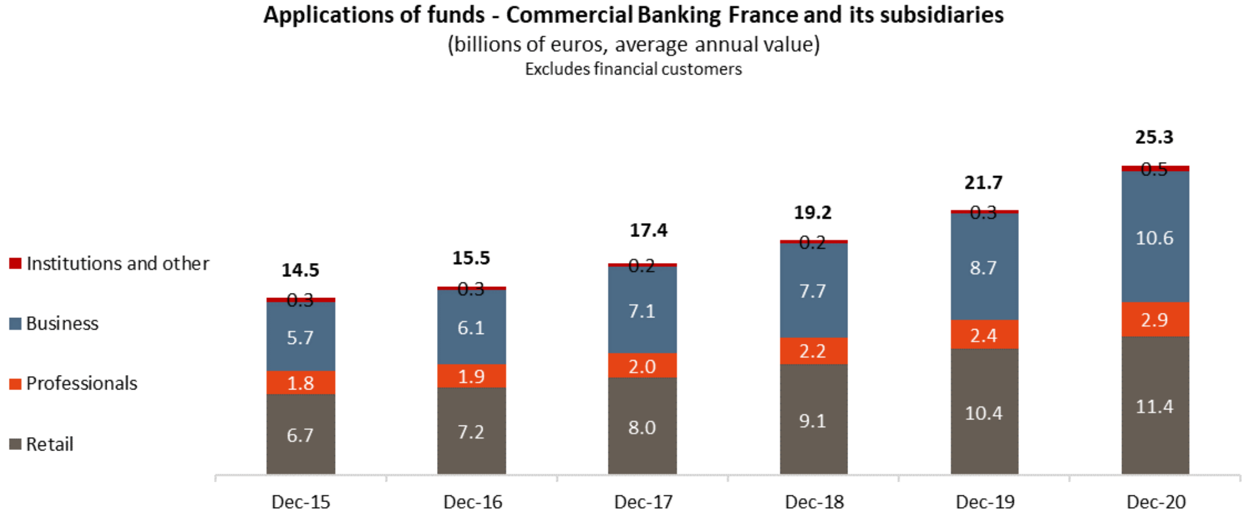
COMMERCIAL BANKING FRANCE

Income statement, management view, excluding non-recurring items and excluding reallocation of the BPCE fee

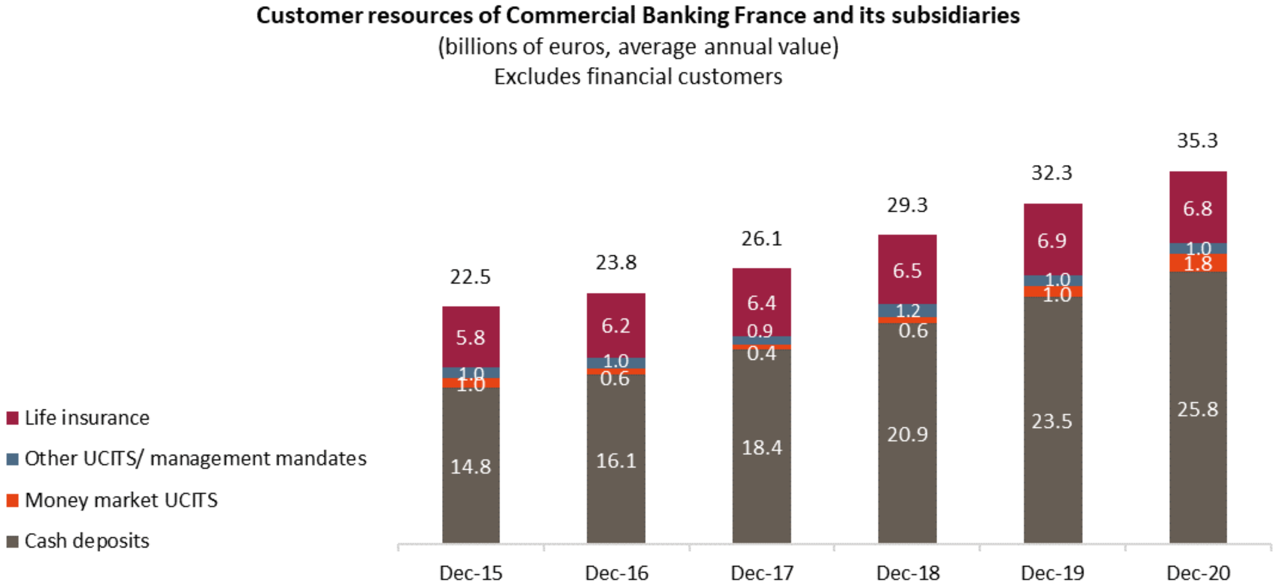
In €m	2019	2020	2020-2019
Net interest margin and similar income	516.2	547.8	6.1%
Fee income	451.0	454.0	0.7%
Net banking income	967.2	1001.7	3.6%
Operating expenses	-574.7	-579.1	0.8%
Gross operating profit	392.5	422.6	7.7%
Cost of risk on performing loans	5.1	-73.9	N/A
Cost of risk on impaired loans	-58.8	-72.5	23.2%
Net operating income	338.8	276.2	- 18.5%
Share of profit (loss) of companies accounted for under the equity method	1.1	0.9	- 18.4%
PROFIT ON ORDINARY ACTIVITIES	339.8	277.1	-18.5%

At the end of 2020, BRED's Commercial Banking France network had 339 sites (branches, asset management centres and business centres).

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



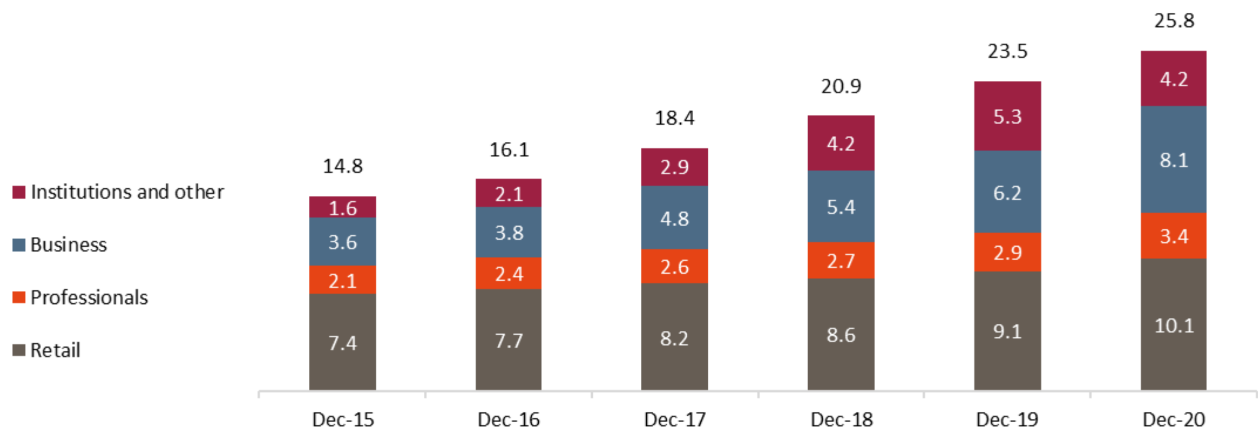
Outstanding loans rose 17% over the year to €25.3bn, with growth being driven in particular by the introduction of PGEs for professionals and businesses (€2.0bn in disbursed loans). Outstanding loans to individuals increased by €1.0bn, with an increase in home loans and consumer loans.



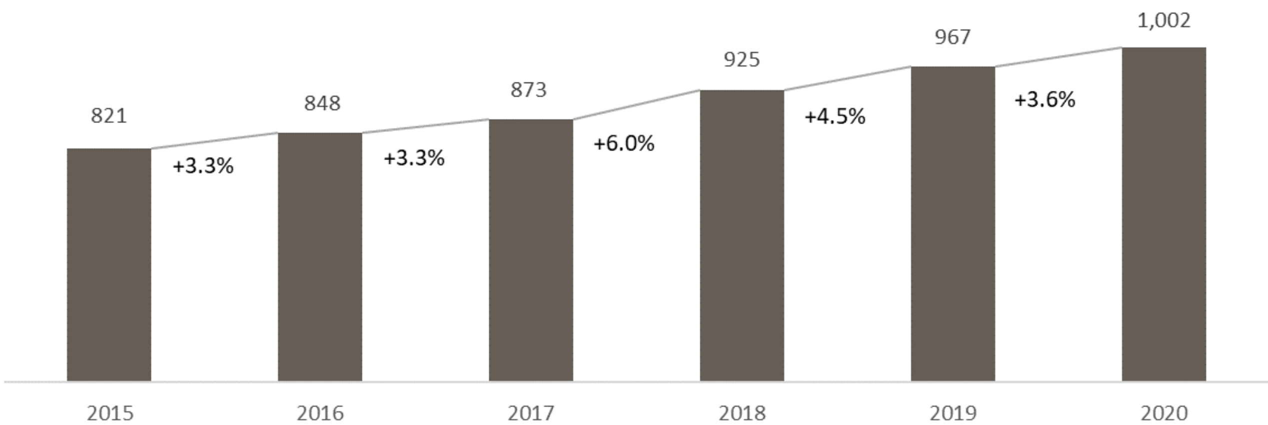
Money deposits collected from commercial banking customers in France amounted to €25.8bn, up 10%, driven mainly by strong inflows from individuals (+€1.0bn) and corporates (+€1.9bn) and a decrease in institutional deposits (-€1.1bn).

Life insurance assets are down slightly at €6.8bn (- €0.1bn).

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

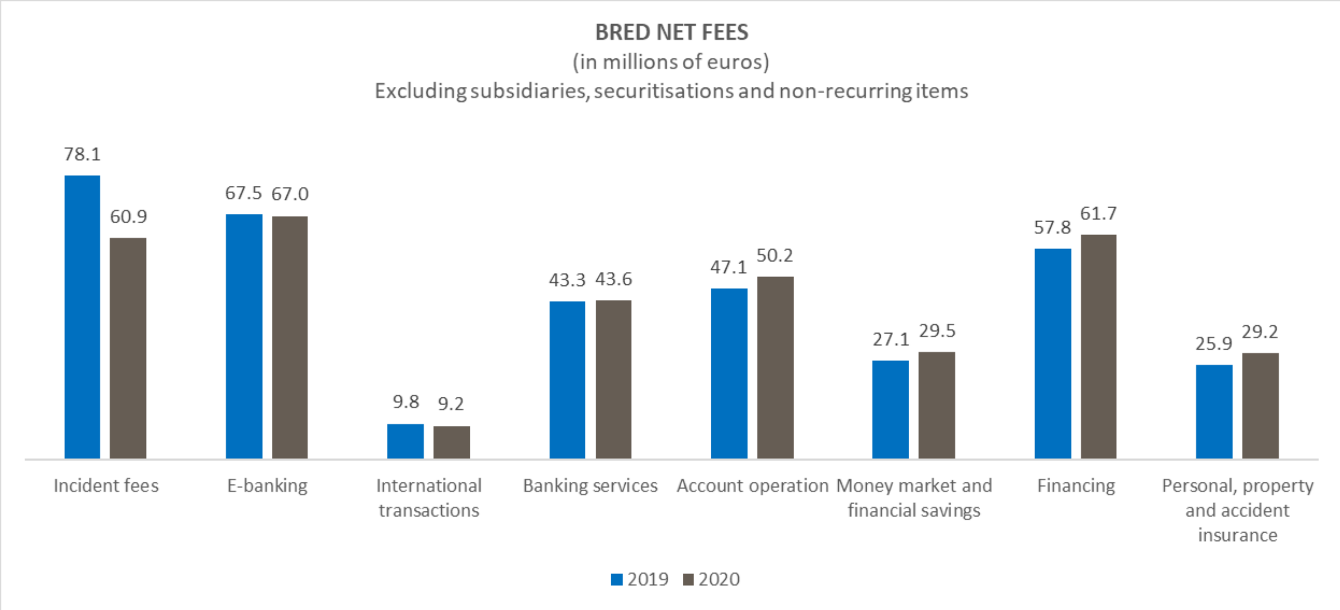


Increase in NBI for Commercial Banking France (incl. ALM) excluding non-recurring items
(in millions of euros)



Excluding non-recurring items, the NBI of Commercial Banking France grew by 3.6%. The net interest margin (NIM) increased by 6.1% thanks to a €65 million volume effect, largely offsetting a negative interest rate of €55 million.

Although penalised by the impact of the health crisis (strengthening of measures to protect vulnerable customers and decrease in electronic payment flows), fee and commission income increased slightly by 0.7%.



International flows have been reclassified from "account operation" to "international transactions".

The expenses of Commercial Banking France, excluding non-recurring items were controlled in 2020 and were up slightly by 0.8%.

The increase in the cost of risk (from €54m to €146m) mainly stems from the provision for performing loans to cover restructuring or payment defaults expected in the coming months due to the very sharp economic downturn.

Pre-tax profit on ordinary activities stands at €277 million, down 18.5%.

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

Results of the main French subsidiaries:

Prépar Vie (wholly-owned subsidiary)

Life insurance and personal protection

Income statement: IFRS accounting presentation

In €m	2019	2020	2020 - 2019
Net banking income	53.1	77.1	+ 45%
Operating expenses	-20.1	-23.3	+ 16%
Gross operating profit	33.0	53.8	+ 63%
Corporate income tax	-11.2	-14.7	+ 32%
Net income	21.8	39.0	+ 79%

Prépar Vie designs and manages life insurance and personal protection products for the customers of BRED and other partners.

In 2020, Prépar Vie maintained its development policy favouring unit-linked and personal protection policies.
Prépar Vie reported more than 650,000 personal protection contracts in its portfolio at the end of 2020 and more than 234,000 savings contracts.

Prépar Vie's NBI stood at €77.1m at 31/12/2020, up due to growth in the insurance business (+12.5%) and a reversal of the provision for a floor guarantee of €17.4 million due to changes in the calculation model[1].

The increase in expenses is in line with the development plan implemented in 2017 and is linked to large, ongoing IT and regulatory projects.

Net profit stands at €39.0 million, up 79%.

Prépar IARD (wholly-owned subsidiary)

Non-life insurance

Income statement: IFRS accounting presentation

In €m	2019	2020	2020 - 2019
Net banking income	8.4	9.6	+14%
Operating expenses	-1.0	-1.8	+76%
Gross operating profit	7.4	7.8	+6%
Corporate income tax	-2.3	-2.3	0%
Net income	5.0	5.4	+8%

Prépar IARD held a portfolio of more than 1,360,000 policies at the end of 2020, mainly covering health, financial loss and accidental death.

Prépar IARD has positioned itself in the individual healthcare sector since 2017, with multiple partners. This activity is growing very strongly but is largely reinsured. In 2020, the resumption of the portfolio of a new partner broker led to a quadrupling of revenue before reinsurance and an increase in NBI of €1.5m.

The increase in overheads is mainly due to an increase in taxes.

[1] Restated as a non-recurring item at the consolidated level for its value in Q1 2020, at the time of the model change.

Net profit stands at €5.4 million, up 8%.

Promepar Asset Management (wholly-owned subsidiary)

Asset management

Income statement: IFRS accounting presentation

In €m	2019	2020	2020 - 2019
Net banking income	10.1	10.2	+ 1%
Operating expenses	-7.6	-6.9	- 9%
Gross operating profit	2.5	3.3	+ 32%
Corporate income tax	-0.8	-1.0	+ 24%
Net income	1.7	2.3	+ 36%

Promepar Asset Management, a division specialising in asset management, offers investment solutions through open funds, bespoke funds or mandates (securities accounts, PEA, life insurance contracts and SRI solutions). It provides its expertise to BRED advisers and its institutional customers, companies, associations and private customers.

The portfolio under management amounted to €2,161 billion at the end of 2020, with positive annual net inflows in an unprecedented environment.

NBI rose by 1% to €10.2 million.

Two funds managed by Promepar AM have been certified: SRI label for BRED Sélection ISR and Label Relance for Promepar PME Opportunities.

Sofider (wholly-owned subsidiary)

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

Income statement: IFRS accounting presentation

In €m	2019	2020	2020 - 2019
Net banking income	28.7	20.3	- 29%
Operating expenses	-6.7	-6.9	+ 3%
Gross operating profit	22.0	13.4	- 39%
Cost of risk	-3.2	-0.3	- 92%
Net operating income	18.8	13.1	- 30%
Corporate income tax	-6.1	-3.3	- 46%
Net income	12.6	9.8	- 23%

Sofider, a major lender in La 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 the particular context of 2020, Sofider held up particularly well thanks to the increase in customer loans (+ 7.7%).

The decrease in net income between 2019 and 2020 must also be assessed in light of the fact that 2019 had recorded a non-recurring item of €9.4m (regularisation of an IEDOM grant).

As at 31 December 2020, net profit stood at €9.8 million.

BRED Cofilease (wholly-owned subsidiary)

Finance lease

Income statement: IFRS accounting presentation

In €m	2019	2020	2020 - 2019
Net banking income	8.4	9.9	+ 18%
Operating expenses	-2.5	-2.7	+ 9%
Gross operating profit	5.9	7.2	+ 23%
Cost of risk	-1.2	-3.3	x 2.8
Net operating income	4.7	3.9	- 17%
Corporate income tax	-1.4	-1.1	- 26%
Net income	3.3	2.8	- 14%

In a difficult economic environment linked to the health crisis, 2020 production decreased by 21% compared to 2019 and amounted to €95.7 million. Despite this, 2020 NBI held up well and stood at €9.9m.

Operating expenses were up 9%, in line with the continuation of IT developments, particularly that of a sales tool for sales representatives.

The cost of risk was up sharply, mainly due to the recognition of a sector provision of €2.3m, calculated on the risk of outstandings that have been subject to forbearance actions due to the health crisis.

Net income stood at €2.8 million, a decrease of 14% compared with 2019.

INTERNATIONAL AND OVERSEAS TERRITORIES BANKING

Income statement: management view, excluding non-recurring items and excluding reallocation of the BPCE fee, IFRS

In €m	2019	2020	2020-2019
Net banking income	96.6	98.8	2.3%
Operating expenses	-71.3	-80.4	12.7%
Gross operating profit	25.3	18.5	- 26.9%
Cost of risk on performing loans	-2.1	-6.1	N/A
Cost of risk on impaired loans	-26.4	-9.9	- 62.6%
Net operating income	-3.1	2.6	N/A
Share of profit (loss) of companies accounted for under the equity method	34.6	23.8	- 31.4%
Pre-tax profit on ordinary activities	31.5	26.3	- 16.5%

The International and Overseas Territories Banking division comprises:

- Commercial banking activities abroad, concentrated in high-growth geographical areas: BCI Mer Rouge, BRED Vanuatu and its subsidiary in the Salomon Islands, Banque Franco-Lao, BRED Bank Fiji, BRED Bank Cambodia.

- Equity interests in banks in foreign countries and overseas territories: Banque Calédonienne d'Investissement (49.9%), Acleda in Cambodia (12.25%), BCEL Public in Laos (10%) and Socredo in Tahiti (15%). These equity interests are treated using the equity method.
- An international trade financing activity mainly carried out from Geneva (BIC BRED).
- A correspondent banking activity.

2020 was marked by the continued development of most subsidiaries (Cambodia, Switzerland and Fiji in particular) despite the closure of borders and the slowdown in global trade. NBI was up slightly (+2.3% to reach €98.8m and +3.5% at constant exchange rates) despite the environment that negatively affected foreign exchange revenues or other activities exposed to the tourism sector in particular.

Expenses were up 12.7% due to the investment phase in activities, particularly in recent locations that require IT developments and are experiencing an expansion of their branch network.

The cost of risk on impaired loans was down €16.5m for subsidiaries, with 2019 marked by an allocation of €12 million related to a customer in the international trading financing business. For its part, the cost of risk on performing loans increased (+€4.0 million) resulting from the consideration of the crisis linked to the Covid-19 pandemic, in forecasts for 2021. The territories have been affected in various ways by the pandemic, and support measures have been implemented by all banks, in coordination with the national authorities of each country in which they operate.
Similarly, the share of profit of associates is mainly affected by a significant provision for performing loans at the Bank of New Caledonia and Socredo in Tahiti.

Total pre-tax profit stands at €26.3 million, down €5.2 million.

In 2021, the main challenge will still be acquiring significant market shares, thanks in particular to a quality of service equivalent to Western standards.

OCEANIA

Banque Caledonienne d'Investissement (49.9% investment)

Income statement: accounting presentation, French standards

In €m	2019	2020	2020 - 2019
Net banking income	93.5	91.3	- 2%
Operating expenses	-45.7	-46.6	+ 2%
Gross operating profit	47.8	44.7	- 7%
Cost of risk	0.6	-12.6	N/A
Net operating income	48.4	32.2	- 34%
Other items	-3.3	-0.2	- 93%
Corporate income tax	-21.3	-16.2	- 24%
Net income	23.9	15.7	- 34%

However, New Caledonia, which has been able to remain free of Covid, is still affected by the global economic slowdown. Metals and mining industries are struggling in a context that is compounded by local political tensions.
The BCI's results, although down, remain good given the context, with NBI down 2%.

Operating expenses were up 2%, notably including expenses related to IT development projects (customer activity, sales management, human resources management, etc.).

The cost of risk, up sharply in 2020, included €8m in provisions in anticipation of the economic consequences of the health crisis.

At the end of December, net income, down 34%, nevertheless remained satisfactory and stood at €15.7m

NET BRED Vanuatu (85% owned subsidiary) PROFIT

Income statement: accounting presentation, IFRS standards, at constant exchange rates (average 2020 rate)

In €m	2019	2020	2020 - 2019
Net banking income	17.5	17.2	-1%
Operating expenses	-12.1	-12.6	+5%
Gross operating profit	5.4	4.6	-15%
Cost of risk	-2.9	-3.1	+7%
Net operating income	2.5	1.5	-41%
Corporate income tax	0.0	0.0	N/A
Net income	2.5	1.5	-41%

Traditionally driven by tourism and agriculture, economic activity in Vanuatu suffered from the Covid-19 crisis in 2020 with a negative GDP growth rate (for 2020).

BRED Vanuatu Limited, a commercial bank founded in 2008, is the leading bank in Vanuatu in terms of outstanding loans with 35.2% of market share and the third in terms of deposits with 24.2% of market share at 31 December 2020.
At the end of December 2020, the bank employed 139 people in Vanuatu.

Opened in 2018, its branch, BRED Salomon, continued its strong growth with positive net income, while maintaining a controlled cost of risk. With 68 employees at the end of 2020, it recorded a sharp increase in its market share, which stood at 19% in loans and 15% in deposits. The opening of a new branch in Honiara city centre in January 2021 will consolidate the bank's growth.

At 31 December 2020, BRED Vanuatu's net banking income and its BRED Salomon branch amounted to €17.2 million, with net income of €1.5m.

BRED Bank Fiji (wholly-owned subsidiary)

Income statement: accounting presentation, IFRS standards, at constant exchange rates (average 2020 rate)

In €m	2019	2020	2020-2019
Net banking income	8.6	10.7	+ 24%
Operating expenses	-7.0	-9.7	+ 37%
Gross operating profit	1.6	1.1	- 33%
Cost of risk	-0.4	-2.7	x 6.6
Net operating income	1.2	-1.7	N/A
Corporate income tax	0.2	1.3	N/A
Net income	1.4	-0.4	N/A

Founded in 2012, BRED Bank Fiji has six branches in the region with a portfolio of 40,000 individual, professional and corporate customers.

The portfolio of customer loans increased to more than €190 million at the end of 2020 (+19%), while customer deposits stood at €225 million (+35%).

Despite the Covid-19 crisis, which had a significant impact on tourism revenues on which Fiji's economy is largely based, the bank has been able to grow its NBI, which increased by 24% while the country's GDP dropped 21%. Operating expenses increased by 37% due to large IT investments and costs related to the study of an external growth opportunity.

The cost of risk amounted to €2.7m in 2020, up sharply compared to 2019, due to an unfavourable base effect (significant reversals of provisions on performing loans in 2019) and the establishment of collective provisions on loans that have been subject to forbearance measures due to the health crisis.

Net income was a loss of €390K over the year (a profit of €610K excluding non-recurring expenses).

SOUTHEAST ASIA

Banque Franco-Lao (70% owned subsidiary)

Income statement: accounting presentation, IFRS standards, at constant exchange rates (average 2020 rate)

In €m	2019	2020	2020-2019
Net banking income	7.0	8.4	+ 20%
Operating expenses	-5.9	-6.6	+ 12%
Gross operating profit	1.1	1.8	+ 60%
Cost of risk	-0.4	-0.7	+ 88%
Net operating income	0.7	1.1	x 1.9
Other items	0.0	0.0	+ 4%
Corporate income tax	0.1	-0.1	N/A
Net income	0.8	1.0	+13%

In 2020, Banque Franco Lao, the only European bank in Laos, celebrated the 10 year-anniversary of its opening.

Laos was not spared by the consequences of the Covid-19 pandemic, due in particular to the sudden halt in tourism, a sector representing around 15% of the country's GDP and foreign investment leading to a negative growth rate of -0.6% in 2020.

The BFL has thus put in place forbearance measures for loans granted to impacted sectors. Nevertheless, the reorganisation of the bank initiated in 2018 placing a greater emphasis on value-added products and advice, as well as detailed customer segmentation, enabled NBI to grow by 20% in a context of controlled expense growth, leading to a 60% increase in operating income. The significant increase in provisions related to forbearance in anticipation of future default risks limits the increase in net income to 13%, or €1m.

The 2021 growth forecast for Laos is 2.8%, driven by the return of foreign investment, in particular China, as part of the continuation of the "Silk Road" infrastructure projects.

BRED Bank Cambodia (wholly-owned subsidiary)

Income statement: accounting presentation, IFRS standards, at constant exchange rates (average 2020 rate)

In €m	2019	2020	2020, -2019
Net banking income	7.7	12.2	+ 59%
Operating expenses	-8.4	-11.3	+ 34%
Gross operating profit	-0.7	0.9	N/A
Cost of risk	-2.1	-2.8	x 1.3
Net operating income	-2.8	-1.9	+ 33%
Corporate income tax	0.7	0.1	- 87%
Net income	-2.1	-1.8	+13%

Cambodia's economy was heavily impacted by the Covid-19 crisis in 2020, although health consequences remained very limited. The Kingdom's economic growth is estimated at 2%, as the main drivers of growth (tourism, textile industry, construction) have been directly affected. Growth in the banking market remains dynamic (+15% over the year) but is slowing from previous years (+22% in 2019).

BRED Bank Cambodia continues to expand with the opening of 3 new branches and the roll-out of 10 new ATMs as well as the launch of new products and services (contactless Visa card, touch VSEs, new mobile app, etc.). The bank also contributed to supporting the economy, particularly the tourism sector, through the implementation of forbearance measures linked to the Covid-19 crisis. At end-2020, the amount of Covid-19 loans with forbearance reached 7% of the loan portfolio.

Loan outstandings rose by 35%, reaching €260m. Deposits stood at €222m at the end of December 2020. In line with this positive momentum, NBI rose by nearly 60% while expenses increased by 34% as a result of the Bank's growth. Gross operating income turned positive for the first year, reaching €0.9m (-€0.7m in 2019). The cost of risk also increased, but the portfolio of past due payments (more than 90 days) remains negligible (0.1%).

BRED Bank Cambodia will continue its conquest of the banking market in 2021 with the expansion of its range of new products, as well as the opening of new branches.

HORN OF AFRICA

BCI Mer Rouge (51% owned subsidiary)

Income statement: accounting presentation, local standards, at constant exchange rates (average 2020 rate)

In €m	2019	2020	2020-2019
Net banking income	25.1	21.4	- 15%
Operating expenses	-14.8	-15.0	+ 1%
Gross operating profit	10.4	6.4	- 38%
Cost of risk	-10.9	-6.9	- 37%
Net operating income	-0.5	-0.5	- 10%
Non-recurring items	1.2	1.2	- 1%
Pre-tax profit on ordinary activities	0.6	0.7	+ 7%
Corporate income tax	-0.3	-0.3	+ 8%
Net income	0.4	0.4	+6%

The Banque pour le Commerce et l'Industrie – Mer Rouge is a full-service bank that operates in all market segments, serving individuals, companies, the public sector and institutional investors. It plays a major role in financing the Nigerian economy, representing around 30% of the banking market. In 2020, the bank continued its digital transformation to best serve its customers and propose an offering that is best suited to its customers.

The decrease in NBI (€-3.8m, or 15%) is mainly due to the bank's interbank activity (-€3.7 million), which was impacted by a combined effect of a decrease in interest rates and in USD investment volumes. Fees and commissions were also affected by the decline in economic activity in connection with the health crisis (- €0.4 million).
Operating expenses are under control, with a change of 1.4%.

The decrease in doubtful loans enabled BCI Mer Rouge to reduce its cost of risk, along with the continuation of a proactive provisioning policy, which increased the provision rate for non-performing loans to 85% (vs. 79% in 2019). Non-recurring items remained stable at €1.2m, thanks to the capital gain realised on the sale of its former head office.

As a result, net income at constant exchange rates was stable at €0.4 million.

CAPITAL MARKETS

Income statement: IFRS management presentation

In €m	2019	2020	2020-2019
Net banking income	120.8	147.5	22.1%
Operating expenses	-59.2	-60.1	1.4%
Gross operating profit	61.5	87.4	42.1%
Pre-tax profit on ordinary activities	61.5	87.4	42.1%

In 2020, the assets under management of money market investment vehicles provided to customers remained at a record level of €100 billion, driven by the development of the European agencies and public investors.

The short-term deposits of money-market customers have continued to be replaced, in liquid sovereign securities, repurchase agreements, covered equities, or at the Central Bank according to a distribution in accordance with the internal segregation rules.
Foreign exchange activity in conjunction with the commercial network remained very good.

Finally, the bond distribution activities posted good results.

The Capital Markets Division demonstrated the resilience of its business model during the Covid-19 crisis. 2020 NBI reached a record level of €147.5 million, up 22% vs 2019, largely due to opportunities generated by the high volatility of liquidity spreads, which boosted the results of the replacement portfolios.

CONSOLIDATED MANAGEMENT OF INVESTMENTS

Income statement: management view, excluding non-recurring items, including BPCE fees, IFRS

In €m	2019	2020	2020-2019
Net banking income	46.3	17.1	- 63.1%
Operating expenses	-38.1	-44.2	16.1%
Gross operating profit	8.2	-27.1	N/A
Cost of risk on performing loans	0.3	0.3	13.5%
Cost of risk on impaired loans	1.9	0.5	- 76.1%
Share for equity method companies	-0.0	-3.1	N/A
Gain or loss on other assets	2.9	5.2	78.6%
Pre-tax profit on ordinary activities	13.3	-24.2	N/A

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

Pre-tax profit, excluding non-recurring items, was driven by revenues from the ABS portfolio, income and revaluations of the real estate portfolio and the carry of the bond portfolio. Other asset classes made little contribution given the health environment and its impact on valuations in a context of marked risk aversion.

The change in income between 2019 and 2020 is mainly due to the lower performance of unlisted assets (private equity and real estate) and the non-contribution of the equity portfolio and its dividends given the disposals made in 2019 in order to reduce the overall risk of the asset portfolio.

NJR (wholly-owned subsidiary)

Income statement: accounting presentation, local standards

In €m	2019	2020	2020 - 2019
Net banking income	12.7	12.5	- 2%
Operating expenses	-0.9	-0.9	+ 3%
Gross operating profit	11.8	11.5	- 2%
Corporate income tax	-3.4	-2.8	- 18%
Net income	8.4	8.7	+ 4%

A Belgium-based subsidiary, NJR manages a portfolio invested in liquid ABS (Asset Backed Securities).

The defensive strategy adopted by NJR for many years has enabled the securities portfolio to withstand the turmoil caused by the Covid-19 crisis. The duration of its portfolio has been reduced further and now stands at 1.7 years. The portfolio's valuation is unchanged compared to 31 December 2019 and remains positive at +€3m. At this stage, the analysis of the underlying assets does not suggest any concerns related to the current crisis. The average spread of the portfolio at 31 December 2020 was stable at 49 points.

NJR slightly increased the size of its fixed income portfolio, which now stands at €1.5 billion. The portfolio is mainly invested in ABS (of which €1 billion is eligible for the ECB). NJR's strategy consists of concentrating on very highly rated senior assets and financing the purchase of these assets through repurchase agreements.

NBI was stable at €12.5m, thanks to the very good performance of the portfolio, which offset the drop in spreads and short-term rates. Corporate tax is less than in 2019 due to the decrease in corporate tax in Belgium to 25%.

As at 31 December 2018, net profit stood at €8.7 million.

IRR (wholly-owned subsidiary)

Income statement: accounting presentation, local standards

In €m	2019	2020	2020 - 2019
Net banking income	5.7	-3.3	N/A
Operating expenses	-1.3	-0.9	- 33%
Gross operating profit	4.3	-4.2	N/A
Corporate income tax	-1.0	0.0	N/A
Net income	3.3	-4.2	N/A

A Belgium-based subsidiary, IRR manages a portfolio invested in real-estate funds.

In 2020, IRR slowed its investment strategy in international real estate funds in light of the Covid-19 crisis. The entity's assets reached €171.6 million at the end of December. During the year, dividends and interest received on the assets was slightly greater than the financial charges on the refinancing granted by NJR. However, they did not offset the impairment provision of €4.1 million on the equity interest in Aurora.

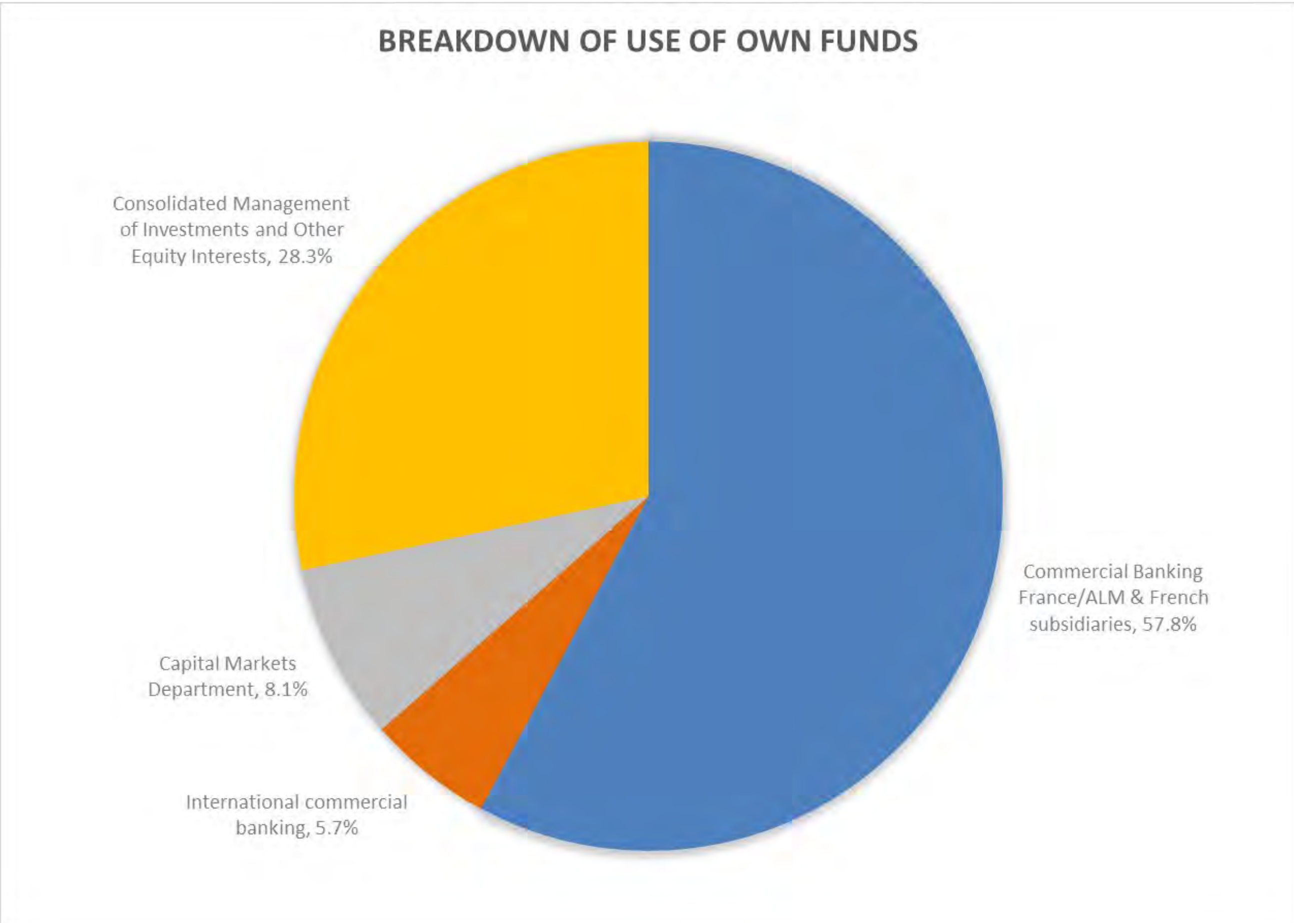
After allocation of structural expenses, net income amounted to -€4.2m.

RETURN ON EQUITY OF THE BUSINESS DIVISIONS

Group posted return on regulated equity of 7.7% (excluding non-recurrent items). As a proportion of equity as a whole, net income realised by BRED Group generated a return of 5.3%.

In €m	Net income [1] 2020	Capital	Return on capital [2]
Commercial Banking France[3] & affiliated subsidiaries	191.3	1,963.4	9.7%
International and Overseas Territories banking[4]	23.9	194.6	12.3%
Capital Markets Division	55.6	274.1	20.3%
Consolidated management of investments[5]	-8.1	962.0	-0.8%
Total (allocated equity)	262.7	3,394.1	7.7%
Unused equity		1,586.8	
BRED total	262.7	4,980.9	5.3%

(1) Net profit Group share excluding non-recurring items
(2) Equity requirement calculated as at 31/12/2020
(3) Including ALM
(4) Including international trade financing
(5) Including holding in BPCE



CONSOLIDATED BALANCE SHEET

Assets – IFRS 9

in billions of euros	2019	2020
Cash and amounts due from Central Banks	4.1	0.7
Financial assets at fair value through profit or loss	10.4	9.2
Hedging derivatives	0.1	0.1
Financial assets at fair value in equity	11.2	13.9
Securities at amortised cost	2.7	2.6
Loans and receivables due from credit institutions and assimilated at amortised cost	9.3	11.5
Loans and receivables due from customers at amortised cost	25.5	30.4
Revaluation adjustments on interest-rate risk hedged portfolio	0.0	0.0
Investments from insurance activities	7.9	8.2
Current tax assets	0.0	0.0
Deferred tax assets	0.1	0.1
Accrued income and other assets	2.1	1.4
Investments in associates	0.4	0.4
Investment property	0.0	0.0
Tangible assets	0.3	0.4
Intangible assets	0.0	0.0
Goodwill	0.0	0.0
Total assets	74.4	78.9

Liabilities – IFRS 9

in billions of euros	2019	2020
Amounts due to Central Banks	0.0	0.0
Financial liabilities at fair value through profit or loss	3.1	3.9
Hedging derivatives	0.2	0.3
Debt securities	9.2	9.0
Amounts due to credit institutions and customers	10.0	14.3
Amounts due to customers	37.6	36.9
Revaluation adjustments on interest-rate risk hedged portfolio	0.0	0.0
Current tax liabilities	0.0	0.0
Deferred tax liabilities	0.0	0.0
Accrued expenses and other liabilities	1.3	1.4
Liabilities directly linked to non-current assets held for sale	0.0	0.0
Liabilities relating to policies in insurance activities	7.9	7.9
Provisions	0.2	0.2
Subordinated debt	0.0	0.0
Shareholder's equity	4.9	5.0
Equity Group share	4.9	5.0
Capital and share premium account	*1.4*	*1.4*
Retained earnings	*3.0*	*3.4*
Gains or losses recognised directly in equity	*0.2*	*0.0*
Profit and loss for the period	*0.3*	*0.3*
Non-controlling interests	0.0	0.0
Total liabilities	74.4	78.9

The total consolidated balance sheet of BRED Group amounted to €78.9 billion at 31 December 2020, up 6.0% (€4.5bn) compared with 31 December 2019.

On the asset side, there was a significant increase in customer loans and receivables at amortised cost, up €4.9 billion, linked to the increase in production, particularly cash credits (+55% or €2.5 billion), of which €2 billion is government-guaranteed loans put in place since March 2020, real-estate loans (+13% or €1.3 billion) and equipment loans (+11% or €0.7 billion). On the liabilities side, customer deposits decreased by €0.7 billion, despite an increase in current accounts and savings accounts, due to a significant decrease in term accounts.

Cash and amounts due from central banks was down from €4.1 billion to €0.7 billion, but this was offset by the increase in current accounts, in terms of loans and receivables due from credit institutions (up €2.2 billion). In fact, assets with the Central Bank have been transferred through BRED's account at BPCE since the beginning of 2020.

The decrease in assets at fair value through profit or loss stems from the sale of shares, while the increase in asset items at fair value through shareholders' equity comes from the purchase of treasury bills.

On the liabilities side, debt securities were stable with a change of -2%. Amounts due to credit institutions increased sharply (+€4.3bn) due to the increase in term loans for €4.8bn (+65%).

BRED Group's shareholders' equity amounted to €5,008 million compared with €4,912 million as at 31 December 2019. This change is due to a €14m capital increase (corresponding to the payment of dividends in shares), the inclusion of income and the change in unrealised capital gains or losses. Minority interests stood at €27 million as at 31/12/2020 (up by €0.5 million compared with 2019).
Given the consolidated profit for financial year 2020 of €270.1 million and a balance sheet total of €78.9 billion, the asset return ratio amounts to 0.34%.

SOLVENCY AND LIQUIDITY

Equity and capital adequacy ratios

The Basel III regulation came into force on 1 January 2014. Solvency ratios are therefore presented in accordance with that regulation for the financial years 2019 and 2020.
The following definitions are derived from the Basel 3 regulations, provisions for which have been incorporated into the European Directive 2013/36/UE (CRDIV) and Regulation No. 575/2013 (CRR) of the European Parliament and of the Council. All credit institutions in the European Union are subject to compliance with the prudential requirements defined in these texts since 1 January 2014.

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 before buffers: since 2015, the minimum Tier 1 capital ratio (CET1 ratio) is 4.5%. Similarly, the minimum Tier 1 capital ratio (Q1 ratio) is 6%. Finally, the minimum total capital ratio (overall ratio) is 8%.
- Capital buffers: they were applied progressively since 2016 to be finalised in 2019:

(1) The capital conservation buffer for common equity Tier 1 capital is now equal to 2.5% of the total amount of risk exposure.
(2) 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% for 2020. The specific countercyclical buffer rate applicable to BRED is close to 0% as at 31/12/2020.
(3) For 2020, the minimum capital ratios to follow are thus 7.00% for the CET1 ratio, 8.50% for the Tier 1 ratio and 10.50% 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	2019 B3 phased in	2020 B3 phased in
Capital	1,361.6	1,375.7
Retained earnings and issue premiums	3,070.2	3,364.6
IAS/IFRS impact on retained earnings	164.3	-29.4
Net income for the year	306.8	270.1
Proposed distribution of dividends	-15.8	-17.4
Consolidated equity	**4,887.1**	**4,963.6**
Intangible fixed assets and other deductions	-37.1	-34.6
Equity instruments held in financial sector entities to be deducted from CET1	-486.5	-317.9
Negative difference between provisions and expected losses as per Basel III prudential calculations	-51.4	-28.8
Additional value adjustments in respect of prudent measurement of the trading portfolio's positions	-24.6	-36.0
Items deducted from Tier 2 exceeding Tier 2 capital	0.0	0.0
Items deducted from AT2 exceeding AT1 capital	-17.9	-14.1
Deferred tax assets on temporary differences not covered by the allowance	0.0	0.0
Other adjustments to deductions	-52.7	1.9
Common Equity Tier I (CET1)	**4,216.9**	**4,534.1**
Additional Tier 1 (AT1) instruments	**0.0**	**0.0**
Tier 2 capital before deductions	**0.0**	**0.0**
Equity instruments held in financial sector entities to be deducted from Tier 2	-2.6	-4.2
Positive difference between provisions and expected losses as per Basel III prudential calculations	34.7	64.4
Items deducted from Tier 2 exceeding Tier 2 capital	0.0	0.0
Other adjustments (1)	1.6	0.9
Tier 2 capital	**33.7**	**61.1**
Total regulatory capital	4,250.6	4,595.2

(1) 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.

Responsibility in terms of solvency

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, BRED may benefit from the implementation of a guarantee and shared support mechanism specific to the Groupe BPCE (*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 2020, CET1 capital after deductions stood at €4,534.1 million:

31/12/2019 – in €m	4,216.9
Payment of dividends in shares	14.1
Net income after proposed distribution of dividends	252.7
Other items	50.4
31/12/2020 – in €m	4,534.1

- the share capital amounted to €1,376m, up €14m over the year due to the payment, on an exceptional basis, of the interest on shares in new shares in accordance with the recommendations issued by the ECB in connection with the health crisis;
- Reserves stand at €3,365 million before appropriation of 2020 earnings, an increase of €294 million over 2019;
- Unrealised capital gains and other recyclable reserves decreased by €194 million; This decrease is mainly due to the decline in the valuation of BPCE shares;
- Deductions stood at €429 million at the end of 2020. The deduction net of allowance on equity interests stands at €318 million. Particularly, as BRED is a shareholder of BPCE SA, the amount of securities held is deducted from its capital due to the same euro being unable to cover risks in two different institutions;
- Insurance investments are treated in accordance with the Danish compromise and are therefore no longer deducted from core capital but risk weighted at 370%.

Additional Tier 1 (AT1) capital

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

BRED did not have any AT1 capital at the end of 2020. The subscription to the BPCE AT1 issue therefore impacts CET1 for an amount of €14 million net of allowance.

Tier 2 (T2) capital

Tier 2 capital equates to subordinated debt instruments of a minimum duration of five years. Since the end of 2018, BRED no longer has Tier 2 capital consisting of subordinated loans. 2020 Tier 2 capital consists of the positive difference between the "Expected Loss" and the accounting provisions on performing or doubtful loans, minus deductions on securities.

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 2020, BRED Group weighted risks stood at €26,159 million under the Basel III regulations (i.e. capital requirement of €2,092.7 million), an increase of €167 million. This rise is the result of the continued dynamism of the credit business in 2020 and by the further growth of BRED Group in France and abroad.

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

- €6.4 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.
- €92 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%.

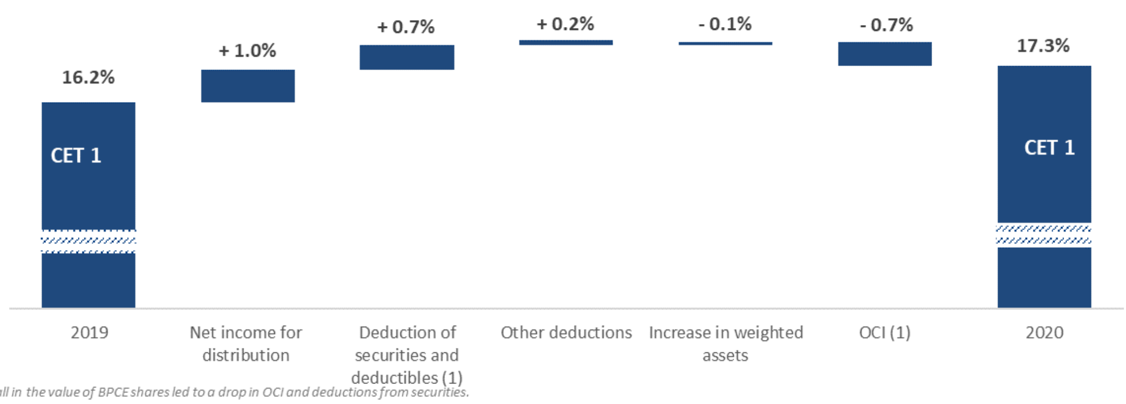
Capital adequacy ratio

As BRED Group's prudential capital was mainly composed of CET1 core capital at 31/12/2020, its overall capital adequacy ratio is slightly above its CET1 capital adequacy ratio.
It stood at the healthy level of 17.57% at the end of the period (higher than the regulatory minimum for 2020), a rise of 1.22 points over the year.

In €m	2019 B3 phased in	2020 B3 phased in
Common Equity Tier 1 (CET 1) capital	4,216.9	4,534.1
Additional Tier 1 (AT1) instruments	0.0	0.0
Tier 2 capital after deductions	33.7	61.1
Regulatory capital	4,250.6	4,595.2
Credit and counterparty risk	22,413.2	22,899.5
Market risk	1,567.0	1,205.9
Operational risk	2,012.1	2,053.9
Total requirements	25,992.3	26,159.3
Overall ratio	16.35%	17.57%
of which, Common Equity Tier 1 ratio	16.22%	17.33%

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: 2019 vs. 2020



(1) The fall in the value of BPCE shares led to a drop in OCI and deductions from securities.

Weighted risks excluding Basel III capital adequacy allowance

Total RWA €26bn, including €2.9bn in allowances

Leverage ratio

The main purpose of the leverage ratio is to serve as an additional risk measurement for determining regulatory capital requirements. Article 429 of the CRR, specifying the methods for calculating the leverage ratio, was amended by Commission Delegated Regulation (EU) 2015/62 of 10 October 2014.
The leverage ratio has been subject to mandatory publication since 1 January 2015, but formal implementation will take place on 30 June 2021 with the application of CRR2.

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, securities financing transactions and items deducted from capital. The minimum leverage ratio requirement is 3%.

At the close of 2020, BRED Group's leverage ratio based on Tier 1 capital stood at 6.09% against 5.90% at 31 December 2019. The increase of 0.2 points results from the capital strengthening in 2019 and an increase in exposures.

In €m	2019 B3 phased in	2020 B3 phased in
Tier 1 core capital	4,216.9	4,534.1
Leverage exposures	71,467.5	74,430.2
Leverage ratio	5.90%	6.09%

Liquidity

The business model of the French commercial bank is based on maintaining a prudent structure in terms of the balance of customer loans/deposits. The loans/deposits ratio excluding financial customers benefited from the good performance of mobilisations of funds and stood at 108% at 31 December 2020.

BRED's LCR (Liquidity Coverage Ratio) stood at 160% at 31 December 2020 for a regulatory minimum requirement of 100%.

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 decentralised.

Company financial statements

BRED's accounting information system is structured in a sufficiently granular manner to allow regular monitoring of transactions and to meet all accounting and regulatory requirements.

The banking production departments determine the accounting entries for banking transactions with assistance from the accounting department 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 are the basis of these documents are monitored and controlled at the first level by the banking production departments;
- in conjunction with the General Accounting Department, Management Control produces financial information related to market activities. A dedicated back office manages the accounts that provide the basis for this activity;
- a dedicated committee (the Market Activities Accounting Organisation Committee), comprising the back office, Management Control and the General Accounting Department, meets periodically to examine accounting issues specific to these activities.

Consolidated financial statements

The accounting information needed to prepare BRED Group's consolidated financial statements and to contribute to those of the Groupe BPCE is recorded in the consolidation application used by all BPCE entities.

The General Accounting Department is responsible for monitoring the internal consistency of the consolidation scopes, charts of accounts, accounting methods and analyses used by all BRED consolidated entities in compliance with Groupe BPCE 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.

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 control

A second-level branch of permanent control, Financial Control reports hierarchically to the CFO on its responsibilities for helping to ensure the production of reliable accounting and financial data. This department reports functionally to the Risk, Compliance & Permanent Control Director.
BRED Group Financial Control applies the Groupe BPCE guidelines on the quality of accounting information validated by the Group Internal Control Coordination Committee (3CIG dated 17 June 2020). The financial control takes part in the control process of the following domains: company accounts, consolidated statements, regulatory reporting, tax returns and accounting fraud. The scope of the financial control covers BRED Group as a whole, i.e. BRED SA and its subsidiaries. The monitoring of subsidiaries covers those identified as falling within the financial control coordinating scope in accordance with the criteria and thresholds defined by the Groupe BPCE.

The financial control 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 subsidiaries or the relevant operational departments. To fulfil its duties, the financial control draws on the control work performed within the Finance Department and the work carried out by the other risk domains when necessary.

The central financial control team is responsible for supervising the functional link with the permanent controllers. This functional link in particular ensures regular reporting by the permanent control officers according to formats, methodology and instructions that it determined as a function of the various Groupe BPCE requirements. Financial control is also involved in the appointment and individual assessment of the permanent control officers concerned.

Financial control is also responsible for internal communication with BRED Group’s various control functions, including the Audit and Accounts Committee. It is responsible for communication on accounting and financial control matters to BPCE, the statutory auditors and the supervisory authorities. Financial control is also responsible for monitoring the appointment and renewal of the statutory auditors in accordance with the rules defined in BPCE standards.

POST-CLOSING EVENTS

On 9 February 2021, BPCE S.A. announced its intention to acquire the shares of Natixis S.A. that it did not hold, or approximately 29.3% at 31 December 2020, and to submit a simplified public purchase offer to the Autorité des Marchés Financiers (AMF).

This proposed public offer, at the price of €4.00 per share (dividend attached), will be subject to review by the AMF and will, where applicable, be followed by a compulsory withdrawal if the conditions for implementation are met. This proposed offer, performed with Natixis’ minority interests, will have no impact on BPCE's control over Natixis and has no impact on the valuation of BPCE shares used to prepare the consolidated financial statements of BRED Banque Populaire Group. For information, the fair value of BPCE securities as used in the IFRS consolidated financial statements, or €774 million (creating a negative €39.4 million OCI) was established using a fair value of Natixis shares of €3.77 per share. This fair value is based on the share price at 31 December 2020 and the price targets (after taking into account a control premium).

OUTLOOK

After 2020, a year marked by the global Covid-19 pandemic and its consequences for many economic sectors, 2021 could mark a start of the normalisation of the health situation. However, it is unlikely that the pre-crisis level of activity will be recovered before 2022, especially as the pandemic, with the emergence of variants, will last longer than expected, leading to an increasingly weakened economy.

Support and stimulus plans, although essential, are contributing to a sharp rise in public debt. Companies, for their part, will have to face recapitalisation needs, without which their investment capacity will be very limited. In the context of an inevitable gradual withdrawal of public aid, it is likely that banks will have to deal with high cost of risk over a prolonged period, particularly in the sectors most affected by the crisis (hotels, restaurants, tourism, aviation, etc.), which BRED is fully prepared for.

Despite this economic environment, BRED will continue to play the role it has always played in the economic development of the regions in which it operates, while focusing on the diversity of its business lines.
Our bank will strive to maintain the long-term relationship with its customers, without distance, by offering value-added solutions, whether they are individuals, professionals, companies or institutional investors.

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 Groupe BPCE's universal registration document.

EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES

Disclosure of excessive expenditure

In accordance with the provisions of Article 223c of the French Tax Code, the financial statements for the financial year ended 31 December 2020 report a sum of €159,081 corresponding to non-tax deductible excessive expenditures.

Consequently, the tax incurred in respect of said expenses and charges amounts to 50,937.74 euros.

These excessive expenditures correspond to the non-deductible portion of rents on BRED Banque Populaire's service vehicles.

PAYMENT TIMES FOR SUPPLIERS AND CUSTOMERS

Supplier payment times

In euros	1 to 30 days	31 to 60 days	61 to 90 days	91 days +	Total
(A) Late payment brackets					
Number of invoices affected					500.00
Total value of invoices affected (including tax)	4,075,954	507,883	46,342	208,094	4,838,274
Percentage of the total value of purchases for the fiscal year (including tax)					
(B) Invoices excluded from (A) relating to disputed or unrecorded liabilities and receivables					
Number of invoices excluded	None				
Total value of invoices excluded	None				
(C) Reference payment terms used (contractual or legal – Article L.441-6 or Article L.443-1 of the French Commercial Code)					
Payment terms used to calculate late payment penalties	Contractual payment terms: 30 days from date of invoice				

Customer payment times

The only invoices issued by BRED that do not relate to banking transactions are those relating to intra-group transactions, which are mainly debited. Invoices not paid by 31 December 2020 are not significant.

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 31/12/2020
Number of inactive accounts open in the institution's books	78,179
Total outstandings recorded in the said inactive accounts	€ 172,408,831.48
Number of accounts whose credit balances have been deposited with Caisse des Depots et Consignations	1,724
Total amount of funds deposited with Caisse des Depots et Consignations	€ 3,216,762.41

3
Annual consolidated financial statements

1 – FINANCIAL REPORT

Consolidated financial statements

1.1.1 - Consolidated income statement

in thousands of euros	*Notes*	2020 financial year	2019 financial year
Interest and similar income	*4.1*	977,938	949,533
Interest and similar expense	*4.1*	-360,678	-392,968
Fee and commission income	*4.2*	458,305	477,712
Fee and commission expense	*4.2*	-127,406	-149,887
Net gains or losses on financial instruments at fair value through profit or loss	*4.3*	99,060	178,519
Net gains or losses on financial instruments at fair value through equity	*4.4*	95,223	37,624
Net gains or losses from the derecognition of financial assets at amortised cost	*4.5*	0	814
Net gains or losses resulting from the reclassification of financial assets at amortised cost in financial assets at fair value through profit or loss	*5.7*	-	-
Net gains or losses resulting from the reclassification of financial assets at fair value through equity in financial assets at fair value through profit or loss	*5.7*	-	-
Net income from insurance activities	*9.2.1*	150,733	134,976
Income from other activities	*4.6*	15,006	23,916
Expenses from other activities	*4.6*	-25,111	-8,287
Net banking income		**1,283,070**	**1,251,952**
Operating expenses	*4.7*	-705,036	-701,260
Depreciation, amortisation and impairment for property, plant and equipment and intangible assets		-65,473	-52,123
Gross operating income		**512,562**	**498,569**
Cost of credit risk	*7.1.1*	-161,559	-79,946
Operating income		**351,003**	**418,623**
Share in net income of associates and joint ventures accounted for under the equity method	*12.4.2*	18,902	25,254
Net gains or losses on other assets	*4.8*	5,224	2,925
Change in the value of goodwill	*3.5.2*	0	863
Profit before tax		**375,129**	**447,665**
Income tax expense	*11.1*	-104,840	-139,716
Net tax income from discontinued operations		0	0
Net income		**270,289**	**307,949**
Non-controlling interests	*5.17*	-150	-1,180
NET INCOME ATTRIBUTABLE TO GROUP		**270,139**	**306,769**

1.1.2 - Comprehensive income

in thousands of euros	2020 financial year	2019 financial year
Net income	**270,289**	**307,949**
Items that can be recognised in net earnings	**-10,835**	**25,429**
Translation differences	-6,197	-336
Revaluation of financial assets at fair value through equity that can be recycled	15,105	32,772
Revaluation of available-for-sale assets from insurance activities	1,582	6,127
Revaluation of derivative hedges of items that can be recycled	-10,003	-1,370
Share of gains or losses recognised directly in equity of companies accounted for under the equity method	-7,952	-2,505
Other items recognised in equity that can be recycled		0
Related taxes	-3,370	-9,259
Items that cannot be recognised in net earnings	**-185,142**	**2,615**
Revaluation of intangible assets		
Revaluation (or actuarial gains or losses) relating to defined-benefit schemes	-1,804	-15,443
Revaluation of the credit risk on financial liabilities recognised at fair value through profit or loss		
Revaluation of equity financial assets recognised in financial assets at fair value through equity	-189,249	22,619
Share of gains or losses recognised directly in equity of companies accounted for under the equity method	-393	-2,623
Other items recognised through other comprehensive income on items not recyclable to income		
Related taxes	6,304	-1,938
Total gains and losses recognised directly in equity	**-195,977**	**28,044**
GENERAL TOTAL	**74,312**	**335,993**
Attributable to equity holders of the parent company	76,461	334,777
Non-controlling interests	-2,149	1,216

1.1.3 - Consolidated balance sheet

ASSETS

in thousands of euros	***Notes***	**31/12/20**	**31/12/19**
Cash and amounts due from central banks	*5.1*	701,807	4,101,258
Financial assets at fair value through profit or loss	*5.2.1*	9,160,913	10,417,695
Hedging derivatives	*5.3*	123,866	147,217
Financial assets at fair value through equity	*5.4*	13,898,050	11,249,050
Securities at amortised cost	*5.5.1*	2,646,667	2,686,845
Loans and receivables due from credit institutions and assimilated at amortised cost	*5.5.2*	11,469,997	9,342,403
Loans and receivables due from customers at amortised cost	*5.5.3*	30,370,965	25,521,579
Revaluation adjustments on interest-rate risk hedged portfolio		3,476	3,917
Investments from insurance activities	*9.1.1*	8,206,859	7,945,957
Current tax assets		34,864	29,646
Deferred tax assets	*11.1*	117,550	99,353
Accrued income and other assets	*5.7*	1,401,477	2,141,793
Non-current assets held for sale	*5.8*	0	0
Deferred profit-sharing	*9.1.16*	0	0
Investments in companies accounted for under the equity method	*12.4.1*	381,464	379,391
Investment property	*5.9*	2,344	2,384
Tangible assets	*5.10*	352,026	335,501
Intangible assets	*5.10*	32,999	34,530
Goodwill		0	0
TOTAL ASSETS		**78,905,324**	**74,438,519**

LIABILITIES

in thousands of euros	***Notes***	**31/12/20**	**31/12/19**
Amounts due from central banks		6	7
Financial liabilities at fair value through profit or loss	*5.2.2*	3,903,730	3,137,676
Hedging derivatives		344,944	223,398
Debt securities	*5.11*	8,953,591	9,197,799
Amounts due to credit institutions and equivalent	*5.12.1*	14,309,893	10,038,312
Amounts due to customers	*5.12.2*	36,930,813	37,550,270
Revaluation adjustments on interest-rate risk hedged portfolio		14,410	26,486
Current tax liabilities		1,338	4,496
Deferred tax liabilities		1,992	3,004
Accrued expenses and other liabilities	*5.13*	1,385,061	1,290,349
Liabilities directly linked to non-current assets held for sale		0	0
Liabilities relating to policies in insurance activities	*9.1.11*	7,859,693	7,873,438
Provisions	*5.14*	185,561	174,750
Subordinated debt	*5.15*	6,554	6,102
Equity		**5,007,738**	**4,912,432**
Equity attributable to equity holders of the parent company		***4,980,998***	**4,886,167**
Capital and share premium account		*1,383,200*	1,369,110
Retained earnings		*3,357,072*	3,046,024
Gains and losses posted directly in other comprehensive income		*-29,413*	164,264
Profit and loss for the period		*270,139*	306,769
Non-controlling interests		**26,740**	26,265
TOTAL LIABILITIES AND NET EQUITY		**78,905,324**	**74,438,519**

1.1.4 - Statement of changes in members' equity

	Capital and share premium account				
in thousands of euros	Equity [(1)]	Premiums [(1)]	Preferred shares	Undated deeply subordinated securities	Retained earnings
Equity at 1 January 2019	**1,176,070**	**7,482**	**0**	**0**	**3,069,201**
Distribution	0	0	0	0	-15,770
Capital increase					
Redemption of deeply subordinated securities					
Remuneration of deeply subordinated securities					
Capital increase	185,558	0	0	0	-5,227
Impact of acquisitions and disposals on non-controlling interests					
Total movements linked to relations with members	***185,558***	***0***	***0***	***0***	**-20,997**
Gains and losses posted directly in other comprehensive income	0	0	0	0	**0**
Impact of acquisitions and disposals on non-controlling interests	0	0	0	0	**0**
Profit and loss for the period	0	0	0	0	**0**
Comprehensive income	***0***	***0***	***0***	***0***	**0**
Other changes	***0***	***0***	***0***	***0***	**-2,180**
Equity at 31 December 2019	**1,361,628**	**7,482**	**0**	**0**	**3,046,024**
Allocation of profit or loss for the year	0	0	0	0	**306,769**
Equity at 1 January 2020	**1,361,628**	**7,482**	**0**	**0**	**3,352,793**
Distribution (1)	14,090	0	0	0	**-17,379**
Capital increase	0	0	0	0	**0**
Other movements	0	0	0	0	**16,753**
Impact of acquisitions and disposals on non-controlling interests	0	0	0	0	**0**
Total movements linked to relations with members	***14,090***	***0***	***0***	***0***	**-626**
Gains and losses posted directly in other comprehensive income	0	0	0	0	**0**
Profit and loss for the period	0	0	0	0	**0**
Comprehensive income	***0***	***0***	***0***	***0***	**0**
Other changes	0	0	0	0	**4,905**
Equity at 31 December 2020	**1,375,718**	**7,482**	**0**	**0**	**3,357,072**

	Capital and share premium account					Gains and losses posted directly in other comprehensive income										
						Recyclable				Non-recyclable						
in thousands of euros	Equity [(1)]	Premiums [(1)]	Preferred shares	Undated deeply subordinated securities	Retained earnings	Translation reserves	Financial assets of debt at fair value through equity	Available-for-sale assets from insurance activities	Change in fair value of hedging derivatives	Equity financial assets recognised in financial assets at fair value through equity	Revaluation of the credit risk on financial liabilities recognised at fair value through profit or loss	Revaluation reserve on social liabilities	Net income (Group share)	Total shareholders' equity (Group share)	Non-controlling interests	Total consolidated capital
Equity at 1 January 2019	**1,176,070**	**7,482**	**0**	**0**	**3,069,201**	**605**	**4,378**	**1,063**	**8,343**	**131,747**	**0**	**-9,880**	**0**	**4,389,010**	**25,117**	**4,414,127**
Distribution	0	0	0	0	-15,770	0	0	0	0	0	0	0	0	-15,770	0	-15,770
Capital increase																
Redemption of deeply subordinated securities																
Remuneration of deeply subordinated securities																
Capital increase	185,558	0	0	0	-5,227	0	0	0	0	0	0	0	0	180,331	0	180,331
Impact of acquisitions and disposals on non-controlling interests																
Total movements linked to relations with members	***185,558***	***0***	***0***	***0***	**-20,997**	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	**164,561**	***0***	**164,561**
Gains and losses posted directly in other comprehensive income	0	0	0	0	0	-601	23,938	4,544	-2,486	14,431	0	-11,816	0	28,008	36	28,044
Impact of acquisitions and disposals on non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit and loss for the period	0	0	0	0	0	0	0	0	0	0	0	0	306,769	306,769	1,180	307,949
Comprehensive income	***0***	***0***	***0***	***0***	0	***-601***	***23,938***	***4,544***	***-2,486***	***14,431***	***0***	***-11,816***	***306,769***	334,777	***1,216***	335,993
Other changes	***0***	***0***	***0***	***0***	-2,180	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	-2,180	***-68***	-2,249
Equity at 31 December 2019	**1,361,628**	**7,482**	**0**	**0**	**3,046,024**	**3**	**28,316**	**5,606**	**5,857**	**146,178**	**0**	**-21,695**	**306,769**	**4,886,167**	**26,265**	**4,912,432**
Allocation of profit or loss for the year	0	0	0	0	306,769	0	0	0	0	0	0	0	-306,769	0	0	0
Equity at 1 January 2020	**1,361,628**	**7,482**	**0**	**0**	**3,352,793**	**3**	**28,316**	**5,606**	**5,857**	**146,178**	**0**	**-21,695**	**0**	**4,886,167**	**26,265**	**4,912,432**
Distribution (1)	14,090	0	0	0	-17,379	0	0	0	0	0	0	0	0	-3,289	0	-3,289
Capital increase	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	16,753	0	0	0	0	0	0	0	0	16,753		16,753
Impact of acquisitions and disposals on non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total movements linked to relations with members	***14,090***	***0***	***0***	***0***	-626	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	13,464	***0***	13,464
Gains and losses posted directly in other comprehensive income	0	0	0	0	0	-9,728	10,972	1,175	-10,956	-183,648	0	-1,493	0	-193,678	-2,299	-195,977
Profit and loss for the period	0	0	0	0	0	0	0	0	0	0	0	0	270,139	270,139	150	270,289
Comprehensive income	***0***	***0***	***0***	***0***	0	***-9,728***	***10,972***	***1,175***	***-10,956***	***-183,648***	***0***	***-1,493***	***270,139***	76,461	***-2,149***	74,312
Other changes	0	0	0	0	4,905	0	0	0	0	0	0	0	0	4,906	2,624	7,530
Equity at 31 December 2020	**1,375,718**	**7,482**	**0**	**0**	**3,357,072**	**-9,725**	**39,288**	**6,781**	**-5,099**	**-37,470**	**0**	**-23,188**	**270,139**	**4,980,998**	**26,740**	**5,007,738**

[(1)] On 27 July 2020, the European Central Bank issued a new recommendation no. ECB/2020/35, reiterating its position expressed on 27 March 2020, asking credit institutions to refrain from paying a dividend in cash until 1 January 2021. At 30 September 2020, BRED Banque Populaire distributed €14 million in interest on cooperative shares. This distribution was made by issuing new cooperative shares as a substitute for a full cash payment.

1.1.5 - Statement of cash flows

in thousands of euros	31/12/20	31/12/19
Profit before tax	**375,128**	**447,665**
Depreciation and amortisation of property, plant, equipment and intangible assets	66,565	52,738
Goodwill impairment		
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	7,913	402,311
Share of profit of companies accounted for under the equity method	-10,677	-14,720
Share of net income (loss) of associates	-56,930	-34,071
Net loss (gain) on investing activities		
Other movements	-210,340	-297,388
Total non-cash items included in pre-tax income	***-203,469***	***108,870***
Cash flows arising from transactions with credit institutions	6,763,614	2,371,915
Cash flows arising from transactions with customers	-5,316,413	-157,754
Cash flows arising from other transactions involving financial assets or financial liabilities	-1,156,528	-3,574,604
Cash flows arising from other transactions involving non-financial assets or non-financial liabilities	354,042	-726,729
Tax paid	-128,263	-138,181
Net increase/(decrease) in operating assets and liabilities	***516,452***	***-2,225,353***
Net cash flows generated by operating activities (A) – Ongoing operations	**688,110**	**-1,668,818**
Net cash flows generated by operating activities (A) – Discontinued operations		
Cash flows related to financial assets and equity interests	73,128	381,277
Cash flows related to investment property	-174	-69
Cash flows related to property, plant, equipment and intangible assets	-64,498	-93,699
Net cash flows generated by investing activities (B) – Ongoing operations	**8,456**	**287,509**
Net cash flows generated by investing activities (B) – Discontinued operations		
Net increase (decrease) arising from transactions with shareholders	-806	164,585
Cash flows from financing activities	762	-536
Net cash flows generated by financing activities (C) – Ongoing operations	**-44**	**164,049**
Net cash flows generated by financing activities (D) – Discontinued operations	**6,167**	**-7,088**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**702,689**	**-1,224,347**
CASH FLOWS ON ASSETS AND LIABILITIES HELD FOR SALE		
Cash in hand and at central banks	**4,103,355**	**6,104,980**
Cash and net balance of accounts with central banks (assets)		
Due to central banks (liabilities)		
Net balance of demand transactions with credit institutions		
Overdrafts on current accounts (1)	1,129,280	716,789
Demand accounts and loans		
Demand accounts in credit	-1,615,687	-1,980,473
Demand repurchase agreements		
Cash and cash equivalents at the start of the year	**3,616,949**	**4,841,296**
Cash in hand and at central banks	**701,800**	**4,103,356**
Cash and net balance of accounts with central banks (assets)		
Due to central banks (liabilities)		
Net balance of demand transactions with credit institutions		
Overdrafts on current accounts (1)	4,769,279	1,129,280
Demand accounts and loans		
Demand accounts in credit	-1,151,441	-1,615,687
Demand repurchase agreements		
Cash and cash equivalents at year-end	**4,319,638**	**3,616,949**
CHANGE IN NET CASH AND CASH EQUIVALENTS	**702,689**	**-1,224,347**

[1] The overdrafts on current accounts do not include funds in passbook deposit accounts (Livret A, LDD or LEP), which are centralised within the Caisse des Dépôts et Consignations.

NOTE 1 - GENERAL BACKGROUND

1.1 - Groupe BPCE

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

The two Banque Populaire and Caisse d'Epargne networks

Groupe BPCE is a cooperative group whose cooperative members own the two retail banking networks, comprising the 14 Banque Populaire banks and the 15 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 institution 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 15 Caisses d'Epargne and 14 Banque Populaire banks.
BPCE's missions are closely linked to the cooperative principles of the Banques Populaires and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services that they offer, organises depositor protection, approves key management appointments and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group. It owns the subsidiaries common to both networks in local banking and insurance, corporate banking and financial services, and their production entities. It also defines the Group's corporate strategy and growth policy.

The network and BPCE's main subsidiaries, including Natixis, a listed company in which BPCE holds a 70.662% stake, are arranged into three major divisions:

- Retail Banking and Insurance, including the Banque Populaire network, the Caisse d'Epargne network, the Solutions & Financial Expertise division (including factoring, consumer credit, leasing, sureties & financial guarantees and the Retail Securities business), the Payments and Insurance divisions of Natixis and the Other Networks (mainly Banque Palatine);
- Asset and Wealth Management;
- and Corporate Banking.

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.

1.2 - Guarantee mechanism

As provided for in Articles L. 511-31 and 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 Groupe BPCE and its affiliates and to organise the mutual financial support that binds them.

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 Banque Populaire Network Fund and the Caisse d'Epargne Network Fund and has put in place the Mutual Guarantee Fund (*Fonds de Garantie Mutuel*).

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

The **Caisse d'Epargne Network Fund** consists of a deposit of €450 million by the Caisses d'Epargne 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 ten-year term deposits. The amount of deposits per network is €176 million at 31 December 2020.

The total amount of deposits made with BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% or more than 0.3% of the Group's total risk-weighted assets.

In the entities' individual financial statements, deposits made under the guarantee and shared support mechanism are recognised in equity under a separate heading.

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 solvency adequacy guarantee in their capacity as affiliates of the central institution.

The liquidity and capital adequacy of the local savings companies are guaranteed in respect of each savings company by the Caisse d'Epargne 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 - Significant events

Increase in the capital of BRED Banque Populaire

BRED Banque Populaire remunerated the cooperative shares in respect of 2019 in accordance with the recommendation issued on 27 March 2020 by the European Central Bank (ECB) in the context of the global health crisis, on an exceptional basis, in new cooperative shares. This transaction led to the creation of 1,352,196 new cooperative shares with a value of €10.42; the corresponding capital increase amounted to €14,089,882.32. The share capital now stands at €1,375,717,807.62.

The share capital is divided into one hundred and thirty-two million twenty-six thousand six hundred and sixty-one (130,026,661) shares with a par value of ten euros and forty-two cents (€10.42) each, fully paid up and all of the same category.
BRED Banque Populaire did not carry out any further capital increases in 2020.

Covid-19

2020 was marked by the Covid-19 health crisis. The rapid spread of the epidemic (recognised as a pandemic by the World Health Organisation since 11 March 2020) caused a deterioration in the global economic situation, affecting many business sectors and having a significant impact on the economic activities of many countries. Travel restrictions in affected areas and supply chain disruption due to closures of industrial and commercial companies during 2020 have had a clear impact on economic value chains in the affected geographical areas and business sectors (income from tourism, air transport, local sales, etc.).

In order to support the economy during this health crisis, national governments announced measures to provide financial and non-financial assistance to affected business sectors.

The Covid-19 crisis also spread to the financial world, leading in particular to very high volatility and erratic market fluctuations. In an environment characterised by a high degree of uncertainty, BRED Banque Populaire Group took into account the effects of the crisis, as they could be assessed at the reporting date, when determining the valuation of financial assets and liabilities, as well as impairment charges and provisions in its financial statements at 31 December 2020.

The impact of the crisis on the financial statements at 31 December 2020 is detailed in note 1.5.

1.4 - Events after the end of the reporting period

On 9 February 2021, BPCE S.A. announced its intention to acquire the shares of Natixis S.A. that it did not hold, approximately 29.3% at 31 December 2020, and to submit a simplified public offer to the Autorité des Marchés Financiers (AMF).

This draft public offer, at the price of €4.00 per share (cum dividend), will be examined by the AMF and will, where applicable, be followed by a compulsory withdrawal if the conditions for implementation are met. This draft offer, made with Natixis’ minority interests, will have no impact on BPCE's control over Natixis and has no impact on the valuation of the BPCE securities used to prepare the consolidated financial statements of BRED Banque Populaire Group. For information, the fair value of the BPCE securities used in the IFRS consolidated financial statements, €774m (creating €39.4 million in negative OCI) was established using a fair value of the Natixis securities of €3.77 per share. This fair value is based on the share price at 31 December 2020 and price targets (after taking into account a control premium).

1.5 - Impact of the health crisis on the financial statements

The effects of the health crisis on BRED Group’s consolidated financial statements are described in the following paragraphs and in the Credit Risk sections.

1.5.1 - Economic support measures

As of 15 March 2020 prior to the announcement of the lockdown in France, the French Banking Federation (FBF) declared that French banks would make a concerted effort to support their customers, in particular retailers, professionals and small and medium-sized enterprises, which could face difficulties as a result of the Covid-19 epidemic temporarily affecting their activity.

In this context, BRED Banque Populaire Group undertook to help its professional and corporate customers facing cash flow difficulties by actively implementing the economic support measures agreed by the government:

- Deferment of loan repayments for companies, without penalties or additional costs,
- Distribution of government-backed loans.

The economic support measures taken during the 2020 financial year are described below. More detailed information on loans and advances subject to forbearance is presented in Pillar 3.

1.5.1.1 - Government-backed loans (PGE)

Government-backed loans (PGE - *Prêts Garantis par l'État*) are a support measure established pursuant to Article 6 of Act no. 2020-289 of 23 March 2020 amending the 2020 Finance Act and the Minister of Economy and Finance's decree of 23 March 2020 granting a government guarantee to credit institutions and financing companies from 16 March 2020 in order to meet the cash flow requirements of companies affected by the Covid-19 health crisis. The measure was extended until 30 June 2021 by the 2021 Finance Act. PGEs must meet the eligibility criteria common to all institutions distributing these loans defined by law.

PGEs are one-year cash loans with deferred repayment terms over this period. Beneficiary companies can decide, at the end of the first year, to amortise the PGE over a period of one to five additional years or to start paying off the capital only from the second year of the amortisation period by paying only the interest and the cost of the government guarantee.

For eligible companies, the amount of the PGE is capped, generally (excluding innovative and recently set up companies, and excluding Seasonal PGEs for our tourism/hospitality/catering companies, for example), at 25% of the company's turnover. PGEs benefits from a 70 to 90% government guarantee depending on the size of the undertaking, with banks thus retaining the residual risk. The government guarantee covers a percentage of the outstanding amount of the debt (capital, interest and incidentals) until its maturity. The government guarantee may be called before maturity in the event of a credit event.

A reasonable early repayment penalty is set in the agreement (2% of the outstanding capital during the initial period of the loan, 3 to 6% of the outstanding capital during the loan amortisation period). The extension conditions are not fixed in advance but are set two to three months before the expiry of the extension option, depending on market conditions.

PGEs may not be covered by a security interest or guarantee other than the government guarantee unless they are granted under a Minister of Economy and Finance decree. Professionals and managers may ask or be asked to take out death insurance, but this may not be imposed.

Given these characteristics, PGEs meet basic loan criteria (see note 2.5.1). They are recognised under "amortised cost" as they are held in a hold-to-collect business model the aim of which is to hold loans to collect their cash flows (see note 2.5.1). On subsequent balance sheet dates, they will be measured at amortised cost using the effective interest method.

With regard to the government guarantee, it is considered an integral part of the terms of the agreement and is taken into account when calculating impairment charges for expected credit losses. The guarantee fee paid to the French government when the loan is granted by Groupe BPCE is recognised in profit or loss over the initial term of the PGE using the effective interest rate (EIR) method. The impact is presented in the net interest margin.

A PGE granted to a counterparty considered doubtful at the start (Stage 3) is classified as POCI (*Purchased or Originated Credit Impaired*).

However, the granting of a PGE to a given counterparty does not, on its own, constitute a risk aggravation criterion, which must lead to this counterparty's other loans being moved to Stage 2 or 3.

At 31 December 2020, 12,567 PGEs had been disbursed by BRED Banque Populaire for €2,042 million.
Information on the segmentation of the loans granted under government guarantees in response to the Covid-19 crisis is presented in the Credit Risk section of Pillar 3.

1.5.1.2 - Deferral of loan repayments (forbearance) and other loan restructuring

In the context of the Covid-19 crisis, BRED Banque Populaire Group granted its retailer, professional, SME and large corporate customers concessions in various forms (temporary suspension of maturities, rescheduling, renegotiation) to help them overcome temporary cash flow difficulties caused by the crisis.

Broad-based measures

As soon as the lockdown was announced in France, BRED Banque Populaire offered to defer loan maturities, including capital and interest, for six months for its professional and SME customers in specific business sectors. Subsequently, other broad-based measures were granted to specific business sectors, such as deferment for up to twelve months of loan maturities to small and medium-sized enterprises in the tourism, hospitality and catering sectors.

The conditions of these moratoria are part of the general forbearance provisions defined in Article 10 of the EBA Guidelines (EBA/GL/2020/02) published on 2 April 2020 and amended on 2 December 2020 (EBA/GL/2020/15). In France, the market protocol has not been updated with regard to this last amendment.
Pursuant to this text, the granting of general moratoria, without specific conditions, to counterparties that did not have financial difficulties prior to the Covid-19 crisis, does not constitute on its own an indicator of a significant aggravation of credit risk. Thus, the implementation of a broad-based moratorium to deal with a temporary liquidity crisis in the context of the Covid-19 crisis does not result in an automatic downgrade to Stage 2 (or Stage 3 when the loss is more than 1% of the difference between the net present value before restructuring and the net present value after restructuring) of loans classified as Stage 1 before this crisis.

At 31 December 2020, 18,303 loans granted by BRED Banque Populaire Group, representing €1,158 million (of which €764 million granted to small and medium-sized enterprises) were subject to forbearance measures. The duration of the moratorium can be up to twelve months for the tourism, hospitality and catering sectors.

Individual measures

In addition, BRED Banque Populaire Group helped its customers individually:

- for BRED SA, Sofider and Soredom, by granting them different forms of concessions (moratoria, rescheduling or other changes to loan terms) the terms of which have been set based on the customer's individual situation. When granting such a concession, specific analysis is carried out to identify whether the counterparty shows signs of being in financial difficulty at that date. If such an indicator is found, the outstanding is downgraded to Stage 2 (or Stage 3 when the loss is greater than 1% of the difference between the net present value before restructuring and the net present value after restructuring), which results in an adjustment to its provisioning level;
- for the other subsidiaries (excluding BRED Bank Cambodia and BCI Mer Rouge), by moratoria for which dedicated provisioning was put in place; it takes into account customers’ sector exposure to the Covid crisis.

Moratoria granted by the Group’s institutions are generally charged at the loan’s initial interest rate, which means that interest continues to accrue during the forbearance period. At the end of the moratorium period, the interest is included in the principal of the loan and repaid over the residual term of the loan (extended due to the forbearance). In this case, the moratorium does not involve any loss of cash flow for the bank. No impact on income therefore needs to be recognised. In practice, the granting of moratoria on their own does not result in derecognition of the receivable insofar as they do not significantly affect the net economic value of the loan.

More detailed information on forbearance within the context of government guarantees in response to the Covid-19 crisis is presented in the Credit Risk section of Pillar 3.

1.5.2 - Consequences on the use of estimates

1.5.2.1 - Impairment of credit risk

In 2020, BRED Banque Populaire Group's cost of credit risk amounted to €162 million, up significantly compared to 2019, mainly due to the increase in expected credit losses in the context of the Covid-19 crisis.

BRED Banque Populaire Group relies primarily on Groupe BPCE's models to calculate impairment charges on healthy loans.

The health crisis has had a significant impact on the economy, with significant repercussions on many business sectors. Due to the exceptional circumstances and uncertainties, Groupe BPCE relied on the various statements published by ESMA, the EBA, the ECB and the IASB to determine expected credit losses in the context of the Covid-19 crisis.

With this in mind, Groupe BPCE reviewed its macroeconomic (forward-looking) forecasts and adapted them to take account of the specific context of Covid-19 and the economic support measures. The group used three main scenarios to calculate the IFRS 9 provisioning inputs with projections up to 2023:

- The central scenario was updated based on scenarios determined by the Group's economists in September 2020;
- A pessimistic scenario, corresponding to worse performance of the macroeconomic variables defined under the central scenario;
- An optimistic scenario, corresponding to better performance of the macroeconomic variables defined under the central scenario.

Following the historic economic shock linked to the Covid-19 crisis in 2020, the central scenario expects GDP to recover strongly from 2021 and then gradually return to a more normal long-term rate of economic activity in the following years. Economic activity is thus expected to return to its pre-crisis (2019) level in 2023.
The four-year projections of the main macroeconomic variables based on the Group's economists' scenarios for each of the boundaries are presented below:

	Optimistic		
	GDP	*Unemp.*	*10-YR rate*
2020	-5.8%	7.4%	0.30%
2021	10.0%	8.7%	0.70%
2022	4.3%	7.9%	0.82%
2023	2.8%	7.6%	0.94%

	Central		
	GDP	*Unemp.*	*10-YR rate*
2020	-9.6%	8.5%	-0.11%
2021	7.2%	10.0%	0.01%
2022	2.6%	9.3%	0.13%
2023	1.6%	9.0%	0.25%

	Pessimistic		
	GDP	*Unemp.*	*10-YR rate*
2020	-12.3%	11.5%	-0.60%
2021	4.0%	12.5%	-0.40%
2022	0.9%	11.7%	-0.28%
2023	0.4%	11.4%	-0.16%

In addition, Groupe BPCE has supplemented and adapted this approach, taking into account the specific characteristics of certain scopes or significant markets. Thus, each scenario is weighted according to its closeness to the market consensus forecast on the main economic variables of each scope in question or significant market of the Group.

For BRED Banque Populaire retail banking, the projections are broken down using key macroeconomic variables such as GDP, unemployment rates and 10-year interest rates on French sovereign debt.

For BRED Banque Populaire retail banking, the economic scenarios have been adapted to take into account the uncertainties linked to the macroeconomic projections and economic support measures (PGEs, short-time working, tax measures). These adaptations resulted in:

- mitigating the suddenness and intensity of the crisis with a 60% moderation of the GDP scenarios. For example, for the central scenario, the GDP value used is a weighted average of the initial value of the scenario (-9.6% weighted at 40%) and long-term growth in France (+1.4% weighted at 60%). This adaptation is consistent with the ECB's press releases on taking account of the Covid-19 crisis under IFRS 9 and with the EBA guidelines on forbearance;

- and spreading the effects of the crisis over a longer period delaying the scenario by 9 months, which means that the deterioration of GDP and other variables will affect the probability of default 9 months later.

These adjustments reflect the positive impact of the various government support measures on the economic fabric, including reducing the occurrence of defaults and delaying them.

Scenario weighting at 31 December 2020

The health crisis is an unprecedented shock and there is still a significant risk of a downturn to the economic outlook. The risk of the economic situation worsening, including the possibility of a systemic financial crisis, remains high.

To reflect these uncertainties in the calculation of expected credit losses, the weighting of the pessimistic scenario is set at 35% (weighted at 20% at 31 December 2019).

The optimistic scenario is considered unlikely with a probability limited to 5%, this weighting remaining lower than the probability generally attributed to the optimistic scenario (weighted at 15% at 31 December 2019).

The central scenario is assigned a 60% probability (weighted at 65% at 31 December 2019).

Furthermore, due to the difficulty in assessing counterparties' risk situations accurately, additional conservative adjustments to expected credit loss (ECL) were made, amounting to €7.4 million:

- on the credit portfolios of Medium-Sized Enterprises, which do not have automatic ratings, the ratings of certain counterparties have been downgraded via a grid distributed among the Group's institutions. The ratings take into account the debtor's additional debt resulting from the support measures granted (including PGEs);
- on the credit portfolios of Professionals and Small Businesses, rated automatically, the automatic improvement in ratings as a result of government support measures (positive impact of moratoria and PGEs on the cash position of these counterparties) was neutralised and the lowest rating since March 2020 was taken into account.

Lastly, additional provisions of €48 million were recognised by BRED Banque Populaire Group entities to cover the specific risks of their portfolios, in addition to the provisions described above and calculated by the Group's tools.

These provisions mainly concern the tourism, hospitality, catering, specialist retail and aerospace sectors. With the Covid-19 crisis, the Group significantly strengthened its monitoring of the affected sectors. A sector-based approach to monitoring market developments in each economic sector and sub-sector was implemented. It aims to improve the existing sector monitoring framework and is established centrally by the Risk Division with monthly updates.

In summary, the main changes made in 2020 to the calculation of expected credit losses included:

- updating economic scenarios in September in order to monitor as closely as possible the evolution of forecasts (as a reminder, before the crisis, the scenarios were updated once a year, in June);
- adapting the method of weighting economic scenarios to the particularly high uncertainty in the current context and which results in scenario boundaries that are very far apart;
- adapting the economic variables to take account of the economic uncertainty and the effect of government support measures;
- for retail banking, neutralising the automatic improvement of the ratings of Professional and Small Business portfolios as a result of government support measures;
- implementing, specifically for the consumer credit activity, a model incorporating the new macroeconomic assumptions into a more detailed portfolio segmentation.

Based on the above scenarios and weightings and after taking into account methodological adjustments and support measures, the calculation of expected credit losses led BRED Banque Populaire Group to recognise a charge under Cost of credit risk of €79.7 million in 2020, compared with a reversal of €3.3 million in 2019.

Sensitivity analysis of expected credit loss (ECL) amounts for BRED S.A., Sofider and Soredom

The sensitivity of the expected credit losses for retail banking due to the uncertainty of the level of moderation and a 3-month delay to the macroeconomic scenario was estimated:

- varying the moderation factor by +/-10% around the selected value of 60% has an impact of around +/-€1.8 million;
- an additional 3-month delay, to 12 months, would lead to an additional allocation of approximately €4.4 million;
- increasing the probability of occurrence of the pessimistic scenario by 5%, at the expense of the central scenario, would lead to an additional allocation of €0.4 million.

1.5.2.2 - Fair value of financial assets affected by the health crisis

Given the effects of the Covid-19 health crisis on the financial markets, the valuation of certain products was affected during 2020 by market illiquidity.

Equity interests in unlisted private equity funds are valued in accordance with the rules set out in the International Private Equity and Venture Capital Valuation (IPEV) Guidelines, also recommended by Invest Europe. The valuation of the shares held by BRED Banque Populaire in unlisted funds (approximately €308 million) was subject to an in-depth review at 31 December 2020. In the absence of a recent net asset value (NAV) established by the management company or when the NAV does not take into account the effects of the crisis (or does so only partially), a discount determined on the basis of a sectoral approach was applied to the last available NAV. These valuations are used to value any impairment of the securities held.

The valuation of investments held in real estate funds was also reviewed at 31 December 2020 and, where applicable, a discount was applied to reflect the impact of the crisis on the valuation of the underlying assets.
This valuation of private equity funds and real estate funds resulted in a specific impairment estimated at €0.14 million.

NOTE 2 - APPLICABLE ACCOUNTING STANDARDS AND COMPARABILITY

2.1 - Regulatory framework

BRED Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable on this date, excluding certain provisions of the IAS 39 standard relating to hedge accounting.

2.2 - Reporting protocol

The standards and interpretations used and set forth in the annual financial statements for the year ended 31 December 2019 have been supplemented by the standards, amendments and interpretations compulsorily applicable for financial years beginning on or after 1 January 2020.

As a reminder, the IFRS 9 standard replaced IAS 39 on 1 January 2018 and 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 developed by the IASB.

BRED Group chose the option provided by standard IFRS 9 not to apply the hedge accounting provisions, but to continue to apply the IAS 39 standard for the accounting of such transactions, as adopted by the European Union, i.e. excluding certain provisions concerning macro-coverage. Given the limited number of asset reclassifications, the bulk of the transactions documented in hedge accounting under IAS 39 remain documented as such from 1 January 2018. However, IFRS 7 amended by IFRS 9 requires additional information in the explanatory notes relating to hedge accounting.

Furthermore, on 3 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, applicable from 1 January 2018. 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);
- indicate which insurance entities apply IAS 39;
- provide specific additional information in the explanatory notes.

At its meeting on 17 March 2020, the IASB decided to postpone its application by two years, with clarifications still required regarding some structural aspects of the standard. It was also decided to align expiry of the temporary exemption under IFRS 9 for insurers, to coincide with the application of IFRS 17 on 1 January 2023. An amendment was published on 25 June 2020. This amendment makes improvements for the application of IFRS 17.

BRED Banque Populaire, a member of Groupe BPCE, which is a financial conglomerate, has chosen to apply this provision for its insurance activities, which consequently remain under IAS 39. The entities concerned by this measure are Prépar Vie and Prépar Iard.

In accordance with the adoption regulation of 3 November 2017, the Group has taken the necessary steps to prohibit any transfer of financial instruments between its insurance sector and the rest of the Group that would have a derecognition effect for the ceding entity, although that restriction is not required for transfers of financial instruments measured at fair value through profit or loss by the two sectors involved.

Regulation (EU) 2017/2395 of 12 December 2017 on transitional provisions to mitigate the impact of the introduction of IFRS 9 on capital and for the treatment of major risks of certain public sector exposures was published in the OJEU on 27 December 2017. BRED Group has decided not to opt for the transitional neutralisation of the impacts of IFRS 9 at the prudential level, due to the moderate impact relating to application of the standard.

Accounting standard IFRS 16

Standard IFRS 16 “Leases” replaced standard IAS 17 “Lease agreements” and its interpretations on 1 January 2019.

At its 26 November 2019 meeting, the IFRS Interpretation Committee (IFRS IC) provided clarification on the application of IFRS 16 on the methods for assessing the term of leases. On 3 July 2020, the Autorité des Normes Comptables published a statement of findings relating to the application of IFRS 16, replacing the one published on 16 February 2018.

The work carried out led the Group to revise its application of the accounting principles applied to determine the term of leases for commercial leases governed by French law in a situation of tacit extension. These changes have a non-material impact on the financial statements.

Amendment to IAS 39 and IFRS 9: reform of reference rates [phase 1 and phase 2]

As a reminder, in September 2019, the IASB published amendments to IFRS 9 and IAS 39 to secure hedge accounting during the pre-implementation phase of the reform of reference rates (phase 1). These amendments were adopted by the European Commission on 16 January 2020. Its application date was defined as 1 January 2020 with possible early application. Groupe BPCE chose to opt for early application from 31 December 2019.

On 27 August 2020, the IASB published amendments dealing with issues related to the replacement of reference rates with their alternative rates (phase 2). These amendments amend IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in relation to changes to financial assets and financial liabilities (including lease liabilities) in connection or not with the implementation of existing contractual clauses (i.e. fallback clauses), hedge accounting and disclosure. These amendments were adopted by the European Commission on 13 January 2021. Its application date was defined as 1 January 2021 with possible early application. Groupe BPCE chose to opt for early application from 31 December 2020.
Uncertainties relating to the reform of reference rates and the organisation put in place in Groupe BPCE are presented in note 5.21.

New definition of default

The European Banking Authority (EBA) guidelines on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013, applicable from 1 January 2021, and the provisions of Regulation (EU) 2018/1845 of the European Central Bank on the threshold for assessing the materiality of credit obligations past due, applicable no later than 31 December 2020, will strengthen the consistency of European credit institutions' practices in the identification of loan default.

The definition of loan default is therefore specified by the introduction of a relative threshold and an absolute threshold to be applied to past due payments to identify situations of default, clarification of the criteria for loans returning to being healthy with the imposition of a probationary period and the introduction of explicit criteria for classifying restructured loans as being in default.

Groupe BPCE has applied these new provisions for identifying loan default since 22 October 2020.

The clarifications provided for identifying loan default remain consistent with the criteria for assessing the doubtful nature of loans classified as Stage 3 in accordance with the provisions of IFRS 9 on the recognition of expected losses for credit risk. The changes resulting from the application of the new provisions on loan default have no material impact on its consolidated financial statements.

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

Accounting standard IFRS 17

IFRS 17 "Insurance Contracts" was issued by the IASB on 18 May 2017 and will replace IFRS 4 "Insurance Contracts". Initially applicable on 1 January 2021 with a comparison on 1 January 2020, this standard is only due to come into effect from 1 January 2023. In fact, at its meeting on 17 March 2020, the IASB decided to postpone its application by one year, with clarifications still required regarding some structural aspects of the standard.

It was also decided to align expiry of the temporary exemption under IFRS 9 for insurers, to coincide with the application of IFRS 17 on 1 January 2023. An amendment was published on 25 June 2020. This amendment makes improvements for the application of IFRS 17. Regulation (EU) 2020/2097 of 15 December 2020 adopts the amendments to IFRS 4 on the extension of the exemption period from the application of IFRS 9 for all insurance undertakings.

IFRS 17 sets out the principles of recognition, measurement, presentation and information to be provided for insurance contracts and investment contracts with discretionary participation in the application scope of the standard.

Valued today at historical cost, under IFRS 17 the contracts' obligations must be recognised at the present value. To do this, insurance contracts will be valued according to the cash flows they generate in the future, including a risk margin to take into account uncertainty relating to these flows. Secondly, IFRS 17 introduces the concept of contractual service margin. This represents the insurer's unearned profit and will be amortised over time, depending on the service provided by the insurer to the insured. The standard requires a more detailed drill-down than before because it requires estimates by group of contracts.

These accounting changes could change the profile of the insurance income (especially in life insurance) and also introduce more volatility in income.

Despite the uncertainties still surrounding the standard (application date, actions in progress to soften certain positions, exposure draft published on 26 June 2019), BRED Group's insurance entities are continuing the preparation work induced by the standard, particularly instruction and documentation of normative choices, modelling, adaptation of systems and organisations.

2.3 - Use of estimates and judgments

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 2020, 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 10);
- the amount of expected credit losses on financial assets as well as financing and guarantee commitments (note 7.1);
- provisions recorded under liabilities in the balance sheet, and more specifically the provision for home savings products (note 5.15) and provisions for insurance contracts (note 9);
- calculations relating to the cost of pensions and future employee benefits (note 8.2);
- uncertainties relating to the tax treatment of income taxes (note 11);
- deferred taxes (note 11);
- uncertainties relating to the application of certain provisions of the reference rate regulation (note 5.21);
- goodwill impairment testing (note 3.5).

In addition, judgment must be exercised when assessing the business model as well as the basic character of a financial instrument. The procedure is specified in the relevant paragraphs (note 2.5.1).
The application of IFRS 16 has led BRED Group to extend its use of its judgement to estimating the duration of the lease agreements to be used for recognition of the usage rights and rental liabilities (note 12.2.2).

Uncertainties related to the Covid-19 environment are specified in note 1.5.

Brexit

On 23 June 2016, following a referendum, the UK chose to leave the European Union (Brexit). Following the triggering of Article 50 of the Treaty on European Union on 29 March 2017, the UK and the 27 other EU member countries had two years to prepare for the country's effective exit. This deadline was postponed three times, finally being set for 31 January 2020.

On 24 December 2020, the UK and the European Union entered into an exit agreement, allowing the transition period to be closed with a framework for future trade relations. However, this agreement does not cover financial services; therefore, as of 1 January 2021, BRED Group has applied the measures prepared for an exit without an agreement, with no significant impact on its activities. The two parties (UK and European Union) have set themselves three months, until 31 March 2021, to negotiate specific rules for the financial sector. BRED Group is closely monitoring the conclusions of these negotiations in order to incorporate them, where appropriate, into the assumptions and estimates used to prepare the consolidated financial statements. Finally, the lack of recognition of UK CCPs by European regulations is still not a short-term risk, as the ESMA announced on 21 September 2020 an extension of the equivalence period to 30 June 2022.

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. 2017-02 of 2 June 2017 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 2020. The consolidated financial statements of the Group for the financial year ended 31 December 2020 were approved by the Board of Directors on 22 February 2021. They will be submitted for the approval of the General Meeting of 27 May 2021.

The amounts presented in the financial statements and in the notes thereto are expressed in thousands of euros, unless otherwise stated. Rounding effects may potentially generate differences between the amounts presented in the financial statements and those presented in the accompanying notes.

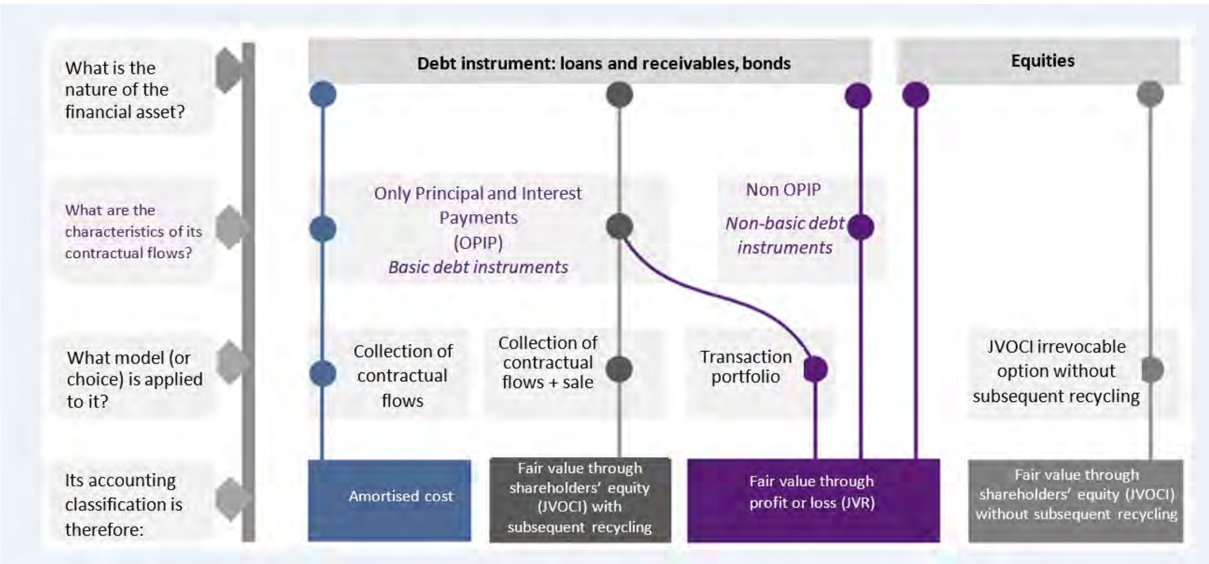
2.5 - General accounting principles and measurement methods

The general accounting principles presented below apply to the principal items in the financial statements. The specific accounting principles are presented in the separate notes to which they relate.

2.5.1 - Classification and valuation of financial assets

IFRS 9 is applicable to BRED Group, excluding insurance subsidiaries that still apply IAS 39.

On first recognition, financial assets are classified as amortised cost, at fair value through equity or at fair value through profit or loss depending on the nature of the instrument (debt or equity), the characteristics of their contractual cash flows and the way in which the entity manages its financial instruments (business model).



Business model

The entity's business model represents how it manages its financial assets to generate cash flow. Judgment must be exercised when assessing the business model.
Determination of the business model should take into account all the information on how cash flows have been achieved in the past, as well as all other relevant information.

For example:

- how the performance of financial assets is valued and presented to key directors;
- risks that affect the performance of the business model and, in particular, how these risks are managed;
- how directors are compensated (for example, whether the compensation is based on the fair value of the assets under management or the contractual cash flows received);
- the frequency, volume and pattern of sales.

Furthermore, determination of the business model must be at a level that reflects the way in which groups of financial assets are collectively managed in order to achieve the given economic objective. The business model is therefore not determined instrument by instrument but at a higher aggregation level, by portfolio.

The standard specifies three business models:

- A business model whose objective is to hold financial assets in order to collect the contractual cash flows ("hold to collect" model). This model, whose holding concept is fairly similar to a holding until maturity, is not called into question if disposals occur in the following scenarios:
    - disposals result from increased credit risk;
    - disposals occur shortly before maturity and at a price reflecting the contractual cash flows remaining due;
    - other disposals may also be compatible with the objectives of the contractual cash flow collection model if they are not frequent (even if they are of significant value) or if they are not of significant value considered both individually and globally (even if they are frequent).

For BRED Group, the hold-to-collect model particularly applies to financing activities (excluding syndication and operational simplification) carried out within the Retail Banking and Corporate Banking divisions and Specialist Financial Services;

- A mixed business model under which assets are managed with the objective of both receiving contractual cash flows and disposing of financial assets ("hold to collect and sell" model).

BRED Group mainly applies the collection and sale model to the portion of liquidity reserve securities portfolio management activities that is not managed exclusively using a collection model;

- A model specific to other financial assets, in particular trading assets, in which the collection of contractual cash flows is incidental. This business model applies to syndication activity (for the portion of loans to be transferred identified from the commitment) and capital market activities mainly implemented by Corporate Banking.

Types of contractual cash flows: the "basic" or SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due. The SPPI test is to be carried out for each financial asset at the time of initial recognition.

The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the counterpart of the time value of money and the credit risk associated with the principal, but also other risks such as liquidity risk, administrative costs and trading margin.

To assess whether the contractual cash flows are only payments of principal and interest, the contractual terms of the instrument must be considered. All elements that may cast doubts as to whether only the time value of money and credit risk is represented must therefore be analysed. For example:

- Events that would change the amount and date of the cash flows;

  Any contractual procedure that would generate exposure to risk or to flow volatility unrelated to a basic loan contract, such as for example, exposure to changes in equity prices or a stock market index, or the introduction of a leverage effect would not allow contractual cash flows to be considered as having a basic character;

- The applicable interest rate features (for example, consistency between the rate refixing period and the interest calculation period);

  In cases where a qualitative analysis would not produce an accurate result, a quantitative analysis (benchmark test) consisting of comparing the contractual cash flows of the asset in question with the contractual cash flows of a benchmark asset, is carried out;

- Early redemption and extension conditions.

The contractual procedure, for the borrower or the lender, of redeeming the financial instrument early remains compatible with the basic character of the contractual cash flows if the prepayment amount represents mainly principal and interest on the outstanding amount due and, if applicable, a reasonable compensation payment.

In cases where a qualitative analysis would not produce an accurate result, a quantitative analysis (benchmark test) consisting of comparing the contractual cash flows of the asset in question with the contractual cash flows of a benchmark asset, is carried out.
Moreover, although not strictly fulfilling the time value of money remuneration criteria, certain assets including a regulated rate are considered as basic if this regulated interest rate provides a consideration that corresponds to a large extent to the passage of time and with no exposure to a risk that is inconsistent with a basic loan. This is true in particular of the financial assets representing the portion of the inflow on “livret A” passbook savings accounts which is centralised with the Caisse des Dépôts et Consignations savings fund.

Basic financial assets are debt instruments which include in particular: fixed- rate loans, variable-rate loans with no rate mismatch or no indexation to a security or a stock market index and fixed-rate or variable-rate debt securities.

Non-basic financial assets include in particular: units of UCITS and debt instruments that are convertible or redeemable for a fixed number of shares and structured loans granted to local authorities.

To be classified as basic assets, securities held in a securitisation vehicle must meet specific conditions. The contractual terms of the tranche must fulfil the basic criteria. The pool of underlying assets must fulfil the basic conditions. The risk inherent in the tranche must be equal to or lower than the exposure to the tranche’s underlying assets.

A non-recourse loan (e.g. project financing such as infrastructure financing) is a loan secured solely by collateral. In the absence of possible recourse on the borrower, in order to be classified as a basic asset, it is necessary to examine the structure of the other possible recourse or the protection mechanisms of the lender in the event of default: recovery of the underlying asset, collateral provided (security deposit, margin call, etc.), enhancements provided.

Accounting categories

Debt instruments (loans, receivables or debt securities) may be valued at amortized cost or at fair value through recyclable other comprehensive income or at fair value through profit or loss.

A debt instrument is valued at amortized cost if it meets the following two conditions:

- the asset is held in the framework of a business model where the objective is to collect contractual cash flows;
- the contractual terms of the financial asset define it as basic (SPPI) within the meaning of the standard.

A debt instrument is measured at fair value through equity only if it meets both of the following conditions:

- the asset is held in the framework of a business model where the objective is both to collect contractual cash flows and to sell financial assets,
- the contractual terms of the financial asset define it as basic (SPPI) within the meaning of the standard.

By default, 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 non-recyclable 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. If opting for the latter category, dividends continue to be recognized in income.

All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading purposes, financial assets at fair value through profit or loss and non-basic assets (non-SPPI). Recognition at fair value through profit or loss as an option for financial assets only applies in the case of the elimination or significant reduction of an accounting mismatch. This option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy.

Embedded derivatives are no longer recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must be recognised at fair value through profit or loss where it is not by nature a basic debt.

Concerning financial liabilities, the rules for classifying and valuing in standard IAS 39 are included in standard IFRS 9 with no amendments, except for those applicable to 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 are 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 derecognition of financial assets and liabilities are included in IFRS 9 with no amendments. The amendment to IFRS 9 of 12 October 2017 clarified the treatment under IFRS 9 of changes in liabilities recognised at amortised cost, in the event that the change does not result in derecognition: the gain or loss resulting from the difference between the original cash flows and the cash flows discounted at the original effective interest rate should be recorded in profit or loss.

2.5.2 - 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 financial assets at fair value through equity 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 equity".

The non-monetary items recognised at historic cost are valued at the exchange rate on the day of the transaction. Non-monetary items recognised at fair value are converted using the exchange rate on the day on which their fair value was determined. Foreign exchange gains or losses on non-monetary items are recognised in profit or loss if gains or losses relating to the items are recorded in profit or loss, and in "Gains and losses recognised directly in equity" if the gain or loss on the non-monetary item is recorded under that heading.

NOTE 3 - CONSOLIDATION

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 14 – Details of the consolidation scope.

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 lease benefiting from special tax treatment, 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 14.5.

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 income 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 net investment in an associate company or joint venture is subject to an impairment test if there is objective evidence of impairment as a result of one or more events occurring after first recognition of the net investment and such events have an impact on the estimated future cash flows of the net investment, which can be estimated reliably. In that case, 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. Indeed, revised IAS 28 "Investments in associates" authorises the investor to recognise the investment at its fair value (with changes in fair value recognised in income) under IFRS 9.

These investments are therefore recognised under "Financial assets at fair value through profit or loss".

3.2.3 - Investments in joint activities

Definition

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

Method of accounting for joint activities

An investment in a joint enterprise is accounted for by consolidating all the interests held in the joint activity, i.e. the share of interest in each asset, liability and element of income to which the investor is entitled. These interests are allocated by nature to the various lines of the consolidated balance sheet, the consolidated income statement and the statement of net income and gains and losses recognised directly in equity.

3.3 - Consolidation rules

The consolidated financial statements are prepared using uniform accounting methods for similar transactions in comparable circumstances. 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 income 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 included within the scope of IFRS 3;
- costs directly linked to business combinations are recognised in net income or loss for the period;
- any considerations that may be payable are 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 IFRS 9);
- on an entity's acquisition date, non-controlling interests may be valued:
    - either at fair value (method resulting in the allocation of a share of the goodwill to non-controlling interests),
    - or at the share in the fair value of the acquired entity's identifiable assets and liabilities (method similar to that applicable to transactions prior to 31 December 2009).

The choice between these two methods is 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 - Redemption commitments granted to minority shareholders of fully consolidated subsidiaries

The group has granted redemption commitments to minority shareholders of certain fully consolidated subsidiaries enabling them to redeem their holdings. Those redemption commitments are optional commitments for the group (sale of put options). The exercise price of these options may be an amount fixed contractually, or may be determined according to a calculation formula predefined at the time of acquisition of the subsidiary's securities, taking into account the subsidiary's future activity or be fixed at the fair value of the subsidiary's securities on the date of exercise of the options.

These commitments are recognised in the accounts as follows:

- in accordance with the provisions of IAS 32, the group records a financial liability in respect of put options sold to minority shareholders in exclusively controlled entities. This liability is initially recognised under “Other liabilities” at the discounted value of the put options’ estimated exercise price;
- the obligation to record a liability even though the put options are not consistently exercised leads to the same accounting treatment as that applied to transactions relating to non-controlling interests. As a result, the corresponding entry for this liability is deducted from the “Non-controlling interests” underlying the options, while the remainder is deducted from the “Consolidated reserves – Group share”;
- subsequent changes in this liability relating to changes in the estimated exercise price of the options and the carrying amount of “Non-controlling interests” are fully recognised in the “Consolidated reserves – Group share”;
- if the redemption is carried out, the liability is settled by the cash disbursement relating to the acquisition of the interests of minority shareholders in the subsidiary concerned. However, at the maturity of the commitment, if the redemption is not carried out, the liability is cancelled, in the corresponding entries for “Non-controlling interests” and “Consolidated reserves – Group share” in their respective proportions;
- as long as the options are not exercised, profit and loss relating to non-controlling interests subject to put options is presented under “Non-controlling interests” in the consolidated income statement.

3.3.5 - Year-end date for the consolidated entities

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

3.4 - Changes in the scope of consolidation during the financial year 2020

The main changes in the scope of consolidation during the financial year 2020 are as follows:

- Exit of Fipromer, absorbed by Ingépar
- Exit of Baltiq, absorbed by Cofibred
- Change of name of SOFIAG to SOREDOM

In 2020, the consolidation scope included 38 companies, including 32 fully consolidated companies and six consolidated using the equity method.

3.5 - Goodwill

3.5.1 - Change in the value of goodwill

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

Goodwill was nil at 31 December 2020, as at 31 December 2019.

Impairment tests

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

3.5.2 - Change in the value of goodwill

None.

NOTE 4 - NOTES TO THE INCOME STATEMENT

Overview

Net banking income (NBI) includes:

- interest income and expenses;
- commissions;
- net gains or losses on financial instruments at fair value through profit or loss;
- net gains or losses on financial instruments at fair value through equity;
- gains or losses resulting from derecognition of financial assets at amortised cost;
- net income from insurance activities;
- income and expenses from other activities.

4.1 - Interest and similar income and expenses

Accounting policies

Interest income and expense is recognised in the income statement for all financial instruments measured at amortised cost using the effective interest rate method, namely interbank and customer loans, the portfolio of securities at amortised cost, debt securities, subordinated debt and rental liabilities. It also includes accrued interest receivable on fixed-income securities classified as financial assets at fair value through equity 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.
Interest income also includes the interest on non-basic debt instruments not held in a transaction model as well as interest on related economic hedges (classified as instruments at fair value through profit or loss).
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.

In 2020, negative interest is presented as follows:

- negative interest on an asset is recorded as an interest expense in NBI;
- negative interest on a liability is presented as interest income in NBI.

In 2019, negative interest was presented net of positive interest on financial assets and liabilities, respectively.

in thousands of euros	2020 financial year			2019 financial year		
	Interest income	Interest expenses	Net	Interest income	Interest expenses	Net
Loans due from credit institutions	76,954	-97,140	-20,186	2,708	-99,467	-96,759
Loans due from customers	596,560	-92,884	503,676	593,551	-167,545	426,006
Bonds and other debt securities held/issued	5,880	-13,325	-7,445	6,225	-35,708	-29,483
Subordinated debt	///	0	0	///	0	0
Rental liabilities	///	-461	-461	///	-247	-247
Financial assets and liabilities at amortised cost (excluding finance leases)	**679,394**	**-203,810**	**475,584**	**602,484**	**-302,967**	**299,517**
Finance leases	**11,643**	**0**	**11,643**	**10,082**	**0**	**10,082**
Debt securities	124,403	///	124,403	167,748	///	167,748
Other	0	///	0	0	///	0
Financial assets at fair value through equity	**124,403**	**///**	**124,403**	**167,748**	**///**	**167,748**
Total financial assets and liabilities at amortised cost and fair value through equity (1)	**815,440**	**-203,810**	**611,630**	**780,314**	**-302,967**	**477,347**
Non-standard financial assets not held for trading	**0**	**///**	**0**	**0**	**///**	**0**
Hedging derivatives	**162,498**	**-156,868**	**5,630**	**169,219**	**-90,001**	**79,218**
Derivatives for economic hedging	**0**	**0**	**0**	**0**	**0**	**0**
Total interest income and expenses	**977,938**	**-360,678**	**617,260**	**949,533**	**-392,968**	**556,565**

(1) The interest income from loans and advances granted to credit institutions totals €11.120 million (€16.664 million in 2019) 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 from regulated savings accounts amounts to €1.7 million in 2020, consisting of the net allocation to the provision for home savings products (net reversal of €1.0 million in 2019).

4.2 - Fee and commission income and expenses

Accounting policies

In application of standard IFRS 15 "Revenue from Contracts with Customers", income from ordinary activities records 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. The method for revenue recognition is carried out in five 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.

This approach applies to the contracts an entity enters into with its customers, except in particular for lease contracts (covered by standard IFRS 16), 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.

In view of the Group's activities, this method mainly concerns:

- 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 (see note 4.6), primarily for services performed as part of lease contracts
- banking services rendered with the participation of the group's partners.

Fees and commissions are therefore 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.

Fees and commission on services

Service fees are analysed to separately identify the different elements (or performance obligations) that compose them and allocate to each element the income share due to it. Then each item is 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.);
- commissions payable on execution of a significant transaction are recognised in full in profit and loss on completion of the transaction.

When there is uncertainty about the valuation of the commission fee (asset management performance fee, variable financial engineering fee, etc.), only the amount to which the Group is already entitled in view of the information available at closing is recorded.

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.

	2020 financial year			2019 financial year		
in thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Interbank and cash transactions	8,833	-549	8,284	10,303	-383	9,920
Customer transactions	148,598	-909	147,689	160,210	-840	159,370
Financial services	28,566	-9,097	19,469	27,522	-9,265	18,257
Sales of life insurance products	4,622	///	4,622	4,040	///	4,040
Payment services	208,546	-102,935	105,611	216,344	-112,672	103,672
Securities transactions	10,779	0	10,779	9,156	0	9,156
Fiduciary services	2,715	///	2,715	3,392	///	3,392
Financial instrument and off-balance sheet transactions	35,981	-12,441	23,540	34,519	-11,569	22,950
Other	9,665	-1,475	8,190	12,226	-15,158	-2,932
TOTAL FEES AND COMMISSIONS	**458,305**	**-127,406**	**330,899**	**477,712**	**-149,887**	**327,825**

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

Accounting policies

The heading "Net gains or losses on financial instruments at fair value through profit or loss" includes gains or losses (including the related interest) on financial assets and liabilities classified as held for trading or recognised at fair value through profit or loss by option.

"Earnings gains or losses on hedging transactions" includes gains or losses arising from the revaluation of derivative instruments used as fair value hedges as well as the symmetrical revaluation of the hedged items, the revaluation at fair value of the macro-hedged portfolio, and the ineffective portion of cash flow hedges.

in thousands of euros	2020 financial year	2019 financial year
Gains or losses on financial instruments compulsorily measured at fair value through profit or loss [1]	-54,166	91,091
Gains or losses on financial instruments designated at fair value through profit or loss by option	0	0
- Gains or losses on financial assets designated at fair value through profit or loss by option	0	0
- Gains or losses on financial liabilities designated at fair value through profit or loss by option	0	0
Gains or losses on hedging transactions	10,431	5,076
- Ineffective portion of cash flow hedges (CFH)	*0*	*16*
- Ineffective portion of fair value hedges (FVH)	*10,431*	*5,060*
Change in fair value hedges	*-100,785*	*-120,285*
Change in hedged item	*111,216*	*125,345*
Gains or losses on foreign exchange transactions	142,795	82,352
Total net gains or losses on financial instruments at fair value through profit or loss	**99,060**	**178,519**

[1] including economic currency hedging

The line “Results on financial instruments compulsorily measured at fair value through profit or loss” includes, for the 2020 financial year:

- The change in fair value of derivatives that are:
  - Either held for trading
  - Or economic hedging derivatives that do not meet the restrictive criteria required by standard IAS 39.
- The change in the fair value of derivatives subject to an impact of +€0.790 million due to changes to the Credit Valuation Adjustment (CVA).

Initial margin (day one profit)

Not applicable at 31/12/2020.

4.4 - Net gains or losses on financial instruments at fair value through equity

Accounting policies

Financial instruments at fair value through equity include:

- the basic debt instruments managed according to the collection and sale business model at fair value through equity that can be recycled in income. If these assets are sold, the changes in fair value are taken to profit or loss;
- equity instruments measured at fair value through equity that cannot be recycled in income. In the event of a sale, these changes in fair value are not transferred to profit or loss but directly to the consolidated reserves item in equity. Only dividends affect the result if they correspond to a return on investment.

Changes in value of the basic debt instruments managed according to the hold to collect and sell business model at fair value through equity that can be recycled, include:

- income and expenses recognised in net interest margin;
- net gains or losses on financial assets of debt at fair value through derecognised equity
- impairment charges/reversals recognised in cost of risk;
- gains or losses recognised directly in equity.

in thousands of euros	2020 financial year	2019 financial year
Net gains or losses on debt instruments	47,311	3,799
Net gains or losses on equity instruments (dividends)	47,912	33,825
Total gains and losses on financial assets at fair value through equity	**95,223**	**37,624**

4.5 - Net gains or losses on financial instruments at amortised cost

Accounting policies

This item includes net gains or losses on financial instruments at amortised cost resulting from the derecognition of financial assets at amortised cost (loans or receivables, debt securities) and financial liabilities at amortised cost.

	2020 financial year			2019 financial year		
in thousands of euros	Gains	Losses	Net	Gains	Losses	Net
Loans or receivables due from credit institutions	0	0	0	0	-	0
Loans or receivables due from customers	0	0	0	0	-	0
Debt securities	0	0	0	***0***	-	0
Gains and losses on financial assets at amortised cost	**0**	**0**	**0**	**0**	**0**	**0**
Amounts due to credit institutions	0	0	0	0	-	0
Amounts due to customers	0	0	0	0	-	0
Debt securities	0	0	0	***992***	***-178***	***814***
Subordinated debt	0	0	0	***0***	-	0
Gains and losses on financial liabilities at amortised cost	**0**	**0**	**0**	**992**	**-178**	**814**
Total net gains or losses resulting from the derecognition of financial assets at amortised cost	**0**	**0**	**0**	**992**	**-178**	**814**

4.6 - Income and expenses from other activities

Accounting policies

Income and expenses from other activities include:

- income and expenses from investment property (rental income and expenses, gains or losses on disposals, depreciation and impairment losses);
- income and expenses from operating lease operations;
- income and expenses from property development activities (revenue, purchases consumed).

in thousands of euros	2020 financial year Income	Expenses	Net	2019 financial year Income	Expenses	Net
Income and expenses from real estate activities	**0**	**0**	**0**	**0**	**0**	**0**
Income and expenses from leasing transactions	**1,244**	**0**	**1,244**	**28**	**0**	**28**
Income and expenses from investment property	**0**	**-566**	**-566**	**10**	**-897**	**-887**
Share of joint ventures	*4,171*	*0*	*4,171*	*3,819*	*0*	*3,819*
Transfers of expenses and income	*3,394*	*-94*	*3,300*	*1,807*	*-73*	*1,734*
Other operating income and expenses	*6,197*	*-29,924*	*-23,727*	*18,252*	*-6,192*	*12,060*
Charges to and reversals from provisions booked to other operating income and expenses	*///*	*5,473*	*5,473*	*'///*	*-1,125*	*-1,126*
Other banking operating income and expenses	**13,762**	**-24,546**	**-10,784**	**23,878**	**-7,390**	**16,488**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**15,006**	**-25,111**	**-10,105**	**23,916**	**-8,287**	**15,629**

Income and expenses from insurance activities are presented in note 9.

In 2020, rebilling of “central institution” activities (listed in the French Monetary and Financial Code) is now presented in NBI and the rebilling of Group assignments remains under management fees. The amount of NBI contributions amounted to €22.1 million in 2020 and the amount of contributions to operating expenses amounted to €39.6 million in 2020 versus €33.7 million in 2019.

4.7 - Operating expenses

Accounting policies

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.

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 by the Group into the fund via the deposits, guarantees and securities mechanism was €41.0 million. Non-reimbursable contributions in the event of voluntary licence withdrawal amounted to €9.2 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 €31.8 million.

Contributions to the banking resolution mechanisms - NRF

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 Ordinance no. 2015-1024 transposing that directive, have instigated the implementation of a resolution guarantee fund from 2015. The fund is a mechanism for financing the resolution available to the regulator (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR – for institutions located in France). The regulator may call on the fund in connection with the implementation of resolution procedures.
In accordance with Decisions 2019-CR-03 and 2019-CR-04 with regard to ex-ante contributions to resolution financing arrangements, the ACPR has determined the contributions to the resolution fund for 2020. The amount of contributions paid stands at €26.4 million for the financial year, of which €22.2 million was recognised as an expense and €4.1 million took the form of cash guarantee deposits recorded on the assets side of the balance sheet (15% of calls for funds set up in the form of cash guarantee deposits). The accumulation of contributions recorded on the assets side of the balance sheet amounted to €16.3 million as at 31 December 2020.

in thousands of euros	**2020 financial year**	**2019 financial year**
Personnel costs	**-436,959**	**-429,761**
Taxes, duties and regulatory contributions [(1)]	-53,065	-49,909
External services and other operating expenses	-206,020	-203,871
Rental expenses	-8,992	-17,719
Other administrative expenses	-268,077	-271,499
TOTAL OPERATING EXPENSES	**-705,036**	**-701,260**

(1) Taxes, duties and regulatory contributions include, in particular, the contribution to the SRF (Single Resolution Fund) for an annual amount of €22.2 million, compared with €19.7 million in 2019.

The breakdown of personnel costs is presented in note 8.1.

In 2020, rebilling of "central institution" activities (listed in the French Monetary and Financial Code) is now presented in NBI and the rebilling of Group assignments remains under management fees. The amount of NBI contributions amounted to €22.1 million in 2020 and the amount of contributions to operating expenses amounted to €39.6 million in 2020 versus €33.7 million in 2019.

4.8 - Gains or losses on other assets

Accounting policies

Gains or losses on other assets 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	2020 financial year	2019 financial year
Gains or losses on the disposal of property, plant and equipment and intangible assets used in operations	4,025	2,925
Unrealised/realised gains/losses on disposals of investments	1,199	0
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**5,224**	**2,925**

NOTE 5 - NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 - Cash and amounts due from central banks

Accounting policies

This item mainly includes cash and assets held with the central bank at amortised cost.

in thousands of euros	12/31/2020	12/31/2019
Cash	260,557	254,130
Amounts due from central banks	441,250	3,847,128
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**701,807**	**4,101,258**

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

Accounting policies

The financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives, and certain assets and liabilities that the Group has chosen to recognise at fair value, at their date of acquisition or issue, using the fair value option available under IFRS 9 and non-basic 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.
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.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in specific cases.

5.2.1 - Financial assets at fair value through profit or loss

Accounting policies

Financial assets at fair value through profit or loss are:

- financial assets and liabilities held for trading, i.e. securities acquired or issued for the purpose of selling repurchasing them in the near term;
- 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 IFRS 9. The conditions and conditions for applying this option are described below;
- non-basic debt instruments;
- equity instruments measured at fair value through profit or loss (which are not held for trading).

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" with the exception of non-basic debt financial assets whose interest is recorded under "Interest Income".
Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivatives traded by the Group to manage its risk exposure.

Assets at fair value through profit or loss fair value option

Under IFRS 9, financial assets may be recognised at fair value though profit or loss on first recognition. This decision is irrevocable.

Compliance with the conditions set forth in IFRS 9 must be verified prior to recognition using the fair value option.

This option is only applied in the case of a significant elimination or reduction of an accounting mismatch. Application of this option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy.

	31/12/20				31/12/19			
	Financial assets compulsorily				Financial assets compulsorily			
in thousands of euros	Financial assets associated with a trading activity	Other financial assets that must be measured at fair value through profit or loss [2]		Total	Financial assets associated with a trading activity	Other financial assets to be compulsorily measured at fair value through profit or loss		Total
Treasury bills and similar securities	1,965,169	0	0	1,965,169	719,462		0	719,462
Bonds and other debt securities	1,286,275	478,282	0	1,764,557	2,461,369	523,514	0	2,984,883
Other	0			0	0			0
Debt securities	**3,251,444**	**478,282**	**0**	**3,729,726**	**3,180,831**	**523,514**	**0**	**3,704,345**
Loans to credit institutions excluding repurchase agreements	0	125,030	0	125,030	0	123,057		123,057
Loans to customers excluding repurchase agreements	0	0	0	0	0	0		0
Repurchase transactions [3]	0	0	0	0	0	0		0
Loans	***0***	***125,030***	***0***	***125,030***	***0***	***123,057***		***123,057***
Equity instruments	***3,545,197***	***6,502***	***///***	***3,551,699***	***4,767,833***	***7,920***	***///***	***4,775,753***
Trading derivatives [1]	**1,754,458**	***///***	***///***	**1,754,458**	**1,814,540**	***///***	***///***	**1,814,540**
Guarantee deposits paid	**0**	***///***	***///***	**0**	**0**	***///***	***///***	**0**
TOTAL FINANCIAL ASSETS AT FAIRVALUE THROUGH PROFIT OR LOSS	**8,551,099**	**609,814**	**0**	**9,160,913**	**9,763,204**	**654,491**	**0**	**10,417,695**

(1) Only in the case of an "accounting mismatch".
(2) The information is presented taking into account the effects of the netting carried out under IAS 32 (see note 5.23).
(3) Includes non-basic assets not associated with a trading activity, including fund units and shares not recognised at fair value through non-recyclable equity.

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 IFRS 9.

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

5.2.2 - Financial liabilities at fair value through profit or loss

Accounting policies

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or classified in that category voluntarily at the time of first recognition, in application of the option available under IFRS 9. The trading book comprises liabilities related to short sales, repurchase agreements and derivatives. The conditions and conditions for applying this option are described below.

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 relating to these instruments are recognised in "Net gain or loss on financial instruments at fair value through profit or loss", with the exception of changes in fair value attributable to changes in own credit risk for financial liabilities at fair value through profit or loss, which have been recognised, since 1 January 2016, under "Revaluation of credit risk associated with financial liabilities designated at fair value through profit or loss" within "Gains or losses recognised directly in equity". In the event of derecognition of the financial liability before its maturity (e.g. 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.

Financial liabilities at fair value through profit or loss by option

Under IFRS 9, financial liabilities may be recognised at fair value though profit or loss on first recognition. This decision is irrevocable.
Compliance with the conditions set forth in IFRS 9 must be verified prior to recognition using the fair value option. Application of this option is reserved for the following situations:

Elimination or significant reduction of an accounting mismatch

Application of this option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy.

Alignment of accounting treatment with management and performance measurement

The option applies in the case of liabilities managed and measured at fair value, provided that such management is based on a documented risk management policy or investment strategy and that internal monitoring relies on a measure in fair value.

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 relating to those of the host contract.

The fair value option may be applied to a financial liability 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 IFRS 9, e.g. the case of an early 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.

in thousands of euros	31/12/20 Financial assets issued for trading	31/12/20 Financial liabilities designated at fair value by option	31/12/20 Total	31/12/19 Financial assets issued for trading	31/12/19 Financial liabilities designated at fair value by option	31/12/19 Total
Short sales	1,879,191	///	1,879,191	1,429,233	///	1,429,233
Trading derivatives	2,024,539	///	2,024,539	1,708,443	///	1,708,443
Interbank term accounts and loans	0	-	-	-	-	-
Customer term accounts and loans	-	-	-	-	-	-
Non-subordinated debt securities	-	-	-	-	-	-
Subordinated debt	///	-	-	///	-	-
Repurchase agreements	-	///	-	-	///	-
Guarantee deposits received	-	///	-	-	///	-
Other	///	-	-	///	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**3,903,730**	**-**	**3,903,730**	**3,137,676**	**-**	**3,137,676**

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 IFRS 9.

5.2.3 - Trading derivatives

Accounting policies

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;
- 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.

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”.

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	31/12/20 Notional amount	31/12/20 Positive fair value	31/12/20 Negative fair value	31/12/19 Notional amount	31/12/19 Positive fair value	31/12/19 Negative fair value
Interest rate instruments	116,470,624	1,201,526	1,437,207	126,171,833	1,132,021	1,394,313
Equity instruments	23,122,434	171,930	108,852	17,800,939	67,919	56,686
Currency instruments	45,310,359	358,926	419,803	35,366,106	439,720	170,939
Other instruments	0	0	0	194	64	58
Firm transactions	184,903,417	1,732,382	1,965,862	179,339,072	1,639,724	1,621,996
Interest rate instruments	1,849,769	12,612	11,796	1,773,760	15,476	14,387
Equity instruments	2,892,516	0	35,921	8,920,916	155,412	61,786
Currency instruments	309,585	6,416	5,721	420,761	2,924	4,722
Other instruments	0	0	0	0	0	0
Options	5,051,870	19,028	53,438	**11,115,437**	**173,812**	**80,895**
Credit derivatives	154,922	3,048	5,239	**105,667**	**1,004**	**5,552**
TOTAL TRADING DERIVATIVES	190,110,209	1,754,458	2,024,539	**190,560,176**	**1,814,540**	**1,708,443**
o/w organized markets	*21,849,297*	*0*	*35,921*	*23,440,638*	*155,412*	*61,786*
o/w over-the-counter transactions	*168,260,912*	*1,754,458*	*1,988,618*	*167 119 538*	*1,659,128*	*1,646,657*

5.3 - Hedging derivatives

Accounting policies

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;
- 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.

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.

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.

Groupe BPCE, and therefore BRED Group, chose the option provided by standard IFRS 9 not to apply the hedge accounting provisions, but to continue to apply the IAS 39 standard for the accounting of such transactions, as adopted by the European Union, i.e. excluding certain provisions concerning macro-coverage.

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 revaluation 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 revaluation 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 revaluation 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 revaluation gain or loss is recognised in profit and loss for the period.

Cash flow hedges

The purpose of cash flow hedges is to hedge the exposure to cash flow fluctuations attributable to a particular risk associated with a recognised asset or liability or with a future transaction (hedging of interest rate risk on floating-rate assets or liabilities, or hedging of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The effective portion of changes in the fair value of the derivative instrument is recognised under a specific heading in “Gains and losses recognised directly in equity”. The ineffective portion is recognised in the income statement under “Net gains or losses on financial instruments at fair value through profit or loss”.

Accrued interest on the hedging derivative instrument is recognised in profit and loss under net interest income in the same manner and period as the accrued interest on the hedged item.

The hedged items continue to be accounted for using the treatment applicable to their specific accounting category.

If a hedging relationship is discontinued (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognised in equity are transferred to the income statement as and when the hedged item has an impact on profit or loss, or immediately if the hedged item ceases to exist.

Special portfolio hedging (macrohedges)

Documentation of cash flow hedges

Some of the Group's institutions document their macro-hedging of interest rate risk in cash flow hedges (hedging of loan or loan portfolios).

In that case, 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 recognition 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

Some of the Group's establishments document their interest rate risk macro-hedging as fair value hedges by applying the so-called "carve-out" arrangements under IAS 39 as adopted by the European Union.

The version of IAS 39 adopted for use by the European Union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce overall exposure to interest rate risk. In particular, this carve-out allows entities to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). Most of the Group's macro-hedges involve plain vanilla interest rate swaps recognised at inception as fair value hedges of fixed-rate deposits and loans.

Macro-hedging derivatives are accounted for in the same manner as described above for fair value micro-hedging.

In the case of a macro-hedging relationship, the revaluation of the hedged component is recognised under "Revaluation adjustments on interest-rate risk hedged portfolio", on the assets side of the balance sheet in case of hedge of a portfolio of financial assets or on the liabilities side of the balance sheet in the event of hedging a portfolio of financial liabilities.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffectiveness relating to dual-curve valuation of collateralised derivatives is taken into account.

Effectiveness is tested in two ways:

- 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 repayment 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.

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.

in thousands of euros	31/12/20 Notional amount	31/12/20 Positive fair value	31/12/20 Negative fair value	31/12/19 Notional amount	31/12/19 Positive fair value	31/12/19 Negative fair value
Interest rate instruments	24,065,448	76,811	320,158	22,007,009	79,322	188,646
Equity instruments	0	0	0	0	0	0
Currency instruments	410,654	7,157	0	652,838	6,319	18
Other instruments	0	0	0	0	0	0
Firm transactions	**24,476,102**	**83,968**	**320,158**	**22,659,847**	**85,641**	**188,664**
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**
Fair value hedges	**24,476,102**	**83,968**	**320,158**	**22,659,847**	**85,641**	**188,664**
Interest rate instruments	4,639,391	30,926	15,377	3,627,863	56,603	13,087
Equity instruments	0	0	0	0	0	0
Currency instruments	3,313,045	8,972	9,409	3,323,586	4,973	21,647
Other instruments	0	0	0	0	0	0
Firm transactions	**7,952,436**	**39,898**	**24,786**	**6,951,449**	**61,576**	**34,734**
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	**7,952,436**	**39,898**	**24,786**	**6,951,449**	**61,576**	**34,734**
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**
Hedges of net investments in foreign operations	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL HEDGING DERIVATIVES	**32,428,538**	**123,866**	**344,944**	**29,611,296**	**147,217**	**223,398**

All hedging instruments are presented in the item "Hedging derivatives" on the assets and liabilities side of the balance sheet.

Foreign exchange swaps are documented both as interest rate fair value hedges and currency cash flow hedges. However, the overall fair value is presented in foreign exchange derivatives. These derivatives are presented as foreign exchange cash flow hedges in order to better reflect the weight of the foreign exchange component (related to the cash flow hedge) in total fair value.

Schedule of the notional amount of hedging derivatives at 31 December 2020

In thousands of euros	< 1 year	from 1 to 5 years	from 6 to 10 years	> 5 years
Interest rate hedging	**17,331,534**	**11,181,101**	**192,204**	**0**
Cash flow hedging instruments	3,579,899	1,058,492	1,000	0
Fair value hedging instruments	13,751,635	10,122,609	191,204	0
Foreign exchange hedging	**3,372,863**	**350,836**	**0**	**0**
Cash flow hedging instruments	3,043,298	269,747	0	0
Fair value hedging instruments	329,565	81,089	**0**	0
Hedging of other risks	0	**0**	0	**0**
Cash flow hedging instruments	0	0	0	0
Fair value hedging instruments	**0**	0	**0**	0
Hedges of net investments in foreign operations	***0***	***0***	***0***	***0***
Total	**20,704,397**	**11,531,937**	**192,204**	**0**

Foreign exchange swaps are documented both as interest rate fair value hedges and currency cash flow hedges. However, the overall fair value is presented in foreign exchange derivatives. These derivatives are mainly presented as foreign exchange cash flow hedges in order to better reflect the weight of the foreign exchange component (related to the cash flow hedge) in total fair value.

Hedged items

Fair value hedges

In thousands of euros	Fair value hedges – At 31 December 2020 – Hedging of exchange rate risks: Carrying amount	o/w revaluation of the hedged component (1)	Hedged component remaining to be recognised (2)	Foreign exchange hedging: Carrying amount	o/w revaluation of the hedged component (1)	Hedged component remaining to be recognised (2)	Hedging of other risks (gold, commodities, etc.): Carrying amount	o/w revaluation of the hedged component (1)	Hedged component remaining to be recognised (2)
Assets									
Financial assets at fair value through equity	**11,384,608**	**149,751**	-	-	**- 538**	-	-	-	-
Loans or receivables due from credit institutions	-	-	-	-	-	-	-	-	-
Loans or receivables due from customers	-	-	-	-	-	-	-	-	-
Debt securities	11,384,608	149,751	-	404,794	- 538	-	-	-	-
Shares and other equity instruments	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost	**777,266**	**1,292**		**292,400**	**24,242**	-	-	-	-
Loans or receivables due from credit institutions	-	-	-	-	-	-	-	-	-
Loans or receivables due from customers	-	-	-	-	-	-	-	-	-
Debt securities	777,266	1,292	-	292,400	24,242	-	-	-	-
Liabilities									
Financial liabilities at amortised cost	-	-	-	-	-	-	-	-	-
Amounts due to credit institutions	-	-	-	-	-	-	-	-	-
Amounts due to customers	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Total	**12,161,874**	**151,043**	-	**697,194**	**23,704**	-	-	-	-

[(1)] Excluding accrued interest
[(2)] Disqualification, end of the hedging relationship

In thousands of euros	Fair value hedges – At 31 December 2019 – Hedging of exchange rate risks: Carrying amount	o/w revaluation of the hedged component (1)	Hedged component remaining to be recognised (2)	Foreign exchange hedging: Carrying amount	o/w revaluation of the hedged component (1)	Hedged component remaining to be recognised (2)	Hedging of other risks (gold, commodities, etc.): Carrying amount	o/w revaluation of the hedged component (1)	Hedged component remaining to be recognised (2)
Assets									
Financial assets at fair value through equity	**8,479,223**	**66,004**	-	**651,643**	**- 935**	-	-	-	-
Loans or receivables due from credit institutions	-	-	-	-	-	-	-	-	-
Loans or receivables due from customers	-	-	-	-	-	-	-	-	-
Debt securities	8,479,223	66,004	-	651,643	- 935	-	-	-	-
Shares and other equity instruments	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost	**788,096**	**532**	-	**297,655**	**9,565**	-	-	-	-
Loans or receivables due from credit institutions	-	-	-	-	-	-	-	-	-
Loans or receivables due from customers	-	-	-	-	-	-	-	-	-
Debt securities	788,096	532	-	297,655	9,565	-	-	-	-
Liabilities									
Financial liabilities at amortised cost	-	-	-	-	-	-	-	-	-
Amounts due to credit institutions	-	-	-	-	-	-	-	-	-
Amounts due to customers	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Total	**9,267,319**	**66,536**	-	**949,298**	**8,630**	-	-	-	-

[(1)] Excluding accrued interest
[(2)] Disqualification, end of the hedging relationship

As part of its market activities and its asset-liability management, BRED Banque Populaire has securities in euros and dollars whose remuneration is indexed to inflation. To limit its exposure to the various risks generated by these securities, BRED has concluded derivatives contracts. These transactions adhere to the traditional hedging accounting rules described in note 5.3.

The ineffective portion of the hedge for the period is presented in note 4.3 “Gains or losses on financial assets and financial liabilities at fair value through profit or loss”.

Cash flow hedges – Hedges of net investments in foreign operations

in thousands of euros	31/12/20				
	Fair value of hedging derivative	O/w effective portion of unmatured hedges (1)	O/w ineffective portion	Balance of matured hedges remaining to be recognised (*)	Fair value of the hedged item (hypothetical derivative)
Interest-rate hedging	15,549	15,549	-	-	-3,520
Foreign exchange hedging	- 437	- 437	-	-	-2,391
Hedging of other risks	-	-	-	-	-
Total – Cash flow hedges and hedges of net investments in foreign operations	***15,112***	***15,112***	-	-	- ***5,911***

(1) including accrued interest not yet due on cash flow hedges amounting to €9.2 million
(1) Recognised in other items recognised in equity or in profit and loss for the portion reclassified with a symmetrical change for the hedged item
(*) Disqualification, end of the hedging relationship

in thousands of euros	31/12/19				
	Fair value of hedging derivative	O/w effective portion of unmatured hedges (1)	O/w ineffective portion	Balance of matured hedges remaining to be recognised (*)	Fair value of the hedged item (hypothetical derivative)
Interest-rate hedging	43,516	43,516	-	-	-11,713
Foreign exchange hedging	- 16,674	- 16,674	-	-	-4,201
Hedging of other risks	-	-	-	-	0
Total – Cash flow hedges and hedges of net investments in foreign operations	***26,842***	***26,842***	-	-	- ***15,914***

(1) including accrued interest not due on cash flow hedges amounting to €31.96 million
(1) Recognised in other items recognised in equity or in profit and loss for the portion reclassified with a symmetrical change for the hedged item
(*) Disqualification, end of the hedging relationship

The ineffective portion of the hedge is recorded in the income statement under “Gains or losses on financial assets and financial liabilities at fair value through profit or loss” in note 4.3.

The “Cash flow hedge” reserve is equal to the effective portion of the unmatured hedges and the balance of the outstanding accrued hedges, before tax, including non-controlling interests.

Recycling as a result of the “Cash flow hedge” reserve is included either in the net interest margin or in the derecognition result of the hedged item by symmetry with the item impacted by the hedged item.

Cash flow hedge and hedging of net foreign investments – Analysis of other items recognised in equity

Scoping of OCI *in thousands of euros*	**1/1/2020**	**Change in the effective portion**	**Reclassification of the effective portion in profit or loss**	**Adjustment basis – non-financial item (*)**	**Partially or totally extinguished hedged item**	**31/12/20**
Amount of equity for transactions in CFH	8,028	-11,776	0			-3,749
o/w interest-rate hedging	3,827	-9,966				-6,140
o/w foreign exchange hedging	4,201	-1,810				2,391
Amount of equity for transactions in NIH						
Total	**8,028**	**-11,776**	**0**			**-3,749**

Scoping of OCI *in thousands of euros*	**1/1/2019**	**Change in the effective portion**	**Reclassification of the effective portion in profit or loss**	**Basis adjustment – non-financial element**	**Partially or totally extinguished hedged item**	**31/12/19**
Amount of equity for transactions in CFH	11,496	-3,452	-16			8,028
o/w interest-rate hedging	**3,629**	**214**	**-16**			3,827
o/w foreign exchange hedging	**7,867**	**-3,666**				4,201
Amount of equity for transactions in NIH						
Total	**11,496**	**-3,452**	**-16**			**8,028**

5.4 - Financial assets at fair value through equity

Accounting policies

The financial assets at fair value through equity are initially recognised at fair value plus the transaction costs.

→ ***Debt instruments measured at fair value through equity that can be recycled***

At the balance sheet date, they are measured at their fair value and changes in fair value shown on the coupon are recorded as gains or losses recognised directly in recyclable equity (since foreign currency securities are money-market instruments, 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 10.

These instruments are subject to the IFRS 9 impairment requirements. Information about credit risk is provided in note 7.1. If these assets are sold, these changes in fair value are taken to profit or loss.
Interest income accrued or received on debt instruments is recognized in "Interest or similar income" using the effective interest rate (EIR) method. This method is described in note 5.5 – Assets at amortised cost.

→ ***Equity instruments measured at fair value through non-recyclable equity***

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 non-recyclable equity (since foreign currency securities are not money-market instruments, changes in the fair value of the foreign currency component are not recognised in the income statement). The principles used to determine fair value are described in note 10.

Recognition at fair value through non-recyclable equity is an irrevocable option that applies instrument by instrument only to equity instruments not held for trading. Unrealised and realised impairment losses remain recognised in equity without ever affecting the result. These financial assets are not subject to impairments.

In the event of a sale, these changes in fair value are not transferred to profit or loss but directly to the consolidated reserves in equity item.

Only dividends affect the result if they correspond to a return on investment. They are recorded under “Net gains or losses on financial instruments at fair value through equity” (note 4.4).

in thousands of euros	**31/12/20**	**31/12/19**
Loans or receivables due from customers	0	0
Debt securities	13,022,900	10,205,352
Shares and other equity securities [(1)]	875,150	1,043,698
Financial assets at fair value through equity	**13,898,050**	**11,249,050**
O/w impairment for expected credit losses	*-22,757*	*23,430*
*O/w gains/losses recognised directly in equity (before tax)**	*531,723*	*690,600*
- Debt instruments	*571,905*	*541,534*
- Equity instruments	*-40,182*	*149,066*

[(1)] Details are given in the table below.

Equity instruments designated as at fair value through equity

Accounting policies

Equity instruments recognised at fair value through equity may be:

- equity securities;
- shares and other equity securities.

On first recognition, equity instruments recognised at fair value through equity are measured at fair value plus transaction costs. On subsequent balance sheet dates, changes in the fair value of the instrument are recognised in equity (OCI). Changes in fair value thereby accumulated in equity will not be reclassified to profit or loss in subsequent years (OCI that cannot be recycled).

Only dividends are recognised in profit or loss when the conditions are met.

	31/12/20				**31/12/19**			
in thousands of euros	**Fair value**	**Dividends recognised over the period**	**Derecognition over the period**		**Fair value**	**Dividends recognised over the period**	**Derecognition over the period**	
In thousands of euros		**Equity instruments held at the end of the period**	**Fair value on the disposal date**	**Total profit or loss on the disposal date**		**Equity instruments held at the end of the period**	**Fair value on the disposal date**	**Total profit or loss on the disposal date**
Equity interests	824,612	46,028	7,579	713	998,037	25,214	7,115	252
Shares and other equity securities	50,538	1,884	178,951	- 8,451	45,661	8,612	178,951	- 8,451
TOTAL	**875,150**	**47,912**	**186,530**	**- 7,738**	**1,043,698**	**33,826**	**186,066**	**- 8,199**

Equity investments include strategic holdings, “tool” entities (e.g. IT) and some long-term private equity securities. Since these equity investments are not intended to be sold, an equity classification recognised at fair value through equity is appropriate for this type of equity investment.
The cumulative amount of changes in fair value reclassified in the “Consolidated reserves” component during the period relates to disposals and amounted to +€0.5 million at 31 December 2020.

5.5 - Assets at amortised cost

Accounting policies

Assets at amortised cost are basic financial assets held in a collection model. Most of the loans granted by the Group are classified in this category. Information about credit risk is provided in note 7.1.

Financial assets at amortized cost include amounts due from credit institutions and customers as well as securities at amortized cost such as treasury bills or bonds.

Loans and receivables are initially recorded at fair value plus costs and reduced by income directly attributable to establishment of the loan or issue, as the case may be.

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.

On subsequent balance sheet dates, these financial assets are measured at amortised cost using the effective interest method.

The EIR is the rate that discounts estimated future cash flows to the carrying amount 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 relating to the establishment 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.

Renegotiations and restructuring

When contracts are amended, IFRS 9 requires the identification of financial assets that have been renegotiated, restructured or remodelled in the event of financial difficulties or not and which do not give rise to derecognition. The profit or loss resulting from the amendment of a contract is recognised in profit or loss in the event of a change. The gross book value of the financial asset is then recalculated to be equal to the discounted value, at the initial effective interest rate, of the contractual cash flows renegotiated or modified. However, an analysis of the material nature of the changes must be carried out on a case-by-case basis.

"Restructured" loans correspond to loans that have been the subject of adjustments constituting a concession when these adjustments are concluded with debtors facing or about to face financial difficulties. "Restructured" loans therefore result from a combination of a concession and financial difficulties.

The adjustments covered by "restructuring" must be advantageous to the debtor (e.g. suspension of interest or principal maturities, extension of maturity, etc.) and are documented by amendments changing the terms of an existing contract or by the total or partial refinancing of an existing loan.

Financial difficulty is determined by observing a number of criteria such as the existence of past-due payments of more than 30 days or the presence of a sensitive rating. The implementation of "restructuring" does not necessarily involve the classification of the counterparty concerned by the adjustment into the Basel default category. The counterparty's classification as in default depends on the outcome of the viability test performed during the restructuring of the counterparty.

Under IFRS 9, the treatment of restructuring resulting from financial difficulties remains similar to that which prevailed under IAS 39: in the event of restructuring following a demonstrated credit loss event, the loan is considered to be impaired (Stage 3) and 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 credit 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. If the discount is not significant, the effective interest rate of the restructured loan is adjusted and no discount is recorded.

The restructured loan is re-included in performing loans (not impaired, at Stage 1 or Stage 2), when there is no longer any doubt as to the borrower's ability to honour its commitments.

When the restructuring is substantial (for example, the conversion of all or part of a loan into an equity instrument), the new instruments are recognised at fair value. The difference between the carrying amount of the derecognised loan (or part of the loan) and the fair value of the assets received in exchange is recognised in profit or loss under "Cost of credit risk". Any impairment previously recorded for the loan is adjusted. It is fully reversed in the event of total conversion of the loan into new assets.

Forbearance measures granted to companies generally and aimed at responding to temporary cash flow difficulties related to the Covid-19 crisis change the repayment schedules of these loans without substantially changing their characteristics. These receivables are therefore modified without being derecognised. Furthermore, the granting of this adjustment does not in itself constitute an indicator that said companies are in financial difficulty (see note 1.5).

Fees and commissions

Costs directly attributable to establishment of loans are external costs which consist mainly of commissions paid to third parties such as commissions paid to business introducers.

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. Commissions received on financing commitments that will not be drawn are spread over the term of the commitment on a straight-line basis.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the EIR. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

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. The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in specific cases. For reverse repurchase agreements, a financing commitment given is recorded between the trade date and the settlement-delivery date.

5.5.1 - Securities at amortised cost

in thousands of euros	**31/12/20**	**31/12/19**
Treasury bills and similar securities	1,086,014	1,103,670
Bonds and other debt securities	1,561,378	1,583,942
Impairment for expected credit losses	-725	-767
TOTAL SECURITIES AT AMORTISED COST	**2,646,667**	**2,686,845**

The fair value of securities is presented in note 10.

The segmentation of loans and impairments for credit losses by stage is presented in note 7.1.

5.5.2 - Loans and receivables due from credit institutions and similar valued at amortised cost

in thousands of euros	**31/12/20**	**31/12/19**
Overdrafts on current accounts	4,771,247	1,130,363
Repurchase agreements	2,780,171	4,637,359
Loans and advances [1]	2,502,687	2,612,760
Other loans or receivables due from credit institutions	0	0
Guarantee deposits paid	1,422,633	968,484
Impairment for expected credit losses	-6,741	-6,563
TOTAL	**11,469,997**	**9,342,403**

[1] At 31 December 2020, the Livret A, LDD and LEP account balances centralised with the Caisse des Dépôts et Consignations and reported in the “Loans and advances” line amounted to €1,367.44 million versus €1,605.32 million at 31 December 2019.

The fair value of loans and receivables due from credit institutions is presented in note 10.

The segmentation of loans and impairments for credit losses by stage is presented in note 7.1.

Receivables in respect of transactions with the network came to €5,583.05 million at 31 December 2020 (versus €1,735.90 million at 31 December 2019).

5.5.3 - Loans and receivables due from customers valued at amortised cost

in thousands of euros	**31/12/20**	**31/12/19**
Overdrafts on current accounts	**1,549,993**	**1,664,098**
Other loans to customers	**28,924,455**	**24,224,037**
- Loans to financial sector customers	*55,121*	26,281
- Cash advances (1)	*7,493,769*	4,957,647
- Equipment loans	*6,826,652*	6,143,942
- Home loans	*11,684,830*	10,345,577
- Export loans	*212,908*	180,528
- Repurchase agreements	*369,680*	408,110
- Finance leases	*267,077*	246,240
- Subordinated loans	*0*	0
- Other credits	*2,014,418*	1,915,711
Other loans or receivables due from customers	**4,104**	**4,066**
Guarantee deposits paid	**848,925**	**519,581**
Gross loans and receivables due from customers	**31,327,477**	**26,411,782**
Impairment for expected credit losses	-956,513	-890,203
TOTAL	**30,370,964**	**25,521,579**

[1] Government-backed loans (PGEs) are presented in short-term credit facilities and amounted to €2,042 million at 31 December 2020.

The fair value of loans and receivables due from customers is presented in note 10.

The segmentation of loans and impairments for credit losses by stage is presented in note 7.1.

5.6 - Financial asset reclassification

Accounting policies

Reclassifications of financial assets under IFRS 9 are more limited than under IAS 39. It is no longer possible to reclassify a security at amortised cost in case of simple market illiquidity. Reclassification is only possible in the event that the business model has changed due to a strategic decision by the management. As a result, these cases are very limited (e.g. sale of a business sector resulting in transition to run-off of the assets concerned, business restructuring, etc.).

In this case, the reclassification is forward-looking and does not involve any requalification affecting prior periods.

5.7 - Accrued income and other assets

in thousands of euros	**31/12/20**	**31/12/19**
Collection accounts	74,098	94,614
Prepaid expenses	56,642	53,065
Accrued income	22,512	24,324
Other accruals	170,323	42,738
Accruals – Active	**323,575**	**214,741**
Securities settlement accounts – debit balances	0	0
Guarantee deposits paid		
Other debtors	1,077,902	1,927,052
Other assets	**1,077,902**	**1,927,052**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**1,401,477**	**2,141,793**

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

Accounting policies

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

Upon classification in this category, non-current assets are no longer depreciated or amortised and are measured at the lower of carrying amount and fair value less costs to sell. Financial instruments continue to be measured under IFRS 9.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered through a sale transaction. This asset (or group of assets) must be available immediately for sale and it must be highly likely that the sale will occur within 12 months.

BRED Group does not have such assets.

5.9 - Investment property

Accounting policies

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 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" except for insurance activities classified as "Income from insurance activities".

	31/12/20			31/12/19		
in thousands of euros	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Investment property measured at fair value	///	///	2	///	///	2
Investment property measured at historical cost	4,472	-2,130	2,342	4,354	-1,972	2,382
TOTAL INVESTMENT PROPERTY			**2,344**			**2,384**

Investment properties held by insurance subsidiaries are presented with insurance investments (see note 9).

5.10 - Fixed assets

Accounting policies

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.

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;
- 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 first 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 following depreciation and amortisation periods are used by the Banque Populaire banks:

- facades, roofing and waterproofing: 20 to 40 years;
- foundations and framework: 30 to 60 years;

- renovations: 10 to 20 years;
- technical equipment and installations: 10 to 20 years;
- fixtures and fittings: 8 to 15 years.

The useful life of other items of property, plant and equipment generally ranges from 5 to 10 years.
Non-current assets are tested for impairment when there is evidence at the balance sheet date that their value might be impaired. If there is such evidence, the asset's recoverable amount is determined and compared with its carrying amount. If the asset's value has been impaired, an impairment loss is recognised in the income statement.
This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer any evidence of impairment.

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

in thousands of euros	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Tangible assets	**664,787**	**-312,761**	**352,026**	**618,727**	**-283,226**	**335,501**
Real estate	260,492	-91,158	169,334	259,624	-89,675	169,949
Movable property	272,397	-159,191	113,206	267,850	-156,867	110,983
Property, plant and equipment granted under a operating lease	**0**	**0**	**0**	**0**	**0**	**0**
Movable property	0	0	0	0	0	0
Rights of use under lease agreements (1)	**131,898**	**-62,412**	**69,486**	**91,253**	**-36,684**	**54,569**
Relating to real-estate assets	131,898	-62,412	69,486	91,253	-36,684	54,569
of which contracted over the period	20,087	-2,384	17,703	29,245	-4,149	25,096
Relating to movable property	0	0	0	0	0	0
of which contracted over the period	0	0	0	0	0	0
TOTAL PROPERTY, PLANT AND EQUIPMENT	**796,685**	**-375,173**	**421,512**	**709,980**	**-319,910**	**390,070**
Intangible assets	**108,792**	**-75,793**	**32,999**	**98,408**	**-63,878**	**34,530**
Leasehold rights	17,562	-13,618	3,944	19,464	-15,520	3,944
Software	83,889	-57,477	26,412	71,734	-43,458	28,276
Other intangible assets	7,341	-4,698	2,643	7,210	-4,900	2,310
TOTAL INTANGIBLE ASSETS	**108,792**	**-75,793**	**32,999**	**98,408**	**-63,878**	**34,530**

(1) The application of the IFRS IC decision on determining the term of lease contracts resulted in the additional recognition of €22.7 million at 1 January 2019.

The distribution of rights of use under leases was refined in 2019 and 2020 to make the data clearer.

5.11 - Debt securities

Accounting policies

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".

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".

Securities are recognised on the balance sheet on the settlement-delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in specific cases.

A new category of liabilities eligible for the TLAC (Total Loss Absorbing Capacity) numerator has been introduced by French law and is commonly referred to as “senior non-preferred”. These liabilities have an intermediate rank between that of equity and other debts known as “senior preferred”.

in thousands of euros	**31/12/20**	**31/12/19**
Bonds	0	0
Interbank instruments and negotiable debt securities	8,954,003	9,198,080
Other debt securities that are neither non-preferred nor subordinated	0	0
Non-preferred debts	0	0
Total	**8,954,003**	**9,198,080**
Related liabilities	-412	-281
TOTAL DEBT SECURITIES	**8,953,591**	**9,197,799**

The fair value of debt securities is presented in note 10.

5.12 - Amounts due to credit institutions and customers

Accounting policies

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”.

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” (note 5.11).

Transactions involving temporary sales of securities are recorded at the settlement-delivery date.

For securities repurchase agreements, a financing commitment received is recorded between the trade date and the settlement-delivery date where these transactions are entered under “Debt”.

5.12.1 - Amounts due to credit institutions and similar

The fair value of amounts due to credit institutions is presented in note 10.

in thousands of euros	**31/12/20**	**31/12/19**
Demand deposits	1,151,441	1,615,687
Repurchase agreements	0	0
Related liabilities	91	0
Amounts due to credit institutions and similar – repayable on demand	**1,151,532**	**1,615,687**
Term loans and deposits	12,119,827	7,348,746
Repurchase agreements	548,961	522,773
Related liabilities	-14,039	-12,980
Term debt to credit institutions and equivalent	**12,654,749**	**7,858,539**
Guarantee deposits received	**503,612**	**564,086**
TOTAL DEBT TO CREDIT INSTITUTIONS AND EQUIVALENT	**14,309,893**	**10,038,312**

The fair value of amounts due to credit institutions is presented in note 10.

Amounts owed in respect of transactions with the network came to €4,623.31 million at 31 December 2020 (versus €2,271.76 million at 31 December 2019).

5.12.2 - Amounts due to customers

in thousands of euros	31/12/20	31/12/19
Credit balances on ordinary accounts	**20,105,923**	**19,295,427**
A booklet	1,422,584	1,258,042
Regulated home savings plans (PEL) and regulated home savings accounts (CEL)	1,923,985	1,871,586
Other special savings accounts	3,407,450	2,887,713
Related liabilities	1	4
Special savings accounts	**6,754,020**	**6,017,345**
Demand deposits and loans	6,433,247	6,417,897
Term deposits and loans	3,237,316	5,785,355
Related liabilities	13,991	17,113
Other customer accounts	**9,684,554**	**12,220,365**
Demand	0	0
Term	384,126	10,104
Related liabilities	52	-6
Repurchase agreements	**384,178**	**10,098**
Other amounts due to customers	**0**	**0**
Guarantee deposits received	**2,139**	**7,035**
TOTAL AMOUNTS DUE TO CUSTOMERS	**36,930,813**	**37,550,270**

The fair value of amounts due to customers is presented in note 10.

5.13 - Accrued expenses and other liabilities

in thousands of euros	31/12/20	31/12/19
Collection accounts	245,397	466,917
Prepaid income	267,841	239,500
Accounts payable	86,067	20,338
Other accruals	436,935	252,582
Accrual accounts – liabilities	**1,036,240**	**979,337**
Securities settlement accounts – credit balances	0	43
Guarantee deposits received		
Sundry creditors	279,244	257,319
Rental liabilities (1)	69,577	53,650
Other liabilities	**348,821**	**311,012**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**1,385,061**	**1,290,349**

(1) The application of the IFRS IC decision on determining the term of lease contracts resulted in the additional recognition of €22.7 million at 1 January 2019.

5.14 - Provisions

Accounting policies

Provisions other than those relating to employee benefit obligations and similar, home savings products, execution risk on off-balance sheet commitments and insurance contracts relate mainly to claims and litigation, fines and penalties, tax risks (other than income tax) 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.
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.

On this basis, a provision is established on the same generation of contracts in the event of a potentially unfavourable situation for the group, without netting between generations.

These provisions are recognised under liabilities in the balance sheet and changes are recorded in interest income and expense.

Provisions are detailed in the table of changes below, with the exception of provisions for expected credit losses on financing and guarantee commitments, which are detailed in note 7.

in thousands of euros	01/01/20	Increase	Use	Unused reversals	Other movements [1]	31/12/20
Provisions for employee benefit obligations [2]	76,202	2,952	0	-5,911	7,075	80,318
Provisions for restructuring	0	0	0	0	0	0
Legal and tax risks	21,030	2,596	0	-8,140	-104	15,382
Loan and guarantee commitments [3]	47,054	19,624	0	-7,224	-233	59,222
Provisions for home savings products	16,700	1,658	0	0	0	18,358
Other operating provisions	13,764	1,227	0	-1,648	-1,063	12,281
TOTAL PROVISIONS	**174,750**	**28,058**	**0**	**-22,923**	**5,677**	**185,561**

(1) Other movements include the revaluation adjustment of defined benefit post-employment plans (€1.8 million before tax) as well as impacts relating to changes in scope and conversion.
(2) Of which €79.25 million relating to defined benefit post-employment plans and other long-term benefits (see 8.2.1).
(3) The credit institution's credit and guarantee commitments have been estimated according to the methodology set out in IFRS 9 since 1 January 2018.

5.14.1 - Deposits held in regulated home savings products

in thousands of euros	31/12/20	31/12/19
Deposits held in regulated home savings plans (PEL)		
- less than 4 years	162,608	153,020
- more than 4 years and less than 10 years	911,635	867,946
- more than 10 years	671,449	686,271
Deposits held in regulated home savings plans	**1,745,692**	**1,707,237**
Deposits held in regulated home savings accounts	**169,828**	**158,565**
TOTAL DEPOSITS HELD IN HOME SAVING PRODUCTS	**1,915,520**	**1,865,802**

5.14.2 - Loans granted in connection with regulated home savings products

in thousands of euros	31/12/20	31/12/19
Loans granted under PEL regulated home savings plans	601	866
Loans granted under CEL regulated home savings accounts	738	1,134
TOTAL LOANS GIVEN IN CONNECTION WITH HOME SAVING PRODUCTS	**1,339**	**2,000**

5.14.3 - Provisions for regulated home savings products

in thousands of euros	31/12/20	31/12/19
Provisions for regulated home savings plans		
- less than 4 years	2,406	2,491
- more than 4 years and less than 10 years	3,553	4,301
- more than 10 years	11,093	9,272
Provisions for regulated home savings plans	**17,052**	**16,064**
Provisions for regulated home savings accounts	**1,324**	**662**
Provisions for PEL regulated home savings loans	-7	-11
Provisions for CEL regulated home savings loans	-11	-15
Provisions for regulated home savings loans	**-18**	**-26**
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**18,358**	**16,700**

5.15 - Subordinated debt

Accounting policies

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.

in thousands of euros	31/12/20	31/12/19
Subordinated debt issued for trading		
Subordinated debt designated at fair value by option	0	0
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	**0**
Term subordinated debt	0	0
Undated subordinated debt	0	0
Undated super-subordinated debt	0	0
Preferred shares	0	0
Mutual guarantee deposits	6,554	6,102
Subordinated and similar debt	**6,554**	**6,102**
Related liabilities	0	0
Revaluation of the hedged component	0	0
SUBORDINATED DEBT AT AMORTISED COST	**6,554**	**6,102**
TOTAL SUBORDINATED DEBT	**6,554**	**6,102**

The fair value of subordinated debt is presented in note 16.

Changes in subordinated and similar debt during the year

in thousands of euros	1/1/2020	Issue [1]	Redemption [2]	Other movements	31/12/20
Subordinated debt designated at fair value by option	0	0	0	0	0
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	***0***	***0***	***0***	***0***
Term subordinated debt	0	0	0	0	0
Undated subordinated debt	0	0	0	0	0
Undated super-subordinated debt	0	0	0	0	0
Preferred shares	0	0	0	0	0
Mutual guarantee deposits	6,102	780	-18	-310	6,554
SUBORDINATED DEBT AT AMORTISED COST	**6,102**	**780**	**-18**	**-310**	**6,554**
SUBORDINATED AND SIMILAR DEBT	**6,102**	**780**	**-18**	**-310**	**6,554**

[1] There were no subordinated debt issues by BRED Group during the 2020 financial year.
[2] The repayments only relate to mutual guarantee deposits.

5.16 - Ordinary shares and other equity instruments issued

Accounting policies

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 affects equity. On the other hand, the tax effect on these distributions may be recognised according to the origin of the amounts distributed, in consolidated reserves, in gains and losses recognised directly in equity or in profit or loss, in accordance with the amendment to IAS 12 of December 2017 applicable as of 1 January 2019. When the distribution corresponds to the notion of dividends within the meaning of IFRS 9, the tax effect is therefore recognised in profit or loss. This provision should apply to interest relating to the issuance of indeterminate supersubordinated securities considered to be dividends from an accounting perspective;
- 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.

5.16.1 - Cooperative shares

Accounting policies

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.

	31/12/20			31/12/19		
in thousands of euros	**Number**	**Nominal**	**Capital**	**Number**	**Nominal**	**Capital**
Cooperative shares						
Opening value	130,674,465	10.42	1,361,628	113,301,560	10.38	1,176,070
Capital increase				17,372,905	10.38	180,331
Dividend paid in form of cooperative shares	1,352,196	10.42	14,090			
Capital decrease						
Other changes					0.04	5,227
Closing value	**132,026,661**	**10.42**	**1,375,718**	**130,674,465**	**10.42**	**1,361,628**

5.16.2 - Undated deeply subordinated notes classified as equity

							Nominal (in thousands of euros [1])	
Issuing entity	**Issue date**	**Currency**	**Amount** (in original currency)	**Redemption option date**	**Interest uplift date** [2]	**Rate**	**31/12/20**	**31/12/19**
TOTAL							**0**	**0**

[1] Nominal converted into euros at the exchange rate prevailing on the date of classification in equity.
[2] Date of interest increase or date of transfer from fixed rate to variable rate.

5.17 - 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:

in thousands of euros				31/12/20 Non-controlling interests			Summary financial information for 100% equity interests			
Name of entity	**Location**	**Percentage of non-controlling interests**	**Percentage of control of non-controlling interests (if different)**	**Income attributed during the period to holders of non-controlling interests**	**Amount of the subsidiary's non-controlling interests**	**Dividends paid to holders of non-controlling interests**	**Assets**	**Debt**	**Net income (Group share)**	**Total profit (Group share)**
Subsidiaries		**%**	**%**							
BRED Vanuatu	Vanuatu	15.00%	15.00%	197	6,057	0	227,669	205,140	1,114	1,451
BCI Mer Rouge	Djibouti	49.00%	49.00%	195	8,795		233,673	229,932	203	735
Banque Franco Lao	Laos	30.00%	30.00%	288	9,825		105,118	98,232	673	-775
Other entities										
Structured entities		%	%	**-530**	**2,063**					
Total at 31/12/2020				**150**	**26,740**	**0**	**566,460**	**533,304**	**1,990**	**1,411**

in thousands of euros				31/12/19 Non-controlling interests			Summary financial information for 100% equity interests			
Name of entity	**Location**	**Percentage of non-controlling interests**	**Percentage of control of non-controlling interests (if different)**	**Income attributed during the period to holders of non-controlling interests**	**Amount of the subsidiary's non-controlling interests**	**Dividends paid to holders of non-controlling interests**	**Assets**	**Debt**	**Net income (Group share)**	**Comprehensive income (Group share)**
Subsidiaries		**%**	**%**							
BRED Vanuatu	Vanuatu	15.00%	15.00%	472	6,026	0	210,007	187,687	2,675	3,948
BCI Mer Rouge	Djibouti	49.00%	49.00%	370	9,391	0	283,865	278,907	385	1,740
Banque Franco Lao	Laos	30.00%	30.00%	270	8,543	0	112,899	105,112	630	2,134
Other entities				68	2,305					
Structured entities		%	%							
Total at 31/12/2019				**1,180**	**26,265**	**0**	**606,771**	**571,705**	**3,689**	**7,823**

2019 was corrected to make the information clearer.

5.18 - Change in gains and losses recognised directly in equity

Accounting policies

For equity financial assets recognised in equity, in the event of a sale, changes in fair value are not transferred to profit or loss. These items cannot be reclassified in income.

in thousands of euros	2020 financial year			2019 financial year		
	Gross	Tax	Net	Gross	Tax	Net
Revaluation of intangible assets						
Revaluation (or actuarial gains or losses) relating to defined-benefit schemes	-1,804	326	-1,477	-15,443	4,030	-11,413
Revaluation of credit risk associated with financial liabilities recognised by option at fair value through profit or loss	0	0	0	0	0	0
Revaluation of equity financial assets recognised in financial assets at fair value through equity	-189,248	5,828	-183,420	22,619	-6,741	15,878
Revaluation of available-for-sale assets from insurance activities	0	0	0	0	0	0
Items from the proportion of gains/losses carried directly to equity of equity-consolidated companies	-393	149	-243	-2,623	773	-1,850
Other items recognised through other comprehensive income on items that cannot be recycled in net income	0	0	0	0	0	0
Items that cannot be recycled to income	**-191,445**	**6,304**	**-185,141**	**4,553**	**-1,938**	**2,615**
Translation differences	-6,197	///	-6,197	-336	///	-336
Revaluation of financial assets at fair value through equity that can be recycled	15,105	-3,902	11,203	32,772	-8,637	24,135
Revaluation of available-for-sale assets from insurance activities	1,582	-407	1,175	6,127	-1,583	4,544
Revaluation of derivative hedges of items that can be recycled in net income	-10,003	361	-9,642	-1,370	420	-950
Items from the proportion of gains/losses carried directly to equity of equity-consolidated companies	-7,952	577	-7,375	-2,505	541	-1,964
Other items recognised through other comprehensive income on items that can be recycled in net income	0	0	0	0	0	0
Items that can be recycled to income	**-7,466**	**-3,370**	**-10,836**	**34,688**	**-9,259**	**25,429**
Gains and losses recognised directly in equity (net of tax)	**-198,910**	**2,933**	**-195,977**	**39,241**	**-11,197**	**28,044**
Attributable to equity holders of the parent company	-196,611	2,933	-193,678	39,205	-11,197	28,008
Non-controlling interests	-2,299	0	-2,299	36	0	36

5.19 - Netting financial assets and liabilities

Accounting policies

Financial assets and liabilities netted in the balance sheet were netted in line with the criteria of IAS 32. According to this standard, a financial asset and a financial liability are netted and a net balance is presented on the balance sheet if and only if:

- the Group has a legally enforceable right to net the recognised amounts;
- if it intends to either settle the net amount or realise the asset and settle the liability simultaneously.

Within BRED Group, most of the netted amounts come from listed derivative transactions for which the IAS 32 criteria are met:

- for OTC derivatives, this is the currency netting of active valuations and passive valuations of derivatives and margin calls (variation margin);
- for asset swap transactions with similar nominal values, as well as identical maturities and currencies, the Group presents these transactions in the form of a single financial asset or liability;
- for listed derivatives, the positions recorded respectively in the assets and liabilities relating to:
    - index options and futures options are netted by maturity and currency;
    - equity options are netted by ISIN code and maturity date;
- for repurchase agreements, the amount recorded in the balance sheet corresponds to the net amount of repurchase agreements and securities lending agreements that:
    - are entered into with the same clearing house,
    - have the same maturity date,
    - the same custodian (except if the custodian has joined the T2S platform),
    - are concluded in the same currency.

Financial assets and liabilities under netting agreements can be netted only when they meet the restrictive netting criteria of IAS 32.
In the event that over-the-counter derivatives or repurchase agreements under master agreements do not respect the net settlement criteria or completion of simultaneous settlement of the asset and liability cannot be demonstrated or if the netting right can only be exercised in the event of the default, insolvency or bankruptcy of one of the parties to the agreement, netting cannot be carried out. Nevertheless, the effect of these agreements on the reduction of exposure is reflected in the second table.

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 in cash figure in the “Margin calls received (cash collateral)” and “Margin calls paid (cash collateral)” columns.

5.19.1 - Financial assets

Effects of netting on financial assets in the balance sheet related to netting agreements

in thousands of euros	31/12/20 Gross financial assets (1)	31/12/20 Gross amount of financial liabilities netted in the balance sheet	31/12/20 Net amount of financial assets recognised in the balance sheet	31/12/19 Gross amount of financial assets	31/12/19 Gross amount of financial liabilities netted in the balance sheet	31/12/19 Net amount of financial assets recognised in the balance sheet
Derivatives (transactions and hedging)	1,969,902	91,578	1,878,324	2,422,596	460,839	1,961,757
Repurchase agreements	0	0	0	0	0	0
Financial assets at fair value	**1,969,902**	**91,578**	**1,878,324**	**2,422,596**	**460,839**	**1,961,757**
Repurchase transactions (portfolio of loans and receivables)	**3,149,851**	**0**	**3,149,851**	**5,045,469**	**0**	**5,045,469**
TOTAL	**5,119,753**	**91,578**	**5,028,175**	**7,468,065**	**460,839**	**7,007,226**

(1) includes the gross amount of financial assets that are the subject of netting or an enforceable global netting agreement as well as financial assets that are not subject to any agreement.

Effects of netting agreements not recognised in the accounts as financial assets

in thousands of euros	31/12/20 Net amount of financial assets recognised in the balance sheet	31/12/20 Related financial liabilities and financial instruments received as collateral	31/12/20 Margin calls received *(cash collateral)*	31/12/20 Net exposure	31/12/19 Net amount of financial assets recognised in the balance sheet	31/12/19 Related financial liabilities and financial instruments received as collateral	31/12/19 Margin calls received *(cash collateral)*	31/12/19 Net exposure
Derivatives	1,811,110	1,496,473	149,276	**165,361**	1,681,225	1,240,904	280,969	**159,351**
Repurchase agreements	2,847,126	2,762,962	84,121	**43**	4,735,805	4,732,453	0	**3,352**
Other assets	0	0	0	**0**	0	0	0	**0**
TOTAL	**4,658,236**	**4,259,435**	**233,397**	**165,404**	**6,417,030**	**5,973,357**	**280,969**	**162,704**

Net exposure is therefore not a reflection of the accounting position, since it takes into account the reduction in exposure related to agreements that do not meet the restrictive netting criteria of IAS 32.

5.19.2 - Financial liabilities

Effects of netting on financial liabilities in the balance sheet related to netting agreements

in thousands of euros	31/12/20 Gross financial liabilities (1)	31/12/20 Gross amount of financial assets netted in the balance sheet	31/12/20 Net amount of financial liabilities recognised in the balance sheet	31/12/19 Gross amount of financial liabilities	31/12/19 Gross amount of financial assets netted in the balance sheet	31/12/19 Net amount of financial liabilities recognised in the balance sheet
Derivatives (transactions and hedging)	2,461,061	91,578	2,369,483	2,392,680	460,839	1,931,841
Repurchase agreements	0	0	0	1	0	0
Other financial instruments	0	0	0	0	0	0
Financial liabilities at fair value	**2,461,061**	**91,578**	**2,369,483**	**2,392,680**	**460,839**	**1,931,841**
Repurchase transactions (debt portfolio)	**932,484**	**0**	**932,484**	**530,792**	**0**	**530,792**
Other financial instruments (debt portfolio)	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**3,393,545**	**91,578**	**3,301,967**	**2,923,472**	**460,839**	**2,462,633**

(1) Includes the gross amount of financial assets that are the subject of netting or an enforceable global netting agreement as well as financial liabilities that are not subject to any agreement.

Effects of netting agreements not recognised in the accounts as financial liabilities

in thousands of euros	31/12/20 Net amount of financial liabilities recognised in the balance sheet	Related financial liabilities and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure	31/12/19 Net amount of financial liabilities recognised in the balance sheet	Related financial liabilities and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure
Derivatives	2,241,508	1,496,473	707,674	**37,361**	1,801,393	1,240,904	488,394	**72,094**
Repurchase agreements	932,484	900,723	31,761	**0**	524,952	459,422	65,521	**10**
Other liabilities	0	0	0	**0**	0	0	0	**0**
TOTAL	**3,173,992**	**2,397,196**	**739,435**	**37,361**	**2,326,345**	**1,700,326**	**553,915**	**72,104**

Net exposure is therefore not a reflection of the accounting position, since it takes into account the reduction in exposure related to agreements that do not meet the restrictive netting criteria of IAS 32.

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

Accounting policies

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 debt is a financial liability recorded at amortised cost or at fair value through profit or loss when this liability is part of a transaction business model.

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 through profit or loss if it arises from a trading business model.

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 basic 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. The amendment to IFRS 9 of 12 October 2017 clarified the treatment under IFRS 9 of changes in liabilities recognised at amortised cost, in the event that the change does not result in derecognition: the gain or loss resulting from the difference between the original cash flows and the discounted cash flows at the original effective interest rate should be recorded in profit or loss. In order to judge the material nature of the change, IFRS 9 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.

5.20.1 - 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 collateral**	**Securitisations**	**31/12/20**
Financial assets at fair value through profit or loss – Held for trading	763,485	139,273	440,761	0	1,343,519
Financial assets at fair value through profit or loss – By option	0	0	0	0	0
Financial assets at fair value through profit or loss – Non-basic	0	0	0	0	0
Financial assets at fair value through profit or loss – Excluding trading	0	0	0	0	0
Financial assets at fair value through equity	6,581,225	455,407	1,856,548	0	8,893,180
Financial assets at amortised cost	777,318	0	588	805,735	1,583,641
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**8,122,028**	**594,680**	**2,297,897**	**805,735**	**11,820,340**
including transferred financial assets not fully derecognised	***8,122,028***	***594,680***	***588***	***805,735***	***9,523,031***

The amount of liabilities associated with financial assets pledged as collateral under repurchase agreements amounted to €599.3 million at 31 December 2020 (€34.0 million at 31 December 2019).

The fair value of the assets pledged as collateral in the context of non-deconsolidating securitisation transactions amounted to €805.73 million at 31 December 2020 (€1,812.94 million at 31 December 2019) and the related liability amounted to €332.6 million at 31 December 2019.

	Net carrying amount				
in thousands of euros	Securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitisations	31/12/19
Financial assets at fair value through profit or loss – Held for trading	282,888	29,871	103,123	0	415,882
Financial assets at fair value through profit or loss – By option	0	0	0	0	0
Financial assets at fair value through profit or loss – Non-basic	0	0	0	0	0
Financial assets at fair value through profit or loss – Excluding trading	0	0	0	0	0
Financial assets at fair value through equity	6,076,964	0	1,192,595	0	7,269,559
Financial assets at amortised cost	789,232	0	16,830	1,812,939	2,619,001
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**7,149,084**	**29,871**	**1,312,548**	**1,812,939**	**10,304,442**
including transferred financial assets not fully derecognised	***7,149,084***	***29,871***	***16,830***	***1,812,939***	***9,008,724***

5.20.1.1 - 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 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.

Consolidated securitisations

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).

5.20.1.2 - 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.

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

	Reusable financial instruments			
	Fair value of reusable financial instruments		Fair value of reused financial instruments	
in thousands of euros	31/12/20	31/12/19	31/12/20	31/12/19
Debt securities	7,904,277	7,044,605	1,426,578	1,657,349
Equity instruments	4,094,777	4,566,374	1,260	146
Loans and advances				
Other				
TOTAL FINANCIAL ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR RE-PLEDGED	**11,999,054**	**11,610,979**	**1,427,838**	**1,657,495**

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

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

None.

5.21 - Financial instruments subject to the reform of reference rates

Accounting policies

In accordance with the amendments to IFRS 9 and IAS 39 relating to the reform of reference rates (phase 1), until the uncertainties related to the reform disappear, it is considered that:

- transactions designated as items hedged by cash-flow hedges are “highly likely”, since hedged flows are not considered to be altered by the reform;
- prospective effectiveness tests of fair-value hedges and cash-flow hedges are not called into question by the effects of the reform, in particular hedge accounting may be maintained if back-to-back tests are removed from the 80-125% limits during this transitional period, although the ineffective portions of hedging relationships still need to be recognised in the income statement;
- the hedged risk component, when designated on the basis of a reference rate, is considered to be separately identifiable.

BRED Group considers that all its hedging contracts, which have a BOR or EONIA component, are concerned by the reform and may therefore benefit from these amendments as long as uncertainty exists regarding the contractual amendments to be made due to the regulations, the substitution index to be used or the duration of the provisional rate application period. BRED Group's main exposure results from its derivative contracts and its loan and borrowing agreements at the EURIBOR rate, EONIA rate and US LIBOR rate. Hedging transactions are presented in note 5.3.

The phase 2 amendments, after the implementation of alternative rates, introduce a practical expedient, which consists in changing the effective interest rate prospectively with no impact on net income in the event that changes in financial instrument flows are exclusively related to the reform and enable an economic equivalence to be maintained between old and new flows.

They also introduce, if these conditions are met, relaxations of the eligibility criteria for hedge accounting in order to maintain the hedging relationships affected by the reform. These provisions concern in particular the impacts related to hedging redocumentation, portfolio hedging, the treatment of the OCI reserve for cash-flow hedges, the identification of an identifiable risk component, and retrospective effectiveness tests.

European Regulation (EU) 2016/1011 of 8 June 2016 on indices used as benchmarks (the “Benchmark Regulation” or “BMR”) establishes a common framework to ensure the accuracy and integrity of the indices used as a benchmark in financial instruments and financial contracts or to measure the performance of investment funds in the European Union.

The purpose of the Benchmark Regulation is to regulate the provision of benchmarks, the provision of underlying data for a benchmark and the use of benchmarks within the European Union. It provides for a transitional period for administrators, who have until 1 January 2022 to be approved or registered. From that date, the use by European Union-supervised entities of benchmarks from non-authorised or unregistered administrators (or, if not located in the EU, administrators that are not subject to equivalent or otherwise recognised or endorsed rules) will be prohibited.

In relation to the BMR Benchmarks Regulation, the EURIBOR, LIBOR and EONIA interest-rate benchmarks were reported as critical benchmarks.

In the Eurozone, during the first half of 2019, uncertainties surrounding the definition of new benchmark rates were partially lifted. Indeed, the work to propose new indices was finalised for the EONIA which, from 1 October 2019 until 31 December 2021, will become a tracker of the €STR rate. This will replace the “recalibrated” EONIA from 1 January 2022.

With regard to EURIBOR, the implementation of a new calculation methodology, recognised by the Belgian regulator in accordance with the requirements of the Benchmark Regulation, aimed at moving to a so-called “Hybrid” EURIBOR, was finalised in November 2019. At this stage, there is moderate uncertainty about the sustainability of EURIBOR, resulting from the limited number of banks contributing to the determination of the index. In November 2020, two consultations were launched by the European working group on alternative reference rates in order to assist entities in drafting fallback clauses. These consultations are intended to determine the events that will trigger the permanent termination of EURIBOR and the methods for determining the rate, based on the €STR, which will then replace EURIBOR.

The degree of uncertainty associated with derivatives or hedged items indexed at the EURIBOR or EONIA rates, concerning the majority of BRED Group’s hedging relationships is lower than on the LIBOR index.

As regards LIBOR, at this stage alternative “risk-free rates” have been defined for the GBP, USD, CHF and JPY LIBORs.

However, work is still in progress to define the methods for transition to these rates. Furthermore, legislative solutions are envisaged at the European, UK and US levels for LIBOR-listed contracts, which would not have been renegotiated at the end of the transition period.
Since the first half of 2018, BRED Group has relied on Groupe BPCE, which has set up a project structure responsible for anticipating the impacts associated with the reform of reference rates, from a legal, commercial, financial, risk, system and accounting standpoint.

In 2019, the work focused on the reform of EURIBOR and the transition from EONIA to €STR and the strengthening of contractual clauses on the termination of indices. In 2020, a more operational phase began around the transition and the reduction of exposure to benchmark rates that are likely to disappear. It includes the use of new indices, stock remediation and more active communication with the bank's clients. However, the vast majority of the contracts covered by the reform will only be remedied with alternative rates in 2021.

Information on outstanding financial assets excluding derivatives, non-derivative financial liabilities and derivatives to be transitioned is presented in Chapter 5 “Risk Management - Interest Rate and Liquidity Risk Part 3 Balance Sheet Risks”.

NOTE 6 - COMMITMENTS

Accounting policies

Commitments are characterised by the existence of a contractual obligation and are irrevocable.

Commitments in this item should not qualify as financial instruments within the scope of IFRS 9 for classification and measurement. On the other hand, the financing and guarantee commitments given are subject to the IFRS 9 provisioning rules as presented in note 7.

The effects of these commitments rights and obligations are subject to fulfilment of conditions or subsequent transactions. These commitments are broken down into:

- Financing commitments (confirmed credit facility or refinancing agreement);
- Guarantee commitment (commitments by signature or assets received as collateral).

The amounts communicated correspond to the nominal value of the commitments given.

6.1 - Financing commitments

in thousands of euros	**31/12/20**	**31/12/19**
Financing commitments given:		
credit institutions	168,425	584,272
from customers	**4,249,747**	**4,361,903**
- Confirmed credit facilities	*3,913,045*	*4,080,727*
- Other commitments	*336,702*	*281,176*
TOTAL FINANCING COMMITMENTS GIVEN	**4,418,172**	**4,946,175**
Financing commitments received:		
from credit institutions	1,878,200	2,288,930
from customers	1,004,319	1,867,664
TOTAL FINANCING COMMITMENTS RECEIVED	**2,882,519**	**4,156,594**

6.2 - Guarantee commitments

in thousands of euros	**31/12/20**	**31/12/19**
Guarantee commitments given:		
to credit institutions	694,617	294,103
to customers	2,812,183	2,010,151
TOTAL GUARANTEE COMMITMENTS GIVEN	**3,506,800**	**2,304,254**
Guarantee commitments received:		
from credit institutions	6,209,642	5,658,551
from customers	2,971,507	1,107,891
TOTAL GUARANTEE COMMITMENTS RECEIVED	**9,181,149**	**6,766,442**

Guarantee commitments include off-balance sheet commitments as well as assets received such as security interests other than those linked to financial assets received as collateral and that can be sold or re-pledged.

NOTE 7 - EXPOSURE TO RISKS

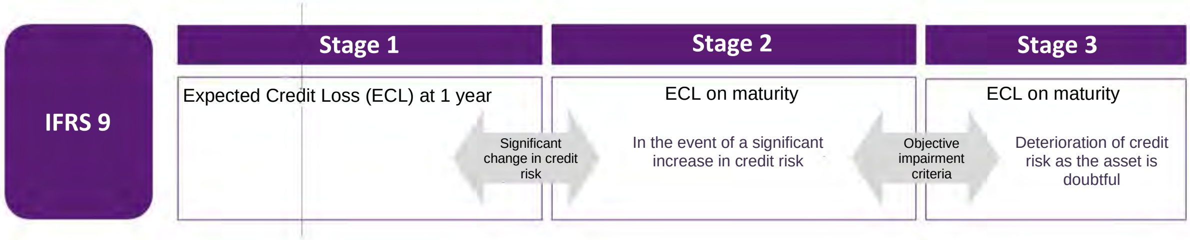
The following risk exposures are represented by credit risk, market risk, global interest rate risk, foreign exchange risk and liquidity risk.

Information relating to the management of capital and the regulatory ratios is presented in the "Risk management" section.

7.1 - Credit risk

Overview

Credit risk is the risk that a party to a financial instrument will default on one of its obligations and thereby cause the other party to incur a financial loss.



Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. These include:

- 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 - Cost of credit risk

Accounting policies

The cost of risk relates to debt instruments classified as financial assets at amortised cost or financial assets at fair value by equity that can be recycled as well as to financing commitments and financial guarantee contracts not recognised in the financial statements at fair value through profit or loss. It also concerns claims arising from leases, trade receivables and contract assets.

This item therefore covers the net cost of impairment and provisions recorded in respect of credit risk.

This heading also includes credit losses relating to other types of instruments (derivatives or securities recognised at fair value through profit or loss by option) recorded as a result of default by credit institutions.
Bad debts not covered by impairments are receivables that have acquired the status of definitive loss before being subject to provisioning in Stage 3.

Cost of credit risk for the period

in thousands of euros	2020 financial year	2019 financial year
Net charges to provisions and provisions for impairment	-127,257	(78,432)
Recoveries of bad debts written off	-21,741	6,278
Irrecoverable loans not covered by provisions for impairment	-12,561	(7,792)
TOTAL COST OF CREDIT RISK	**-161,559**	**-79,946**

Cost of credit risk for the period by asset type

in thousands of euros	2020 financial year	2019 financial year
Interbank transactions	-1,937	208
Customer transactions	-136,816	-76,491
Other financial assets	-22,806	-3,663
TOTAL COST OF CREDIT RISK	**-161,559**	**-79,946**

7.1.2 - Change in gross carrying amounts and expected credit losses on financial assets and commitments

Accounting policies

Expected credit losses are represented by impairment losses on assets at amortised cost and fair value through equity, and provisions on financing and guarantee commitments.

From the date of first recognition, the financial instruments concerned (see 7.1.1) are subject to an impairment or an allowance for Expected Credit Losses (ECL).

Where financial instruments have not objectively been shown to be individually impaired, the expected impairments or provisions for credit losses are evaluated on the basis of reasonable and justifiable loss history and forecasts of discounted future cash flows.

Financial instruments are divided into three categories (stages) according to the deterioration in credit risk observed since their first recognition. Each category of loans has a specific credit risk assessment method:

Stage 1 (S1)

- these are healthy loans for which there is no significant increase in credit risk since the first recognition of the financial instrument;
- impairment or provision for credit risk corresponds to expected credit losses at one year;
- interest income is recorded in profit or loss using the effective interest rate method applied to the gross carrying amount of the Instrument before impairment.

Stage 2 (S2)

- healthy loans for which a significant increase in credit risk has been recorded since the first recognition of the financial instrument, are transferred to this category;
- the impairment or provision for credit risk is determined based on credit loss events expected over the remaining term of the financial instrument (credit losses expected on maturity);
- interest income is recorded in profit or loss, as for Stage 1 loans, using the effective interest rate method applied to the gross carrying amount of the Instrument before impairment.

Stage 3 (S3)

- these are loans for which there is an objective indication of an impairment loss due to an event that characterises a proven credit risk occurring after the first recognition of the instrument in question. This category covers, as under IAS 39, receivables for which a default event has been identified as defined in Article 178 of Regulation (EU) no. 575/2013 of 26 June 2013 on prudential requirements applicable to credit institutions with the imposition of a probationary period and the introduction of explicit criteria for classifying restructured loans as in default;

- the impairment or provision for credit risk is calculated for the expected credit losses over the remaining life of the financial instrument (expected credit losses at maturity) on the basis of the recoverable amount of the receivable, i.e. the present value of estimated recoverable future cash flows;
- interest income is therefore recorded in profit or loss using the effective interest rate method applied to the carrying amount of the Instrument before impairment.
- Financial assets acquired or created and impaired for credit risk as soon as they are initially recognised, as the entity does not expect to recover all of the contractual cash flows *(purchased or originated credit impaired or POCI)* also fall under stage 3. These assets may be transferred to Stage 2 in the event of an improvement in credit risk.

For receivables resulting from operating leases or financial leases – which fall under IFRS 16, the Group decided not to retain the option of applying the simplified method proposed by IFRS 9 point 5.5.15.

Methodology for assessing the deterioration in credit risk and expected credit losses

The principles for assessing deterioration in credit risk and expected credit losses for the vast majority of group exposures are described below.

Significant increase in credit risk

The significant increase in credit risk is valued on an individual basis, for each instrument, by taking into account all reasonable and justifiable information and by comparing the default risk on the financial instrument at the end of the financial year with the default risk on the financial instrument at the date of its initial recognition. A counterparty approach (with the application of the contagion principle to all outstanding balances on the consideration under consideration) is possible, particularly in view of the qualitative Watchlist criteria.

In accordance with IFRS 9, a counterparty's loan that has been subject to a significant decrease in credit risk (Stage 2) that has just been originated will be classified as Stage 1.
The assessment of the deterioration is based on the comparison of default probabilities or ratings, at the financial instruments' initial recognition date, with those existing at the closing date. The same principles as those determining entry into Stage 2 are applied to significant decreases in credit risk.

In addition, according to the standard, a rebuttable presumption exists of a significant increase in the credit risk associated with a financial asset since initial recognition when contractual payments are delayed by more than 30 days.

In particular, forbearance measures granted to support companies experiencing widespread cash flow difficulties, as well as the granting of government-backed loans (PGEs), do not on their own lead to considering the existence of financial difficulties that call into question the counterparty's ability to honour its contractual agreements at maturity. As a result, the principles mentioned are fully applicable depending on the specific situation of the counterparty.

In the majority of cases, assessment of the deterioration in risk allows recognition of a deterioration to Stage 2 before the transaction is impaired individually (Stage 3).

The assessment of the significant increase in credit risk is carried out for each instrument based on indicators and thresholds that vary according to the nature of the exposure and the type of counterparty.

More specifically, the change in credit risk is assessed based on the following criteria:

- on the portfolios of Individual Customers, Professional Customers, Small and Medium-Sized Enterprises, Public Sector and Social Housing: credit risk deterioration is measured based on a combination of

quantitative and qualitative criteria. The quantitative criterion is based on measurement of the change in the probability of default at one year (based on a cycle average) since initial recognition. The additional qualitative criteria make it possible to classify all the contracts presenting payments overdue by more than 30 days in Stage 2 (the presumption of payments overdue by 30 days is therefore not refuted) as at-risk, requiring remodelling, or as facing financial difficulties if the criteria for downgrading them to default are not met;
- on the portfolios of Large Companies, Banks and Sovereigns: the quantitative criterion is based on the level of variation of the rating since first recognition. The same qualitative criteria as for Individuals, Professionals and SMEs apply, as well as additional criteria depending on changes in the sector rating and the country risk level;
- on Specialised Financing: the criteria applied vary according to the characteristics of the exposures and the related rating system. Exposures rated by the tool dedicated to large exposures are treated in the same way as Large Companies; other exposures are treated in the same way as Small and Medium Enterprises.

For all of these portfolios, the ratings on which the measure of risk is based correspond to ratings from internal systems where these are available, as well as to external ratings, particularly in the absence of an internal rating. The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the financial year. This provision is applied to investment grade debt securities managed under BPCE's liquidity reserve, as defined by Basel 3. The “investment grade” category corresponds to ratings of BBB- or higher, or its equivalent at Standards and Poors, Moody’s or Fitch.

In accordance with IFRS 9, the taking into account of guarantees and collateral does not affect the assessment of the significant deterioration of credit risk: this is based on changes in credit risk on the debtor without taking guarantees into account.

Measurement of expected credit losses

Expected credit losses are defined as an estimate of credit losses (i.e. the present value of cash shortfalls) weighted by the likelihood of such losses occurring over the expected life of financial instruments. They are calculated individually for each exposure.

In practice, for financial instruments categorised as Stage 1 or 2, the expected credit losses are calculated as the product of several parameters:

- Expected flows over the life of the financial instrument, discounted at valuation date - these flows being determined according to the characteristics of the contract and its effective interest rate;
- Loss Given Default (LGD);
- Probabilities of default (PD), over the coming year in the case of financial instruments in Stage 1, until the maturity of the contract in the case of financial instruments in Stage 2.

To define these parameters, BRED Group relies on Groupe BPCE’s work, which is based on existing concepts and systems, particularly on internal models developed to calculate regulatory capital requirements (Basel system) and on projection models used for stress tests. Specific adjustments are made to comply with the specific requirements of IFRS 9:

- The IFRS 9 parameters are intended to fairly estimate expected credit losses for accounting provision purposes, whereas prudential parameters are more cautious for regulatory framework purposes. Several of these safety buffers applied to the prudential parameters are therefore restated;
- The IFRS 9 parameters must make it possible to estimate the expected credit losses until the contract’s maturity, whereas prudential parameters are defined to estimate 12-month losses. The 12-month parameters are therefore projected over long timescales;
- IFRS 9 parameters must be forward-looking and take into account the expected economic environment over the projection timescale, whereas prudential parameters correspond to the cycle’s average estimates (for PD) or bottom-of-the-cycle estimates (for LGD and the expected flows over the life of the financial

instrument). Prudential parameters of PD and LGD are therefore also adjusted based on this expected economic environment.

The methods for measuring expected credit losses include collateral and other credit enhancements that form part of the contractual terms and conditions and which the entity does not recognise separately. The estimate of expected cash flow shortfalls of a guaranteed financial instrument reflects the amount and timing of collateral recovery.

Consideration of forward-looking information

BRED Group relies on Groupe BPCE's work to take forward-looking information into account.

Groupe BPCE takes forward-looking information into account both in estimating the significant increase in credit risk and in measuring expected credit losses.

The amount of expected credit losses is calculated on the basis of a weighted average of probabilistic scenarios, taking into account past events, current circumstances and reasonable and justifiable forecasts of the economic situation.

With regard to determining the significant increase in credit risk, the rules based on the comparison of risk parameters between the initial recognition date and the reporting date are supplemented by consideration of forward-looking information such as sectoral or geographical macroeconomic parameters, which may increase the amount of expected credit losses of certain exposures. The Group's institutions therefore assess the exposures in question in light of the local and sectoral characteristics of their portfolio.

In the context of the Covid-19 crisis, additional provisions were recognised to cover specific risks in certain sectors, mainly tourism, hospitality, catering, specialised retail and aerospace. In this context, Groupe BPCE has developed and significantly strengthened the monitoring of the affected sectors. The sector-based monitoring approach makes it possible for Groupe BPCE's Risk Division to classify economic sectors and sub-sectors centrally and to update this classification monthly.

In the context of the health crisis and the difficulty in assessing the counterparty's risk situation accurately, additional conservative adjustments of ECL were made:

- on the credit portfolios of Medium-Sized Enterprises, which do not have automatic ratings, the ratings of certain counterparties have been downgraded via a grid distributed among the Group's institutions. The ratings take into account the debtor's additional debt resulting from the support measures granted (including PGEs);
- On the credit portfolios of Professionals and Small Businesses, rated automatically, the automatic improvement in ratings as a result of government support measures (positive impact of moratoria and PGEs on the cash position of these counterparties) was neutralised and the lowest rating since March 2020 was taken into account.

Methodology for calculating expected losses

The parameters used to measure expected credit losses are adjusted to economic conditions by defining three economic scenarios defined over a three-year horizon:

- the central scenario was updated based on scenarios determined by the Group's economists in September;
- A pessimistic scenario, corresponding to worse performance of the macroeconomic variables defined under the central scenario;
- An optimistic scenario, corresponding to better performance of the macroeconomic variables defined under the central scenario.

The variables defined in each of these scenarios allow deformation of the PD and LGD parameters and the calculation of an expected credit loss for each of the economic scenarios. The projection of parameters over horizons greater than three years is based on the principle of a gradual return to their long-term average. For the sake of consistency, the models used to deform the PD and LGD parameters are based on those developed for stress testing. These economic scenarios are associated with probabilities of occurrence, ultimately allowing the calculation of a probable average loss used as the IFRS 9 expected credit loss.

Each scenario is weighted according to its proximity to the market consensus forecast on the main economic variables of each scope or significant market of the Group.

The projections are broken down, mainly on the French market, through key macroeconomic variables such as GDP, unemployment rates and French interest rates on French sovereign debt.

The weight to be attributed to expected credit losses calculated in each scenario is defined as follows:

- 60% for the central scenario,
- 35% for the pessimistic scenario,
- 5% for the optimistic scenario.

Due to the uncertainty linked to the health crisis, these boundaries are much further from the central scenario than in a typical non-crisis environment. The current methodology takes into account past deviations from consensus data from which the probability of occurrence of the pessimistic and optimistic scenarios is measured. The uncertainty of the situation means that the method had to be adapted in order to make these boundaries reachable. This adaptation consists in aligning the dispersion previously calibrated on the consensus deviations with the current uncertainty, estimated via the dispersion of the forecasts making up the said consensus.

In the context of the Covid-19 crisis, substantial government support measures have been put in place. The group has assumed that these measures had the impact of delaying the effects of the crisis by approximately 9 months (between the 6 months of the forbearance measures and the 12-month PGE repayment period). Measures such as short-time working have led to a significant part of the impact of the crisis being absorbed by the public authorities (memos from the Banque de France and OFCE - *Observatoire Français des Conjonctures Economiques* (French Economic Observatory)). This is reflected in Groupe BPCE’s modelling system by moderating by 60% the impact on the ECL calculation parameters of deviations of growth from its long-term trend.

The sensitivity of expected credit losses for BRED Banque Populaire retail banking due to the uncertainty of the level of moderation and the 3-month delay to the macroeconomic scenario was estimated:

- Varying the moderation factor by +/- 10% around the selected value of 60% has an impact of around €1.8m;
- An additional 3-month delay, to 12 months, would lead to an additional allocation of around €4.4 million;
- Increasing the probability of occurrence of the 5% pessimistic scenario, at the expense of the central scenario, would lead to an allocation of €0.4 million.

The definition and review of these scenarios follows the same organisation and governance as that defined for the budget process, with quarterly reviews since the Covid-19 crisis based on economic research proposals and validation by the General Management Committee. The probabilities of occurrence of scenarios are reviewed quarterly by the Group’s Watch List and Provisions Committee. The parameters thus defined allow expected credit losses for all exposures to be valued, regardless of whether they belong to a scope approved using an internal method or they are processed using the standard method for calculating risk-weighted assets.

The mechanism for validating IFRS 9 models is fully integrated in the validation mechanism already in force within the Group. The validation of models involves a review by the independent internal validation unit, the review of this work by the Group model committee and monitoring of recommendations issued by the validation unit.

Terms of valuation of outstanding amounts falling under the Stage 3

Financial assets for which there is objective evidence of loss related to an event that characterises a proven counterparty risk and which occurs after their initial recognition are considered to fall under Stage 3. The criteria for identifying assets are aligned with the definition of default as defined in Article 178 of Regulation (EU) no. 575/2013 of 26 June 2013 on prudential requirements applicable to credit institutions in line with the EBA guidelines (EBA/GL/2016/07) on the application of the definition of default and Delegated Regulation 2018/1845 of the European Central Bank on the threshold for assessing the materiality of credit obligations past due, applicable no later than 31 December 2020.

Loans and receivables are considered impaired and fall under Stage 3 if both of the following 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 first recognition of the loans in question. In particular, the following are objective evidence of impairment:
    - the occurrence of a payment past due for at least three consecutive months (at least 6 months for loans to local authorities), the amount of which is higher than the absolute threshold (€100 for retail exposure, otherwise €500) and relative threshold of 1% of the counterparty's exposures,
    - or the restructuring of loans in the event of meeting certain criteria or, regardless of any payments past due, the observation that the counterparty is experiencing financial difficulties leading to the conclusion that all or part of the amounts due will not be recovered. Note that restructured loans are classified as Stage 3 when the loss is greater than 1% of the difference between the net present value before restructuring and the net present value after restructuring,
    - or the implementation of litigation proceedings;
- these events are likely to result in incurred credit losses, i.e. expected credit losses for which the probability of occurrence has become certain.

Debt securities such as bonds and securitised transactions (asset backed securities, commercial mortgage-backed securities, residential mortgage-backed securities, cash collateralised debt obligations) are considered to be impaired and fall under Stage 3 when there is a known counterparty risk.

The impairment indicators used for debt securities in Stage 3 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 corresponding to the definition of financial liabilities within the meaning of standard IAS 32, 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.

The impairment for expected credit losses on financial assets in Stage 3 is determined as the difference between the amortised cost and the recoverable amount of the receivable, i.e. the discounted value of estimated recoverable future cash flows, whether these cash flows are derived from the activity of the counterparty or from the potential activation of guarantees. 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 credit loss events from off-balance sheet commitments in Stage 3 are taken into account through provisions recognised on the liability side of the balance sheet. Impairment is calculated for each receivable on the basis of repayment schedules, determined by reference to collection experience for each category of receivable.

For the purposes of the assessment of expected credit losses, estimation of expected credit losses takes into account expected cash flow shortfall, collateral and other credit enhancements that form an integral part of the instrument’s contractual terms and conditions and that the entity does not recognise separately.

Impairment losses on assets at amortised cost and fair value through equity, and provisions on financing and guarantee commitments

For debt instruments recognised on the balance sheet in the category of financial assets at amortised cost, the impairments recorded correct the original item of the asset presented in the balance sheet for its net value (regardless of the asset's stage: S1, S2, S3 or POCI). Impairment charges and reversals are recognised in the income statement under "Cost of credit risk".

For debt instruments recognised on the balance sheet in the category of financial assets at fair value through equity, impairment losses are recognised as equity liabilities in the balance sheet, at the level of equity that can be recycled, against the "Cost of credit risk" item in the income statement (regardless of the asset's stage: S1, S2, S3 or POCI).

For the given financing and financial guarantee commitments, provisions are recorded under "Provisions" on the liabilities side of the balance sheet (regardless of the commitment's stage: S1, S2, S3 or POCI). Charges and reversals of provisions are recognised in the income statement under "Cost of credit risk".

7.1.2.1. - Change in gross carrying amount and impairment charges for expected credit losses on financial assets at fair value through equity

In thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired at origination or acquisition (S2 POCI)		Assets impaired at origination or acquisition (S3 POCI)		TOTAL	
	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
Balance at 31/12/2019	**10,193,709**	**-1,392**	**9,872**	**-616**	**25,203**	**-21,423**	**0**	**0**	**0**	**0**	**10,228,785**	**-23,431**
Production and acquisition	2,049,669	-289	0	0	0	0	0	0	0	0	2,049,669	-289
Derecognition (debt repayment, assignment and write-off)	-4,717,606	20	-4,367	3	0	0	0	0	0	0	-4,721,973	23
Impairment (written off)	0	0	0	0	-724	362	0	0	0	0	-724	362
Transfers of financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to S1	0	0	0	0	0	0	///	///	///	///	0	0
Transfers to S2	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to S3	0	0	0	0	0	0	0	0	0	0	0	0
Other movements (1)	5,492,903	-408	-2,504	308	-4,096	678	0	0	23,980	-20,383	5,510,283	-19,805
Balance at 31/12/2020	**13,018,675**	**-2,069**	**3,001**	**-305**	**20,383**	**-20,383**	**0**	**0**	**23,980**	**-20,383**	**13,066,040**	**-43,140**

(1) Of which amortisation of receivables, change in credit risk parameters, exchange rate fluctuations and changes related to changes in scope.

7.1.2.2. - Change in impairment charges for credit losses on loans and advances granted to credit institutions at amortised cost

In thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired at origination or acquisition (S2 POCI)		Assets impaired at origination or acquisition (S3 POCI)		TOTAL	
	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
Balance at 31/12/2019	**9,331,422**	**-1,375**	**12,716**	**-360**	**4,828**	**-4,828**	**0**	**0**	**0**	**0**	**9,348,966**	**-6,563**
Production and acquisition	199,900	-532	13,407	-2	0	0	0	0	0	0	213,307	-534
Derecognition (debt repayment, assignment and write-off)	-2,478,284	518	-1,343	1	0	0	0	0	0	0	-2,479,627	519
Impairment (written off)	///	///	///	///	-160	0	0	0	0	0	-160	0
Transfers of financial assets	-5,624	5	3,388	-83	0	0	0	0	0	0	-2,236	-78
Transfers to S1	33	-2	-40	0	0	0	0	0	0	0	-7	-2
Transfers to S2	-5,657	7	3,428	-83	0	0	0	0	0	0	-2,229	-76
Transfers to S3	0	0	0	0	0	0	0	0	0	0	0	0
Other movements	4,382,743	-87	14,003	-416	-258	418	0	0	0	0	4,396,488	-85
Balance at 31/12/2020	**11,430,157**	**-1,471**	**42,171**	**-860**	**4,410**	**-4,410**	**0**	**0**	**0**	**0**	**11,476,738**	**-6,741**

Change in credit losses on loans and advances granted to credit institutions

Loans and advances granted to credit institutions classified as Stage 1 include funds centralised with Caisse des Dépôts et Consignations, i.e. €1,367.4 million at 31 December 2020, versus €1,605.3 million at 31 December 2019. They also include outstandings on loans granted to BPCE SA, i.e. €26.5 million at 31 December 2020, versus €30.7 million at 31 December 2019.

7.1.2.3 - Change in impairment charges for credit losses on loans and advances granted to customers at amortised cost

In thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired at origination or acquisition (S2 POCI)		Assets impaired at origination or acquisition (S3 POCI)		TOTAL	
	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
Balance at 31/12/2019	**23,060,225**	**-59,153**	**2,145,735**	**-117,918**	**1,205,822**	**-713,132**	**0**	**0**	**0**	**0**	**26,411,782**	**-890,203**
Production and acquisition	8,060,562	-38,502	172,927	-8,700	///	///	0	0	8,264	-50	8,241,753	-47,252
Derecognition (debt repayment, assignment and write-off)	-9,005,495	1,459	-462,718	1,999	-189,984	6,809	0	0	0	0	-9,658,197	10,267
Impairment (written off)	///	///	///	///	-48,122	35,720	0	0	0	0	-48,122	35,720
Transfers of financial assets	-530,355	34,624	376,153	-45,122	113,056	-19,116	0	0	0	0	-41,146	-29,614
Transfers to S1	516,393	-4,032	-507,266	10,990	-26,013	1,140	///	///	///	///	-16,886	8,099
Transfers to S2	-926,739	34,652	969,081	-60,440	-58,645	3,924	0	0	0	0	-16,303	-21,865
Transfers to S3	-120,009	4,003	-85,662	4,329	197,714	-24,180	0	0	0	0	-7,957	-15,848
Other movements	6,110,730	-45,050	119,227	27,238	191,450	-17,619	0	0	0	0	6,421,407	-35,431
Balance at 31/12/2020	**27,695,667**	**-106,623**	**2,351,324**	**-142,503**	**1,272,222**	**-707,338**	**0**	**0**	**8,264**	**-50**	**31,327,477**	**-956,513**

Other movements in Stage 1 correspond to purchases/sales on bonds that appear in this section for technical reasons.

Change in credit losses on loans and advances granted to customers at amortised cost

Financial instruments are divided into three categories (stages) according to the deterioration in credit risk observed since their first recognition. This deterioration is measured on the basis of the rating at the reporting date, even if it has undergone an automatic improvement as a result of government support measures (positive impact of moratoria and PGEs described below and in note 1.5.2).

In addition, additional provisions for €48 million were recognised in 2020 to cover in particular the risks of a significant deterioration of credit risk in the tourism, hospitality, catering, specialised retail and aerospace sectors. In the absence of an actual rating downgrade at 31 December 2020, loans covered (which amount in total to €1.7 billion for BRED Banque Populaire Group) by these provisions, were partly maintained in S1. They will be closely monitored in 2021, as described in note 1.5.2.1.

7.1.2.4 - Change in provisions for credit losses on financing commitments given

In thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired at origination or acquisition (S2 POCI)		Assets impaired at origination or acquisition (S3 POCI)		TOTAL	
	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
Balance at 31/12/2019	**4,807,166**	**-6,354**	**114,083**	**-4,427**	**24,926**	**-18,236**	**0**	**0**	**0**	**0**	**4,946,175**	**-29,017**
Production and acquisition	1,750,632	-6,663	1,924	-38	///	///	0	0	0	0	1,752,556	-6,701
Derecognition (debt repayment, assignment and write-off)	-2,126,127	1,033	-38,604	88	-30,365	0	0	0	0	0	-2,195,096	1,121
Impairment (written off)	0	0	0	0	0	0	0	0	0	0	0	0
Transfers of financial assets	-21,947	434	11,790	-1,644	2,856	2	0	0	0	0	-7,301	-1,208
Transfers to S1	10,647	-52	-11,756	129	-274	1	///	///	///	///	-1,383	78
Transfers to S2	-28,578	486	23,896	-1,773	-226	4	0	0	0	0	-4,908	-1,283
Transfers to S3	-4,016	0	-350	0	3,356	-3	0	0	0	0	-1,010	-3
Other movements	-109,550	1,665	190	2,300	31,198	-1,189	0	0	0	0	-78,162	2,776
Balance at 31/12/2020	**4,300,174**	**- 9,885**	**89,383**	**- 3,721**	**28,615**	**- 19,423**	**-**	**-**	**-**	**-**	**4,418,172**	**- 33,029**

7.1.2.5 Change in provisions for credit losses on guarantee commitments given

In thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired at origination or acquisition (S2 POCI)		Assets impaired at origination or acquisition (S3 POCI)		TOTAL	
	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
Balance at 31/12/2019	**2,135,621**	**-6,333**	**121,699**	**-2,992**	**46,934**	**-8,712**	**0**	**0**	**0**	**0**	**2,304,254**	**-18,037**
Production and acquisition	332,299	-2,024	1	0	///	///	0	0	0	0	332,300	-2,024
Derecognition (debt repayment, assignment and write-off)	-906,158	20	-141,484	8	-27,736	0	0	0	0	0	-1,075,378	28
Impairment (written off)	0	0	0	0	0	0	0	0	0	0	0	0
Transfers of financial assets	-57,657	492	50,763	-843	7,499	49	0	0	0	0	605	-302
Transfers to S1	18,345	-124	-17,813	290	-387	15	///	///	///	///	145	181
Transfers to S2	-71,711	616	72,844	-1,133	-454	34	0	0	0	0	679	-483
Transfers to S3	-4,291	0	-4,267	0	8,340	0	0	0	0	0	-218	0
Other movements	831,362	-1,201	88,104	35	20,689	-4,692	0	0	0	0	940,155	-5,858
Balance at 31/12/2020	**2,335,467**	**- 9,046**	**119,083**	**- 3,792**	**47,386**	**- 13,355**	**-**	**-**	**-**	**-**	**2,501,936**	**- 26,193**

7.1.3 - 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.

7.1.4 - Guarantees received on instruments impaired under IFRS 9

The table below summarises the credit and counterparty risk exposure of all BRED 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	Maximum risk exposure	Impairment	Maximum exposure net of impairment	Guarantees
Category of impaired financial instruments (S3)				
Debt securities at amortised cost	8,525	-700	7,825	0
Loans and receivables due from credit institutions at amortised cost	4,410	-4,410	0	0
Loans and receivables due from customers at amortised cost	0	0	0	488,549
Debt instruments - Fair value through equity recyclable	23,980	-20,383	3,597	0
Loans and advances to credit institutions – FVOCI R	0	0	0	0
Loans and receivables to clients – FVOCI R	0	0	0	0
Financing commitments	28,615	-19,423	9,192	0
Guarantee commitments	47,386	-13,355	34,031	0
TOTAL IMPAIRED FINANCIAL INSTRUMENTS (S3)	**1,352,637**	**-765,658**	**627,745**	**488,549**

7.1.5 - Guarantees received on instruments not subject to the IFRS 9 impairment rules

In thousands of euros	Maximum risk exposure	Guarantees
Financial assets at fair value through profit or loss		
Debt securities	3,729,726	0
Loans	125,030	0
Trading derivatives	1,754,458	0
Total	**5,609,214**	**0**

7.1.6 - 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.

	31/12/20	31/12/19
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;
- 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.

7.3 - Overall interest rate risk and currency risk

Interest rate risk is the risk that unfavourable changes in interest rates will adversely impact the Bank's annual results and net asset value. Currency risk is the risk that changes in exchange rates will adversely affect profitability.
The management of the overall interest rate risk and currency risk management are presented in the risk management chapter "Liquidity risk, rate risk and currency 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.

Disclosures relating to liquidity risk management required by IFRS 7 are provided in the risk management chapter "Liquidity risk, rate risk and currency risk".

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 revaluation 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 31/12/2020
Cash and amounts due from central banks	700,589	1,218	0	0	0	0	701,807
Financial assets at fair value through profit or loss	0	0	0	0	0	9,160,913	9,160,913
Financial assets at fair value through equity	3,511	975,421	5,641,453	5,450,346	773,829	1,053,490	13,898,050
Hedging derivatives	0	0	0	0	0	123,866	123,866
Securities at amortised cost	1,118,613	45,237	189,329	1,140,562	127,398	25,528	2,646,667
Loans and receivables due from credit institutions and assimilated at amortised cost	8,966,875	953,547	1,425,056	72,937	47,850	3,732	11,469,997
Loans and receivables due from customers at amortised cost	5,406,390	1,436,802	3,379,724	9,014,622	11,744,796	-611,369	30,370,965
Revaluation adjustments on interest-rate risk hedged portfolio	0	0	0	0	0	3,476	3,476
FINANCIAL ASSETS BY MATURITY	**16,195,978**	**3,412,225**	**10,635,562**	**15,678,467**	**12,693,873**	**9,759,636**	**68,375,741**
Amounts due from central banks	6	0	0	0	0	0	6
Financial liabilities at fair value through profit or loss	0	0	0	0	0	3,903,730	3,903,730
Hedging derivatives	0	0	0	0	0	344,944	344,944
Debt securities	658,335	6,822,823	1,430,576	41,857	0	0	8,953,591
Amounts due to credit institutions and equivalent	6,297,491	2,658,692	3,026,958	2,168,654	158,099	0	14,309,894
Amounts due to customers	33,402,079	1,377,938	1,132,390	855,281	163,125	0	36,930,813
Subordinated debt	0	0	551	2,364	1,271	2,368	6,554
Revaluation adjustments on interest-rate risk hedged portfolio	0	0	0	0	0	14,410	14,410
FINANCIAL LIABILITIES BY MATURITY	**40,357,911**	**10,859,453**	**5,590,475**	**3,068,156**	**322,495**	**4,265,452**	**64,463,942**
Financing commitments given to credit institutions	168,425	0	0	0	0	0	168,425
Financing commitments given to customers	141,518	332,342	887,479	1,342,804	1,545,604	0	4,249,747
TOTAL FINANCING COMMITMENTS GIVEN	**309,943**	**332,342**	**887,479**	**1,342,804**	**1,545,604**	**0**	**4,418,172**
Guarantee commitments given to credit institutions	622,373	22,788	42,343	7,113	0	0	694,617
Guarantee commitments given to customers	2,760,764	23,154	19,240	6,366	2,659	0	2,812,183
TOTAL GUARANTEE COMMITMENTS GIVEN	**3,383,137**	**45,942**	**61,583**	**13,479**	**2,659**	**0**	**3,506,800**

NOTE 8 - EMPLOYEE BENEFITS

Accounting policies

Employee benefits are classified into four categories:

- **Short-term benefits**, such as salaries, paid annual leave, bonuses and mandatory and discretionary profit-sharing payable within 12 months of the end of the period in which the employees render the related service are recognised as expenses.
- **Post-employment benefits** for retired employees are classified into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans such as the French national plans are those for which BRED Group's obligation is limited solely to the payment of a contribution and does not include any employer obligation in terms of benefits. Contributions paid under these plans are recorded as expenses for the year.

Defined benefit post-employment benefits refer to plans for which BRED Group has committed to an amount or a level of benefits.

Defined benefit plans are subject to a provision determined based on an actuarial valuation of the commitment taking into account demographic and financial assumptions. When these plans are financed by external funds meeting the definition of plan assets, the provision is reduced by the fair value of those assets.

The cost of the defined benefit plans recognised as expenses for the period includes: the cost of services provided (representing the rights acquired by the beneficiaries during the period), the cost of past services (revaluation adjustment of the actuarial debt following a modification or reduction to the plan), the net financial cost (accretion effect of the net commitment of interest income generated by hedging assets) and the effect of plan liquidations.

The actuarial liability revaluation adjustment relating to changes in demographic and financial assumptions and experience effects are recorded in gains and losses recognised directly in equity that cannot be recycled in net income.

- **Other long-term employee benefits** include those paid to current employees and payable more than 12 months after the end of the period concerned. They include in particular long-service awards.

They are valued using an actuarial method identical to that used for defined benefit post-employment benefits. Their accounting method differs on actuarial debt revaluation adjustments, which are recognised as expenses.

- **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. They give rise to a provision. Termination benefits payable more than 12 months after the balance sheet date are discounted to present value.

8.1 - Personnel costs

Personnel costs include all expenses relating to personnel and associated social and tax charges.

Information on the workforce broken down by category is presented in Chapter 6 "Declaration of extra-financial performance – our social responsibility".

in thousands of euros	2020 financial year	2019 financial year
Wages and salaries	-244,222	-239,448
o/w costs represented by share-based payments		
Costs of defined-contribution plans	-368	-1,142
Costs of defined-benefit plans	-44,163	-44,957
Other social security costs and taxes	-97,523	-92,835
Profit-sharing and incentive plans	-50,683	-51,379
Total personnel costs	**-436,959**	**-429,761**

The tax credit for competitiveness and employment (CICE) was abolished and transformed into a reduction in social security contributions from 1 January 2019.

There is still a non-significant CICE amount linked to employees based in Mayotte.

8.2 - Employee benefit obligations

BRED Group grants its staff a variety of employee benefits.

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

The pension plans managed by CAR-BP are partly covered by an insurance policy for annuities paid to beneficiaries having passed a reference age and for obligations relating 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 also with 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 CAR-BP Technical, Financial and Risk Commission and for information to the Groupe BPCE 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.

Other employee benefits include:

- 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.

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

	Defined benefit post-employment plans				Other long-term benefits			
in thousands of euros	*CAR pension complements*	*CGP pension complements*	*Pension complements and other schemes OTHER*	Pension complements and other schemes	End-of-career awards	Long-service awards	Other benefits	31/12/20
Actuarial liabilities	107,054	0	30,267	137,321	54,424	5,482	486	197,712
Fair value of plan assets	-60,453	0	-20,466	-80,919	-37,543	0	0	-118,462
Fair value of reimbursement rights	0	0	0	0	0	0	0	0
Effect of ceiling on plan assets	0	0	0	0	0			0
NET AMOUNT REPORTED ON THE BALANCE SHEET	**46,601**	**0**	**9,801**	**56,402**	**16,881**	**5,482**	**486**	**79,250**
Employee benefit commitments recorded in the balance sheet	46,601	0	9,801	56,402	16,881	5,482	486	**79,250**
Social commitments recognised in assets [(1)]								

[(1)] Presented on the assets side of the balance sheet under "Accrued income and other assets"

The actuarial debt is representative of the commitment made by the Group to beneficiaries. It is valued by independent actuaries using the projected unit credit method, taking into account demographic and financial assumptions reviewed periodically and at least once a year.

When these plans are financed by hedging assets that meet the definition of plan assets, the amount of the provision corresponds to the actuarial liability less the fair value of those assets.

Excess plan assets are recognised as assets along with hedging assets do not meet the plan's asset definition.

8.2.2 - Change in amounts recognised on the balance sheet

Change in actuarial liabilities

	Defined benefit post-employment plans				Other long-term benefits				
in thousands of euros	CAR pension complements	CGP pension complements	Pension complements and OTHER schemes	Pension complements and other schemes	End-of-career awards	Long-service awards	Other benefits	2020 financial year	2019 financial year
ACTUARIAL LIABILITIES AT START OF PERIOD	**108,301**	**0**	**9,066**	**117,367**	**51,951**	**5,398**	**461**	**175,177**	**157,092**
Cost of services rendered	0	0	1,567	1,567	3,165	397	0	5,129	2,789
Past service cost	0	0	0	0	17	0	13	30	27
Interest disbursed	656	0	49	705	580	23	0	1,308	2,661
Benefits paid	-4,194	0	-107	-4,301	-2,550	-73	0	-6,924	-7,562
Other	0	0	407	407	622	-263	47	813	215
Reevaluation discrepancies - Demographic hypotheses	**0**	**0**	**0**	**0**	**-832**			-832	-647
Reevaluation discrepancies - Financial hypotheses	**3,459**	**0**	**525**	**3,984**	**2,592**			6,576	21,123
Reevaluation discrepancies - Experience effects	**-1,168**	**0**	**801**	**-367**	**-1,197**			-1,564	-1,317
Translation differences	0	0	-233	-233	-12	0	-35	-280	7
Other (1)	0	0	18,191	18,191	88	0	0	18,279	790
ACTUARIAL LIABILITIES AT END OF PERIOD	**107,054**	**0**	**30,267**	**137,321**	**54,424**	**5,482**	**486**	**197,712**	**175,177**

[(1)] the amount in "Other" corresponds to the initialisation of BIC Suisse's actuarial liability, which recognised pension commitments for the first time in 2020.

Change in plan assets

	Defined benefit post-employment plans				Other long-term benefits				
in thousands of euros	*CAR pension complements*	*CGP pension complements*	*Pension complements and other schemes OTHER*	Pension complements and other schemes	End-of-career awards	Long-service awards	Other benefits	2020 financial year	2019 financial year
FAIR VALUE OF ASSETS AT START OF PERIOD	**59,498**	**0**	**5,426**	**64,924**	**35,205**			**100,040**	**63,757**
Interest received	369	0	39	408	236			644	1,118
Contributions received	0	0	1,445	1,445	2,000			3,445	35,000
Benefits paid	-653	0	30	-623	-208			-844	-3,484
Other	0	0	-19	-19	0			-19	
Discrepancies - Return on scheme's assets	1,240	0	820	2,060	311			2,371	3,735
Translation differences	0	0	-165	-165	0			-165	0
Other (1)	-1	0	12,890	12,889	-1			12,990	3
FAIR VALUE OF ASSETS AT END OF PERIOD	**60,453**	**0**	**20,466**	**80,919**	**37,543**			**118,462**	**100,129**

[1] The amount in "Other" corresponds to the initialisation of the fair value of BIC Suisse's assets, which recognised pension commitments for the first time in 2020.

In 2020, BRED Banque Populaire outsourced to an insurer asset management of retirement benefits amounting to €2 million, an amount which is indicated in the "Contributions received" section.

The financial income on hedging assets is calculated by applying the same rate as that used to discount the commitments. The discrepancy between the actual return at closing and this financial income as determined constitutes a re-evaluation discrepancy recognised for post-employment benefits in non-recyclable shareholders' equity.

8.2.3 - Costs of defined benefit plans and other long-term benefits

Expense in respect of defined benefit plans and other long-term benefits

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	*CAR pension complements*	Pension complements and other schemes	End-of-career awards	Long-service awards	Other benefits	2020 financial year	2019 financial year
Cost of services		-1,567	-3,182	-397	-13	-5,159	-2,816
Net financial cost	-287	-11	-344	-23		-665	-1,543
Other		-426	-622	263	-47	-832	
Expense for the period	**-287**	**-2,004**	**-4,148**	**-157**	**-60**	**-6,655**	**-4,359**
Benefits paid	3,541	137	2,342	73		6,093	4,078
Contributions received		1,445	2,000			3,445	35,000
Change in provisions following payments	**3,541**	**1,582**	**4,342**	**73**		**9,537**	**39,078**
TOTAL	**3,254**	**-422**	**194**	**-84**	**-60**	**2,882**	**34,719**

In 2020, "Contributions received" amounting to €2 million reflect the reversal of provisions following outsourcing of management of BRED SA's retirement benefit assets to an insurer. Since an equivalent expense was recognised in "pension costs", the impact in the income statement is zero.

Gains and losses recognised directly in equity of defined benefit plans

in thousands of euros	Pension complements and other schemes – CAR-BP	Pension complements and other schemes – CGPCE	Pension complements and other schemes OTHER	End-of-career awards	2020 financial year	2019 financial year
TOTAL REVALUATION ADJUSTMENTS AT START OF PERIOD	**23,838**	**0**	**1,778**	**3,059**	**28,675**	**13,229**
Reevaluation discrepancies generated over the financial year	1,051	0	506	252	**1,809**	**15,424**
Ceiling adjustments on assets	0	0	0	0	**0**	**0**
TOTAL REVALUATION ADJUSTMENTS AT END OF PERIOD	**24,889**	**0**	**2,284**	**3,311**	**30,484**	**28,675**

8.2.4 - Other information

Main actuarial assumptions

	31/12/20		**31/12/19**	
	CAR-BP	**IFC**	**CAR-BP**	**IFC**
Discount rate	0.38%	0.43%	0.62%	0.67%
Inflation rate	1.60%	1.60%	1.60%	1.60%
Mortality table used	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05
Duration	14 ans	16 ans	14 ans	15 ans

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

At 31 December 2020, a change of 0.5% in the discount rate and the inflation rate would have the following impact on the actuarial liabilities:

	12/31/2020		31/12/19	
in % and thousands of euros		CAR-BP		CAR-BP
	%	amount	%	amount
+ 0.5% increase in the discount rate	-6.68%	-7,150	-6.73%	-7,290
- 0.5% increase in the discount rate	7.54%	8,004	7.54%	8,167
+ 0.5% increase in the inflation rate	6.79%	7,270	6.88%	7,450
- 0.5% increase in the inflation rate	-5.64%	-6,040	-5.71%	-6,185

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

	12/31/2020	12/31/2019
in thousands of euros	CAR-BP	CAR-BP
Y+1 to Y+5	23,029	23,206
Y+6 to Y+10	21,687	22,157
Y+11 to Y+15	19,484	20,166
Y+ 16 to Y+20	16,480	17,300
> Y+20	32,373	35,798

Breakdown of the fair value of the assets of the CAR-BP plans (including reimbursement rights)

	31/12/20		31/12/19	
	CAR-BP		CAR-BP	
in % and thousands of euros	Weight by category	Fair value of assets	Weight by category	Fair value of assets
Cash	1.27%	768	2.70%	1,606
Shares	37.75%	22,818	42.20%	25,108
Bonds	51.72%	31,266	55.10%	32,783
Property	0.00%	0	0.00%	0
Derivatives	0.00%	0	0.00%	0
Investment funds	9.26%	5,596		0
Total	100.00%	**60,448**	100.00%	**59,498**

NOTE 9 - INSURANCE ACTIVITIES

Overview

The insurance activities include life and non-life insurance. These activities are carried out within BRED Group by dedicated subsidiaries subject to the specific regulations of the insurance sector.

On 3 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, applicable from 1 January 2018.

Thus, the European regulation allows European financial conglomerates to opt to postpone application of IFRS 9 for the insurance sector until 1 January 2021 (initial date of application of the new IFRS 17 Insurance Contracts standard).

At its meeting on 17 March 2020, the IASB decided to postpone its application by two years, with clarifications still required regarding some structural aspects of the standard. It was also decided to align expiry of the temporary exemption under IFRS 9 for insurers, to coincide with the application of IFRS 17 on 1 January 2023. An amendment was published on 25 June 2020. This amendment makes improvements for the application of IFRS 17.

Since Groupe BPCE is a financial conglomerate, it has chosen to apply this provision to its insurance activities, which continue to be covered by IAS 39. BRED Group has followed this application. The entities concerned are listed in note 14.4 relating to the scope of consolidation.

The financial assets and financial liabilities of insurance companies therefore 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 under 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 under 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 under IAS 39. The share of capital gains attributable to policyholders is determined on the basis of the characteristics of the contracts likely to generate such capital gains.

Any change in the deferred profit-sharing reserve is recognised in equity for the portion representing changes in the value of available-for-sale financial assets and in profit and loss for the portion representing changes in the value of financial assets at fair value through profit or loss.

In addition to the application of the above policies, the Group performs a liability adequacy test at each balance sheet date, to assess whether recognised insurance liabilities are adequate, based on the estimated present value of future cash flows from its insurance contracts and investment contracts containing a discretionary profit-sharing feature. This test shows the economic value of the liabilities corresponding to the average derived from stochastic analyses. If the sum of the surrender value and the deferred profit-sharing is lower than the fair value of the technical reserves, the shortfall is recognised in income.

BRED Group decided to apply the option, offered by ANC recommendation no. 2017-02, to present the insurance activities separately in the balance sheet and the income statement.

9.1 - Notes to the statement of financial position

Accounting policies

The item “Insurance activity investments” under balance sheet assets now includes insurance activity assets representing:

- financial investments (i.e. in financial instruments) including advances made to policyholders;
- unit-linked financial investments;
- derivatives;
- revaluation adjustments on interest-rate risk hedged portfolio.

The other balances relating to the insurance activity are grouped together with the balances relating to other balance sheet items according to type.

Under balance sheet liabilities, “liabilities relating to insurance activity contracts” comprise:

- technical reserves related to insurance contracts (as specified in Appendix A of IFRS 4);
- liabilities arising from insurance and reinsurance transactions, including amounts due to policyholders;
- derivative instruments related to insurance activities;
- revaluation adjustments on interest-rate risk hedged portfolio;
- deferred profit-sharing liabilities.

9.1.1 - Investments from insurance activities

Accounting policies

The item “Investments from insurance activities” includes loans and advances granted to credit institutions and customers as well as certain securities that are not listed on an active market.

Loans and receivables are initially recorded at fair value plus any costs directly relating 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 relating 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 credit risk” (for the net share allocated to the insurer) 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. Commissions received on financing commitments that will not be drawn are spread over the term of the commitment on a straight-line basis.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the EIR. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

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.

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 first 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 24 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. Losses are included in “Net income from insurance activities”. Any unrealised gains subsequent to recognition of impairment losses are deferred under “Gains and losses recognised directly in equity” until disposal of the securities.

Impairment losses are recognised in respect of debt instruments such as bonds and securitised transactions (asset backed securities, commercial mortgage-backed securities, residential mortgage-backed securities, cash collateralised debt obligations) when there is a known counterparty risk.

The impairment indicators used for debt securities are the same as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio into which the debt securities are ultimately classified. For undated deeply subordinated notes, particular attention is also paid if, under certain conditions, the issuer may not pay the coupon or may extend the issue beyond the scheduled redemption date.

Impairment losses in respect of debt securities may be reversed in the income statement if there is an improvement in the issuer's situation. These impairments and reversals are recognised under “Cost of credit risk” (for the net share allocated to the insurer).

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 first recognition of the loans in question. On an individual level, the criteria for ascertaining a credit risk include the existence of past due payments.
- These events may lead to the recognition of incurred losses.

Impairment is determined as the difference between the amortised cost and the recoverable amount of the receivable, i.e. the present value of estimated recoverable future cash flows, taking into account the impact of any collateral.

in thousands of euros	31/12/20	31/12/19
Investment property	401,033	385,466
Financial assets at fair value through profit or loss	2,304,267	1,950,345
Available-for-sale financial assets	4,932,423	4,870,174
Loans and receivables due from credit institutions	0	0
Loans and advances to customers	0	0
Held to maturity financial assets	509,584	704,087
Share held by cedents and retrocessionaires in liabilities relating to insurance policies and financial contracts	30,742	15,087
Receivables arising from insurance and assumed reinsurance activities	17,015	11,075
Receivables arising from ceded reinsurance activities	9,179	7,180
Deferred acquisition costs	2,616	2,543
Other		
TOTAL INSURANCE INVESTMENTS	**8,206,859**	**7,945,957**

9.1.2 - Investment property

	31/12/20			31/12/19		
In thousands of euros	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Investment properties - at historic cost	0	0	0	0	0	0
Investment properties - Fair value	401,033	0	401,033	385,466	0	385,466
Investment properties - In UA	0	0	0	0	0	0
TOTAL INVESTMENT PROPERTY	**401,033**	**0**	**401,033**	**385,466**	**0**	**385,466**

The fair value of investment properties amounted to €401.0 million at 31 December 2020 compared to €385.5 million at 31 December 2019.

9.1.3 - Financial assets at fair value through profit or loss

Accounting policies

This category comprises:

- financial assets and liabilities held for trading, i.e. securities acquired or issued for the purpose of selling repurchasing them in the near term;
- financial assets 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.

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 income from insurance activities”.

Financial assets and liabilities recognised 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 recognised at fair value though profit or loss on first 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.

Application of this option is reserved for the following situations:

Elimination or significant reduction of an accounting mismatch

Application of this option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy. This treatment applies in particular to unit-linked assets and liabilities.
Alignment of accounting treatment with management and performance measurement

The option applies in the case of a group of assets and/or liabilities managed and measured at fair value, provided that such management is based on a documented risk management policy or investment strategy and that internal reporting relies on a measure in fair value.

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 relating 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 financial instruments with significant embedded derivatives (convertible bonds, indexed bonds and structured securities).

in thousands of euros	31/12/20	31/12/19
Bonds	0	0
Shares	0	0
UCITS	0	0
Loans and receivables	0	0
Financial liabilities held for trading	**0**	**0**
Trading derivatives	**0**	**0**
Hedging derivatives	**0**	**0**
Bonds	26,317	27,007
Shares	768,382	585,033
UCITS	0	0
Loans and advances to credit institutions		
Loans and receivables due from customers		
Investments backed by unit-linked policies	1,509,568	1,338,305
Financial assets at fair value by option	**2,304,267**	**1,950,345**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,304,267**	**1,950,345**

Conditions for designating investments at fair value by option

	31/12/20				31/12/19			
in thousands of euros	Accounting mismatch	Fair value measurement	Embedded derivatives	Financial assets at fair value by option	Accounting mismatch	Fair value measurement	Embedded derivatives	Financial assets at fair value by option
Bonds	0	26,317	0	**26,317**	0	27,007	0	**27,007**
Shares	0	768,382	0	**768,382**	0	585,033	0	**585,033**
UCITS	0	0	0	**0**	0	0	0	**0**
Loans and receivables due from credit institutions								
Loans and receivables due from customers								
Investments backed by unit-linked policies	0	1,509,568	0	**1,509,568**	0	1,338,305	0	**1,338,305**
Total	**0**	**2,304,267**	**0**	**2,304,267**	**0**	**1,950,345**	**0**	**1,950,345**

9.1.4 - Available-for-sale financial assets

Accounting policies

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).
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 “Net income from insurance activities”.
Income from variable-income securities is recorded under “Net income from insurance activities”.

in thousands of euros	31/12/20	31/12/19
Bonds	3,251,897	3,183,565
Shares	1,726,389	1,727,475
UCITS	0	0
Loans		
Available-for-sale financial assets, gross	**4,978,286**	**4,911,040**
Impairment of debt instruments	0	0
Impairment of equity instruments	-45,863	-40,866
AVAILABLE FOR SALE FINANCIAL ASSETS, NET	**4,932,423**	**4,870,174**

9.1.5 - Loans and receivables

Accounting policies

This “Loans and receivables” category, included in the “Investments from insurance activities” item, 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 income from insurance activities”.

Loans and receivables due from credit institutions and customers

in thousands of euros	31/12/20	31/12/19
Loans and receivables due from credit institutions	0	0
Impairment	0	0
Loans and advances to customers	0	0
Impairment	0	0
TOTAL LOANS AND ADVANCES	**0**	**0**

9.1.6 - Held-to-maturity financial assets

Accounting policies

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 incur 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 equity regulations.

In the exceptional disposal cases described above, the income from the disposal is recorded under “Net income from insurance activities”.

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.

in thousands of euros	31/12/20	31/12/19
Treasury bills and similar securities	0	0
Bonds and other fixed income securities	509,584	704,087
Gross amount of held to maturity financial assets	**509,584**	**704,087**
Impairment	0	0
TOTAL HELD TO MATURITY FINANCIAL ASSETS	**509,584**	**704,087**

9.1.7 - Trading derivatives

Accounting policies: See 5.2.3

None.

9.1.8 - Hedging derivatives

Accounting policies: See 5.3

None.

9.1.9 - Fair value hierarchy of investments from insurance activities

Accounting policies: See Note 10.1

in thousands of euros	31/12/20				31/12/19			
	Price quoted on an active market (Level 1)	Measurement technique using observable data (Level 2)	Measurement techniques using non-observable data (Level 3)	Total	Price quoted on an active market (Level 1)	Measurement technique using observable data (Level 2)	Measurement techniques using non-observable data (Level 3)	Total
ASSETS								
INVESTMENT PROPERTY	**0**	**401,033**			**0**	**385,466**		
Securities held for trading	0	0	0	0	0	0	0	0
Bonds	0	0	0	0	0	0	0	0
Shares and UCITS	0	0	0	0	0	0	0	0
Loans and receivables	0	0	0	0	0	0	0	0
Financial liabilities held for trading	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivative	0	0	0	0	0	0	0	0
Currency derivative	0	0	0	0	0	0	0	0
Credit derivative				0				0
Equity derivative	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0
Derivatives excl. hedging derivatives (positive fair value)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Securities at fair value through profit or loss	638,220	156,122	357	794,699	470,908	140,902	230	612,040
Bonds	*26,317*	*0*	*0*	26,317	*27,007*	*0*	*0*	*27,007*
Shares and UCITS	*611,903*	*156,122*	*357*	768,382	*443,901*	*140,902*	*230*	*585,033*
Investments backed by unit-linked policies	1,279,431	230,137	0	1,509,568	1,133,293	205,012	0	1,338,305
Loans and receivables	*0*	*0*	*0*	0	*0*	*0*	*0*	*0*
Financial assets designated at fair value through profit or loss by option	**1,917,651**	**386,259**	**357**	**2,304,267**	**1,604,201**	**345,914**	**230**	**1,950,345**
Interest rate derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Currency derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Credit derivative				0				0
Equity derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Hedging derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,917,651**	**386,259**	**357**	**2,304,267**	**1,604,201**	**345,914**	**230**	**1,950,345**
Equity interests	0	0	18,070	18,070	0	0		
Other available-for-sale securities	3,413,464	1,001,138	499,751	4,914,353	3,075,886	1,327,672	466,616	4,870,174
Bonds	*2,524,118*	*430,021*	*297,755*	*3,251,894*	*2,175,930*	*717,335*	*290,300*	*3,183,565*
Shares and UCITS	*889,346*	*571,117*	*201,996*	*1,662,459*	*899,956*	*610,337*	*176,316*	*1,686,609*
Loans and receivables								
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**3,413,464**	**1,001,138**	**517,821**	**4,932,423**	**3,075,886**	**1,327,672**	**466,616**	**4,870,174**

Analysis of investments from insurance activities classified in level 3 of the fair value hierarchy

in thousands of euros	31/12/19	Gains and losses reported during the period			Management events during the period		Transactions during the period		Other changes	31/12/20
		On the income statement								
		On transactions in progress at closing	On transactions derecognised at closing	In equity	Purchases/Issues	Sales/Redemptions	to another reporting category	from and to another level		
ASSETS										
INVESTMENT PROPERTY	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Securities held for trading	0	0	0	0	0	0	0	0	0	0
Bonds	0	0	0	0	0	0	0	0	0	0
Shares and UCITS	0	0	0	0	0	0	0	0	0	0
Loans and receivables	0	0	0	0	0	0	0	0	0	0
Financial liabilities held for trading	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivative	0	0	0	0	0	0	0	0	0	0
Currency derivative	0	0	0	0	0	0	0	0	0	0
Credit derivative									0	
Equity derivative	0	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0	0
Derivatives excl. hedging derivatives (positive fair value)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Securities at fair value through profit or loss	230	1	0	0	128	-2	0	0	0	357
Bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Shares and UCITS	*230*	*1*	*0*	*0*	*128*	*-2*	*0*	*0*	*0*	*357*
Investments backed by unit-linked policies	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Loans and receivables	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Financial assets designated at fair value through profit or loss by option	**230**	**1**	**0**	**0**	**128**	**-2**	**0**	**0**	**0**	**357**
Interest rate derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Currency derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Credit derivative									0	
Equity derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Hedging derivatives	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**230**	**1**	**0**	**0**	**128**	**-2**	**0**	**0**	**0**	**357**
Equity interests	-312	0	0	0	1,314	16,753	0	0	17,380	35,135
Other available-for-sale securities	466,616	0	782	4,210	121,854	-25,825	0	-67,886	0	499,751
Bonds	290,300	0	0	1,615	74,950	-1,224	0	-67,886	0	297,755
Shares and UCITS	176,316	0	782	2,595	46,904	-24,601	0	0	0	201,996
Loans and receivables									0	
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**466,304**	**0**	**782**	**4,210**	**123,168**	**-9,072**	**0**	**-67,886**	**17,380**	**534,886**

Analysis of fair value hierarchy transfers

	31/12/20						01/01/20				
From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3	Level 1	Level 1	Level 2	Level 2	Level 3
in thousands of euros To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2	Level 2	Level 3	Level 1	Level 3	Level 1
ASSETS											
INVESTMENT PROPERTY	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Securities held for trading	0	0	0	0	0	0	0	0	0	0	0
Bonds	0	0	0	0	0	0	0	0	0	0	0
Shares and UCITS	0	0	0	0	0	0	0	0	0	0	0
Loans and receivables	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities held for trading	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivative	0	0	0	0	0	0	0	0	0	0	0
Currency derivative	0	0	0	0	0	0	0	0	0	0	0
Credit derivative											
Equity derivative	0	0	0	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0	0	0	0
Derivatives excl. hedging derivatives (positive fair value)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Securities at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0
Bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Shares and UCITS	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Investments backed by unit-linked policies	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Loans and receivables	*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 derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Currency derivative	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Credit derivative											
Equity derivative	*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*
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Equity interests	0	0	0	0	0	0	0	0	0	0	0
Other available-for-sale securities	20,883	0	52,296	0	105	67,781	0	14,948	19,419	15,258	0
Bonds	20,883	0	52,296	0	105	67,781	0	14,948	19,419	15,258	0
Shares and UCITS	0	0	0	0	0	0	0	0	0	0	0
Loans and receivables											
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**20,883**	**0**	**52,296**	**0**	**105**	**67,781**	**0**	**14,948**	**19,419**	**15,258**	**0**

9.1.10 - Fair value of investments from insurance activities valued on the balance sheet at amortised cost

Accounting policies: See Note 10.2

	31/12/20				31/12/19			
in thousands of euros	Fair value	Price quoted on an active market (Level 1)	Measurement technique using observable data (Level 2)	Measurement techniques using non-observable data (Level 3)	Fair value	Price quoted on an active market (Level 1)	Measurement technique using observable data (Level 2)	Measurement techniques using non-observable data (Level 3)
Loans and receivables investments due from credit institutions	0	0	0	0	0	0	0	0
Loans and receivables investments due from customers	0	0	0	0	0	0	0	0
Investments held to maturity	751,335	683,174	68,161	0	925,478	770,858	154,620	0
INSURANCE INVESTMENTS AT AMORTISED COST	**751,335**	**683,174**	**68,161**	**0**	**925,478**	**770,858**	**154,620**	**0**

9.1.11 - Liabilities relating to policies in insurance activities

in thousands of euros	**31/12/20**	**31/12/19**
Technical reserves relating to insurance contracts	5,994,668	6,175,843
Technical reserves relating to unit-linked contracts	1,166,737	1,008,056
Technical reserves relating to insurance contracts	**7,161,405**	**7,183,899**
Technical reserves relating to financial contracts with a discretionary profit sharing feature	0	0
Technical reserves relating to financial contracts without a discretionary profit-sharing feature	0	0
Technical reserves relating to unit-linked financial contracts	143,003	163,417
Technical reserves relating to financial contracts	**143,003**	**163,417**
Deferred profit-sharing liabilities (1)	512,228	459,826
Debts arising from insurance and assumed reinsurance activities	11,936	4,408
Debts arising from ceded reinsurance activities	31,121	19,044
Trading derivatives	0	42,844
Hedging derivatives	0	0
Other liabilities	0	0
TOTAL LIABILITIES ON INSURANCE CONTRACTS	**7,859,693**	**7,873,438**

9.1.12 - Financial liabilities at fair value through profit or loss

The information on financial liabilities at fair value through profit or loss required by IFRS 7 is presented in note 5.

9.1.13 - Amounts due to credit institutions and customers

The information on debts to credit institutions and customers required by IFRS 7 is presented in note 5.

9.1.14 - Debt securities

The information on debt securities represented by a security required by IFRS 7 is presented in note 5.

9.1.15 - Subordinated debt

The information on subordinated debt required by IFRS 7 is presented in note 5.

9.1.16 - Deferred profit-sharing

in thousands of euros	31/12/20	31/12/19
Deferred profit-sharing assets		0
Deferred profit-sharing liabilities	512,228	459,826
TOTAL DEFERRED PROFIT-SHARING [1]	**512,228**	**459,826**
o/w deferred profit-sharing recognised in equity under the full consolidation method	*510,957*	*497,272*

[1] In accordance with convention, deferred profit-sharing assets are shown as negative numbers

9.2 - Notes to the income statement

9.2.1 - Net income from insurance activities

Accounting policies

Net insurance business income incorporates:

- the revenue of insurance activities comprises issued premiums and changes in the provision for unearned premium in respect of insurance contracts and investment contracts containing a discretionary profit-sharing feature within the meaning of IFRS 4;
- investment income net of expenses:
  - investment income including income on investment property;
  - investment expenses and other financial expenses excluding financing expense;
  - gains and losses on the disposal of investments including on investment property;
  - depreciation, amortisation, impairment and impairment reversals on investments (including investment property) and other assets (including assets provided under operating leases), recognised at amortised cost;
  - the change in the fair value of investments (including investment property) recognized at fair value through profit or loss.
- the amortisation of acquisition costs;
- external benefit expenses on contracts which include the expense related to benefits in respect of insurance contracts and investment contracts containing a discretionary profit sharing feature (expenses related to the benefits paid, technical liability charges and reversals), including the remuneration of policyholders (deferred profit-sharing), as well as changes in the value of investment contracts, in particular with regard to unit-linked contracts;
- income from reinsurance assignments defined as the sum of ceded premiums, net of expenses related to ceded benefits and commissions;
- where applicable:
  - gains or losses resulting from the derecognition of financial assets at amortized cost;
  - net gains or losses resulting from the reclassification of financial assets at fair value through other comprehensive income in financial assets at fair value through profit or loss.

in thousands of euros	2020 financial year	2019 financial year
Premiums written	**648,603**	767,523
Change in unearned premiums	-409	-776
Earned premiums	**648,194**	766,747
Revenues and other income from insurance businesses	**143**	**197**
Income from investments	128,724	176,983
Expenses on investments	-881	-406
Gains or losses on disposals of investments less reversals of impairment and amortization	4,411	11,063
Change in fair value of investments recognized at fair value through profit or loss	55,870	98,472
Change in impairment for investments	0	0
Income from investments net of expenses	**188,124**	286,112
Amortization of acquisition costs	**0**	**0**
Claims and benefit expenses	**-636,896**	**-914,555**
Income from reinsurance cessions	191,146	35,727
Expenses on reinsurance cessions	-239,978	-39,252
Net income or expenses on reinsurance cessions	**-48,832**	**-3,525**
NET INSURANCE INCOME	**150,733**	**134,976**

9.2.2 - Reconciliation between the insurance format and the bank format

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

	2020 banking format						
	NBI						
In thousands of euros	Net income from insurance businesses	Other items of net banking income (excluding net income from insurance businesses)	Operating expenses	Gross operating profit	Other items	2020 financial year	2019 financial year
Earned premiums	648,194	-4,294	0	643,900	0	643,900	765,595
Revenue or income from other activities	143	-45	0	98	0	98	0
Other operating income	0	0	0	0	0	0	0
Net financial income (loss) before finance costs	188,124	-2,716	-2,269	183,139	606	183,745	311,123
TOTAL INCOME FROM ORDINARY ACTIVITIES	**836,461**	**-7,055**	**-2,269**	**827,137**	**606**	**827,743**	**1,076,718**
Claims and benefit expenses	-636,896	-53,757	-2,546	-693,199	0	-693,199	-961,115
Expenses from other activities	0	30,167	0	30,167	0	30,167	0
Net income and expenses from outward reinsurance	-48,832	61,560	0	12,728	0	12,728	-2,000
Policy acquisition costs	0	-54,715	-5,094	-59,809	0	-59,809	-33,687
Amortisation of portfolio securities and similar	0	0	0	0	0	0	0
Administrative expenses	0	-39,988	-4,883	-44,871	0	-44,871	-33,359
Other recurring operating income and expenses	0	-857	-10,356	-11,213	0	-11,213	-6,213
OTHER OPERATING INCOME AND EXPENSES	**-685,728**	**-57,590**	**-22,879**	**-766,197**	**0**	**-766,197**	**-1,036,374**
OPERATING INCOME	**150,733**	**-64,645**	**-25,148**	**60,940**	**606**	**61,546**	40,344

9.3 - Information required regarding temporary exemption from the application of IFRS 9 for the insurance business

	31/12/20		31/12/19	
in thousands of euros	Fair value	Change in fair value over the period	Fair value	Change in fair value over the period
Basic financial assets	3,449,691	-79,312	3,529,003	8,012
Other financial assets	4,989,356	155,178	4,834,178	642,898
TOTAL INSURANCE INVESTMENTS[1]	**8,439,047**	**75,866**	**8,363,181**	**650,910**

[1] Includes non-basic financial assets (in particular UCITS), financial assets (basic or non-basic) held for trading and financial assets recognised at fair value by option.

Credit risk related to insurance activities is presented in Pillar 3 – Risk Management section – Non-compliance risks, security and operational risks – Insurance technical risks – Credit risk.

Basic financial assets that do not have a low credit risk at the balance sheet date

	31/12/20		31/12/19	
In thousands of euros	Carrying amount	Fair value	Carrying amount	Fair value
Basic financial assets	241,716	244,220	212,546	227,122
TOTAL	**241,716**	**244,220**	**212,546**	**227,122**

NOTE 10 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Overview

The purpose of this note is to present the principles for measuring the fair value of financial instruments as defined by IFRS 13 “Fair value measurement” and to specify certain valuation methods used within BRED Group entities for the purposes of valuing their financial instruments.

Financial assets and liabilities are measured on the balance sheet either at fair value or at amortised cost. However, an indication of the fair value of the items measured at amortised cost is presented in the notes.

For instruments trading in an active market subject to quotation prices, the fair value is equal to the listing price, corresponding to level 1 in the hierarchy of fair value levels.

For other types of financial instruments, which are not listed in an active market, including loans, borrowings and derivatives traded over-the-counter, the fair value is determined using valuation techniques favouring market models and observable data, corresponding to level 2 in the hierarchy of fair value levels. Otherwise, in the event that internal data or proprietary models are used (level 3 fair value), independent controls are put in place to validate the valuation.

Determination of fair value

General principles

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm’s length transaction between market participants at the valuation date.

The Group measures the fair value of an asset or liability using assumptions that market operators would use to set the price of the asset or liability. These assumptions include, particularly in the case of derivative instruments, an assessment of the counterparty risk (Credit Valuation Adjustment – CVA) and of the non-execution risk (Debit Valuation Adjustment – DVA). The assessment of these valuation adjustments is based on market parameters.

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

Fair value on first recognition

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

Fair value hierarchy

→ ***Level 1 fair value and notion of active market***

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

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

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

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

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

These instruments consist mainly of equities, government bonds, major corporate bonds and certain derivatives traded on organised markets (such as plain vanilla options on the CAC 40 and Eurostoxx indices).
Also, in the case of UCITS, the fair value shall be considered to be level 1 if the net asset value (NAV) is calculated daily and can be used to place an order.

→ ***Level 2 fair value***

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

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

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

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

Level 2 derivative instruments

This category includes in particular:

- plain vanilla interest rate swaps or CMS;
- forward rate agreements;
- plain vanilla swaptions;
- plain vanilla caps and floors;
- liquid currency forwards;
- liquid currency swaps and foreign exchange options;
- liquid credit derivatives (single name or on Itraax Iboxx and other such indices).

Level 2 non-derivative instruments

Certain complex and/or long-dated financial instruments are valued using a recognised model and market parameters derived from observable data such as yield curves or implied volatility levels of options, consensus data, or data obtained from active over-the-counter markets.
The observable nature of the parameters has been demonstrated for all these instruments. In terms of methodology, the observability of these parameters is based on four mandatory criteria:

- they are derived from external sources (via a recognised contributor);
- they are updated regularly;
- they are representative of recent transactions; and
- their characteristics are identical to those of the transaction concerned.

The trading margin on these financial instruments is recognised immediately in profit or loss.

Instruments measured using level 2 inputs include:

- securities not listed on an active market whose fair value is determined using observable market data (for example using market data for listed peers or the earnings multiple method);
- shares or units of UCITS whose NAY is not determined and published on a daily basis but is reported regularly, or in which recent observable transactions have taken place.
- debt instruments issued, valued at fair value by option (only to be completed if relevant and, in that case, provide information on the valuation of the issuer risk component and specify, in the event of a change in the method of calculating the issuer risk component, the reasons for that modification and its impacts).

→ ***Level 3 fair value***

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

When the valuations obtained do not rely either on observable data or on models recognised as market standards, such valuations will be regarded as non-observable.
Instruments measured using specific models or based on non-observable data include in particular:

- unlisted shares, usually corresponding to equity interests: BPCE, BP Développement;
- some UCITS whose NAY is indicative (illiquid, liquidation, etc.) and for which there is no price to support the valuation;
- venture capital funds, whose NAY is frequently merely indicative as it is often not possible to exit from the fund;
- structured equity products with multiple underlyings, fund options, hybrid interest rate products, securitisation swaps, structured credit derivatives and interest rate options;
- securitisation instruments not quoted on an active market. These instruments are frequently valued on the basis of contributor prices (for example structurers).

Transfers between fair value levels

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

Recognition of day-one profit

Day-one profit generated on first 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.

For other instruments, valued using unobservable data or proprietary models, 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 first 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.

At 31 December 2020, the Group has no day-one profit to take to profit or loss.

Special cases

→ ***Fair value of BPCE securities***

The value of the central institution's securities, classified as equity securities at fair value through non-recyclable equity, 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 2020, the net book value amounted to €774.3 million for BPCE securities, with a negative impact on OCI in 2020 of €182 million.

→ ***Fair value of financial instruments recognised at amortised cost (securities)***

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 business 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. Except in special cases, only the interest rate component is revalued, the credit margin being fixed at the outset and not revalued thereafter. Early repayment options are taken into account in the form of an adjustment of the loan amortisation profile.

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.

10.1 - Fair value of financial assets and liabilities

10.1.1 - Fair value hierarchy of financial assets and liabilities

The table below provides a breakdown of financial instruments by type of price and valuation model:

At 31 December 2020

in thousands of euros	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				
Debt instruments	**2,555,985**	**459,505**	**235,954**	**3,251,444**
Loans due from credit institutions and customers	0	0	0	0
Debt securities	2,555,985	459,505	235,954	**3,251,444**
Equity instruments	**3,545,197**	**0**	**0**	**3,545,197**
Shares and other equity securities	3,545,197	0	0	**3,545,197**
Derivatives	**469**	**1,745,937**	**8,015**	**1,754,421**
Interest rate derivatives	0	1,206,093	8,008	**1,214,101**
Equity derivatives	0	171,930	0	**171,930**
Currency derivatives	469	364,866	7	**365,342**
Credit derivatives	0	3,048	0	**3,048**
Other derivatives	0	0	0	0
Others				
Financial assets at fair value through profit or loss – Held for trading [(1)]	**6,101,651**	**2,205,442**	**243,969**	**8,551,062**
Derivatives	**0**	**37**	**0**	**0**
Interest rate derivatives	0	37	0	0
Equity derivatives	0	0	0	0
Currency derivatives	0	0	0	0
Credit derivatives	0	0	0	0
Other derivatives	0	0	0	0
Financial assets at fair value through profit or loss – Economic hedging	**0**	**37**	**0**	**37**
Debt instruments	**0**	**0**	**0**	**0**
Loans due from credit institutions and customers	0	0	0	0
Debt securities	0	0	0	0
Financial assets at fair value through profit or loss – By option	**0**	**0**	**0**	**0**
Debt instruments	**667**	**1,243**	**601,402**	**603,312**
Loans due from credit institutions and customers	0	0	125,030	**125,030**
Debt securities	667	1,243	476,372	**478,282**
Financial assets at fair value through profit or loss – Non-standard	**667**	**1,243**	**601,402**	**603,312**
Equity instruments	**0**	**0**	**6,502**	**6,502**
Shares and other equity securities	0	0	6,502	**6,502**
Financial assets at fair value through profit or loss – Excluding trading	**0**	**0**	**6,502**	**6,502**
Debt instruments	**11,655,143**	**828,362**	**539,395**	**13,022,900**
Loans due from credit institutions and customers	0	0	0	0
Debt securities	11,655,143	828,362	539,395	**13,022,900**
Equity instruments	**16,306**	**15,115**	**843,729**	**875,150**
Shares and other equity securities	16,306	15,115	843,729	**875,150**
Financial assets at fair value through equity	**11,671,449**	**843,477**	**1,383,124**	**13,898,050**
Interest rate derivatives	0	107,737	0	**107,737**
Equity derivatives	0	0	0	**0**
Currency derivatives	0	16,129	0	**16,129**
Credit derivatives	0	0	0	**0**
Other derivatives	0	0	0	**0**
Hedging derivatives	**0**	**123,866**	**0**	**123,866**

in thousands of euros	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 LIABILITIES				
Debt securities	**1,879,191**	**0**	**0**	**1,879,191**
Derivatives	**35,939**	**1,946,004**	**42,013**	**2,023,956**
- Interest rate derivatives	0	1,406,683	41,954	**1,448,637**
- Equity derivatives	35,921	108,852	0	**144,773**
- Currency derivatives	18	425,230	59	**425,307**
- Credit derivatives	0	5,239	0	**5,239**
- Other derivatives	0	0	0	**0**
Other financial assets	0	0	0	**0**
Financial liabilities at fair value through profit or loss - Held for trading [1]	**1,915,130**	**1,946,004**	**42,013**	**3,903,147**
Derivatives	**0**	**583**	**0**	**583**
Interest rate derivatives	0	366	0	0
Equity derivatives	0	0	0	0
Currency derivatives	0	217	0	**217**
Credit derivatives	0	0	0	0
Other derivatives	0	0	0	0
Financial liabilities at fair value through profit or loss – Economic hedging	**0**	**583**	**0**	**583**
Debt securities	0	0	0	0
Other financial assets	0	0	0	0
Financial liabilities at fair value through profit or loss – By option	**0**	**0**	**0**	**0**
Interest rate derivatives	0	335,535	0	**335,535**
Equity derivatives	0	0	0	0
Currency derivatives	0	9,409	0	9,409
Credit derivatives	0	0	0	0
Other derivatives	0	0	0	0
Hedging derivatives	**0**	**344,944**	**0**	**344,944**

At 31 December 2019

in thousands of euros	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				
Debt instruments	**1,560,253**	**1,078,867**	**541,711**	**3,180,831**
Loans due from credit institutions and customers	0	0	0	0
Debt securities	1,560,253	1,078,867	541,711	3,180,831
Equity instruments	**4,767,596**	**237**	**0**	**4,767,833**
Shares and other equity securities	4,767,596	237	0	4,767,833
Derivatives	**155,412**	**1,637,656**	**20,230**	**1,813,298**
Interest rate derivatives	0	1,129,008	17,247	1,146,255
Equity derivatives	155,412	64,944	2,975	223,331
Currency derivatives	0	442,636	8	442,644
Credit derivatives	0	1,004	0	1,004
Other derivatives	0	64	0	64
Others				
Financial assets at fair value through profit or loss – Held for trading (1)	**6,483,261**	**2,716,760**	**561,941**	**9,761,962**
Derivatives	**0**	**1,242**	**0**	**1,242**
Interest rate derivatives	0	1,242	0	1,242
Equity derivatives	0	0	0	0
Currency derivatives	0	0	0	0
Credit derivatives	0	0	0	0
Other derivatives	0	0	0	0
Financial assets at fair value through profit or loss – Economic hedging	**0**	**1,242**	**0**	**1,242**
Debt instruments	**0**	**0**	**0**	**0**
Loans due from credit institutions and customers	0	0	0	0
Debt securities	0	0	0	0
Financial assets at fair value through profit or loss – By option	**0**	**0**	**0**	**0**
Debt instruments	**9,979**	**80,184**	**556,408**	**646,571**
Loans due from credit institutions and customers	0	0	123,057	123,057
Debt securities	9,979	80,184	433,351	523,514
Financial assets at fair value through profit or loss – Non-standard	**9,979**	**80,184**	**556,408**	**646,571**
Equity instruments	**0**	**0**	**7,920**	**7,920**
Shares and other equity securities	0	0	7,920	7,920
Financial assets at fair value through profit or loss – Excluding trading	**0**	**0**	**7,920**	**7,920**
Debt instruments	**9,114,198**	**636,290**	**454,864**	**10,205,352**
Loans due from credit institutions and customers	0	0	0	0
Debt securities	9,114,198	636,290	454,864	10,205,352
Equity instruments	**0**	**44,532**	**999,166**	**1,043,698**
Shares and other equity securities	0	44,532	999,166	1,043,698
Financial assets at fair value through equity	**9,114,198**	**680,822**	**1,454,030**	**11,249,050**
Interest rate derivatives	0	135,925	0	135,925
Equity derivatives	0	0	0	0
Currency derivatives	0	11,292	0	11,292
Credit derivatives	0	0	0	0
Other derivatives	0	0	0	0
Hedging derivatives	**0**	**147,217**	**0**	**147,217**

in thousands of euros	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 LIABILITIES				
Debt securities	**1,428,739**	**494**	**0**	**1,429,233**
Derivatives	**61,786**	**1,604,022**	**42,279**	**1,708,087**
- Interest rate derivatives	0	1,366,065	42,279	1,408,344
- Equity derivatives	61,786	56,686	0	118,472
- Currency derivatives	0	175,661	0	175,661
- Credit derivatives	0	5,552	0	5,552
- Other derivatives	0	58	0	58
Other financial assets	0	0	0	**0**
Financial liabilities at fair value through profit or loss – Held for trading (1)	**1,490,525**	**1,604,516**	**42,279**	**3,137,320**
Derivatives	**0**	**356**	**0**	**356**
Interest rate derivatives	0	356	0	356
Equity derivatives	0	0	0	0
Currency derivatives	0	0	0	0
Credit derivatives	0	0	0	0
Other derivatives	0	0	0	0
Financial liabilities at fair value through profit or loss – Economic hedging	**0**	**356**	**0**	**356**
Debt securities	0	0	0	0
Other financial assets	0	0	0	0
Financial liabilities at fair value through profit or loss – By option	**0**	**0**	**0**	**0**
Interest rate derivatives	0	201,733	0	201,733
Equity derivatives	0	0	0	0
Currency derivatives	0	21,665	0	21,665
Credit derivatives	0	0	0	0
Other derivatives	0	0	0	0
Hedging derivatives	**0**	**223,398**	**0**	**223,398**

(1) excluding economic hedging

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

At 31 December 2020

in thousands of euros	12/31/2019	Reclassifications	Gains and losses reported during the period – On the income statement – On transactions in progress at closing	On transactions derecognised at closing	In equity	Management events during the period – Purchases/Issues	Sales/Redemptions	Transactions during the period – to another reporting category	from and to another level	Other changes	31/12/20
FINANCIAL ASSETS											
Debt instruments	**541,711**		**-1,106**	**-826**	**0**	**155,430**	**-492,863**	**0**	**33,608**	**0**	**235,954**
Loans due from credit institutions and customers	0		0	0	0	0	0	0	0	0	0
Debt securities	541,711		-1,106	-826	0	155,430	-492,863	0	33,608	0	235,954
Equity instruments	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Shares and other equity securities	0		0	0	0	0	0	0	0	0	0
Derivatives	**21,472**		**-363**	**-2,961**	**0**	**0**	**0**	**-7,158**	**-2,975**	**0**	**8,015**
Interest rate derivatives	18,489		-374	-2,949	0	0	0	-7,158	0	0	8,008
Equity derivatives	2,975		0	0	0	0	0	0	-2,975	0	0
Currency derivatives	8		11	-12	0	0	0	0	0	0	7
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Others										**0**	
Financial assets at fair value through profit or loss – Held for trading (3)	**563,183**		**-1,469**	**-3,787**	**0**	**155,430**	**-492,863**	**-7,158**	**30,633**	**0**	**243,969**
Derivatives	**-1,242**		**0**	**0**	**0**	**0**	**0**	**1,242**	**0**	**0**	**0**
Interest rate derivatives	-1,242		0	0	0	0	0	1,242	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Financial assets at fair value through profit or loss – Economic hedging	**-1,242**		**0**	**0**	**0**	**0**	**0**	**1,242**	**0**	**0**	**0**
Debt instruments	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans due from credit institutions and customers	0		0	0	0	0	0	0	0	0	0
Debt securities	0		0	0	0	0	0	0	0	0	0
Financial assets at fair value through profit or loss – By option	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt instruments	**556,408**		**3,366**	**453**	**0**	**28,366**	**-16,903**	**776**	**28,936**	**0**	**601,402**
Loans due from credit institutions and customers	123,057		13	0	0	1,960	0	0	0	0	125,030
Debt securities	433,351		3,353	453	0	26,406	-16,903	776	28,936	0	476,372
Financial assets at fair value through profit or loss – Non-standard	**556,408**		**3,366**	**453**	**0**	**28,366**	**-16,903**	**776**	**28,936**	**0**	**601,402**
Equity instruments	**7,920**		**-581**	**1,390**	**0**	**500**	**-1,951**	**-776**	**0**	**0**	**6,502**
Shares and other equity securities	7,920		-581	1,390	0	500	-1,951	-776	0	0	6,502
Financial assets at fair value through profit or loss – Excluding trading	**7,920**		**-581**	**1,390**	**0**	**500**	**-1,951**	**-776**	**0**	**0**	**6,502**
Debt instruments	**454,864**		**1,040**	**-2,694**	**136**	**232,991**	**-128,230**	**0**	**-18,561**	**-151**	**539,395**
Loans due from credit institutions and customers	0		0	0	0	0	0	0	0	0	0
Debt securities	454,864		1,040	-2,694	136	232,991	-128,230	0	-18,561	-151	539,395
Equity instruments	**999,166**		**17,521**	**0**	**-193,340**	**16,218**	**-19,171**	**-5,909**	**34,760**	**-5,516**	**843,729**
Shares and other equity securities	999,166		17,521	0	-193,340	16,218	-19,171	-5,909	34,760	-5,516	843,729
Financial assets at fair value through equity	**1,454,030**		**18,561**	**-2,694**	**-193,204**	**249,209**	**-147,401**	**-5,909**	**16,199**	**-5,667**	**1,383,124**
Interest rate derivatives	0		0	0	0	0	0	0	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Hedging derivatives	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

in millions of euros	12/31/2019	Reclassifications	Gains and losses reported during the — On the income statement — On transactions in progress at closing	On transactions derecognised at closing	In equity	Management events during — Purchases/Issues	Sales/Redemptions	Transactions during the period — to another reporting category	from and to another level	Other changes	31/12/20
FINANCIAL LIABILITIES											
Debt securities	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Derivatives	**42,145**		**-463**	**175**	**0**	**0**	**0**	**156**	**0**	**0**	**42,013**
Interest rate derivatives	42,279		-526	201	0	0	0	0	0	0	41,954
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	-134		63	-26	0	0	0	156	0	0	59
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Other financial assets	0		0	0	0	0	0	0	0	**0**	0
Financial liabilities at fair value through profit or loss – Held for trading [3]	**42,145**		**-463**	**175**	**0**	**0**	**0**	**156**	**0**	**0**	**42,013**
Derivatives	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0		0	0	0	0	0	0	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	**0**	0
Financial liabilities at fair value through profit or loss – Economic hedging	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt securities	0		0	0	0	0	0	0	0	0	0
Other financial assets	0		0	0	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss – By option	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0		0	0	0	0	0	0	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Hedging derivatives	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

At 31 December 2019

in thousands of euros	12/31/2018	Reclassifications	Gains and losses reported during the period — On the income statement — On transactions in progress at closing	On transactions derecognised at closing	In equity	Management events during the period — Purchases/ Issues	Sales/Redemptions	Transactions during the period — to another reporting category	from and to another level	Other changes	31/12/19
FINANCIAL ASSETS											
Debt instruments	**611,510**		**1,410**	**813**	**0**	**523,774**	**-392,988**	**0**	**12,461**	**-215,269**	**541,711**
Loans due from credit institutions and customers	0		0	0	0	0	0	0	0	0	0
Debt securities	611,510		1,410	813	0	523,774	-392,988	0	12,461	-215,269	541,711
Equity instruments	**8,592**		**0**	**0**	**0**	**0**	-108	**0**	**0**	-8,484	**0**
Shares and other equity securities	8,592		0	0	0	0	-108	0	0	-8,484	0
Derivatives	**46,624**		**454**	**4,327**	**0**	**0**	0	**-23,976**	**-7,199**	0	**20,230**
Interest rate derivatives	43,223		579	4,620	0	0	0	-23,976	-7,199	0	17,247
Equity derivatives	3,259		-133	-151	0	0	0	0	0	0	2,975
Currency derivatives	142		8	-142	0	0	0	0	0	0	8
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Others										**0**	
Financial assets at fair value through profit or loss – Held for trading	**666,726**		**1,864**	**5,140**	**0**	**523,774**	**-393,096**	**-23,976**	**5,262**	**-223,753**	**561,941**
Derivatives	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0		0	0	0	0	0	0	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	**0**	0
Financial assets at fair value through profit or loss – Economic hedging	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt instruments	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans due from credit institutions and customers	0		0	0	0	0	0	0	0	0	0
Debt securities	0		0	0	0	0	0	0	0	0	0
Financial assets at fair value through profit or loss – By option	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt instruments	**353,142**		**9,146**	**21**	**0**	**60,366**	**-8,550**	**83,669**	**36,544**	**22,070**	**556,408**
Loans due from credit institutions and customers	118,673		0	0	0	4,384	0	0	0	0	123,057
Debt securities	234,469		9,146	21	0	55,982	-8,550	83,669	36,544	22,070	433,351
Financial assets at fair value through profit or loss – Non-standard	**353,142**		**9,146**	**21**	**0**	**60,366**	**-8,550**	**83,669**	**36,544**	**22,070**	**556,408**
Equity instruments	**4,701**		**0**	**0**	**0**	**2,607**	**-100**	**712**	**0**	**0**	**7,920**
Shares and other equity securities	4,701		0	0	0	2,607	-100	712	0	0	7,920
Financial assets at fair value through profit or loss – Excluding trading	**4,701**		**0**	**0**	**0**	**2,607**	**-100**	**712**	**0**	**0**	**7,920**
Debt instruments	**130,961**		**-2,955**	**-128**	**7,145**	**223,034**	**-189,958**	**0**	**102,263**	**184,502**	**454,864**
Loans due from credit institutions and customers	0		0	0	0	0	0	0	0	0	0
Debt securities	130,961		-2,955	-128	7,145	223,034	-189,958	0	102,263	184,502	454,864
Equity instruments	**934,330**		**53,601**	**1**	**1,745**	**73,578**	**-53,798**	**-4,735**	**-6,612**	**1,056**	**999,166**
Shares and other equity securities	934,330		53,601	1	1,745	73,578	-53,798	-4,735	-6,612	1,056	999,166
Financial assets at fair value through equity	**1,065,291**		**50,646**	**-127**	**8,890**	**296,612**	**-243,756**	**-4,735**	**95,651**	**185,558**	**1,454,030**
Interest rate derivatives	0		0	0	0	0	0	0	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	**0**	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	**0**	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Hedging derivatives	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0 0**		**0**

in thousands of euros	12/31/2018	Reclassifications	Gains and losses reported during the period – On the income statement – On transactions in progress at closing	Gains and losses reported during the period – On the income statement – On transactions derecognised at closing	Gains and losses reported during the period – In equity	Management events during the period – Purchases/ Issues	Management events during the period – Sales/Redemptions	Transactions during the period – to another reporting category	Transactions during the period – from and to another level	Other changes	31/12/19
FINANCIAL LIABILITIES											
Debt securities	**60**		**0**	**5**	**0**	**0**	**-12**	**0**	**0**	**-53**	**0**
Derivatives	**44,304**		**764**	**2,153**	**0**	**0**	**0**	**0**	**-4,942**	**0**	**42,279**
Interest rate derivatives	44,278		764	2,179	0	0	0	0	-4,942	0	42,279
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	26		0	-26	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Other financial assets	0		0	0	0	0	0	0	0	**0**	0
Financial liabilities at fair value through profit or loss – Held for trading	**44,364**		**764**	**2,158**	**0**	**0**	**-12**	**0**	**-4,942**	**-53**	**42,279**
Derivatives	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0		0	0	0	0	0	0	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	**0**	0
Financial liabilities at fair value through profit or loss – Economic hedging	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt securities	0		0	0	0	0	0	0	0	0	0
Other financial assets	0		0	0	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss – By option	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0		0	0	0	0	0	0	0	0	0
Equity derivatives	0		0	0	0	0	0	0	0	0	0
Currency derivatives	0		0	0	0	0	0	0	0	0	0
Credit derivatives	0		0	0	0	0	0	0	0	0	0
Other derivatives	0		0	0	0	0	0	0	0	0	0
Hedging derivatives	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

At 31 December 2020, the financial instruments valued with a technique using unobservable data include:

During the financial year, €14.7 million of gains and losses were recognised in the income statement for level 3 financial assets and financial liabilities, including €20.9 million for unwound transactions at 31 December 2020.

During the financial year, -€193.2 million of gains and losses were recognised directly in equity in respect of level 3 financial assets, including -€193.2 million in respect of unwound transactions at 31 December 2020.

10.1.3 - Analysis of fair value hierarchy transfers

The amount of the transfers indicated in this table is that of the last valuation preceding the change of level.

in thousands of euros		2020 financial year					
	From	level 1	level 1	level 2	level 2	level 3	level 3
	To	level 2	level 3	level 1	level 3	level 1	level 2
FINANCIAL ASSETS							
Debt instruments		**33,063**	**0**	**30,131**	**41,905**	**4,167**	**4,130**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		33,063	0	30,131	41,905	4,167	4,130
Equity instruments		**0**	**0**	**0**	**0**	**0**	**0**
Shares and other equity securities		0	0	0	0	0	0
Derivatives		**0**	**0**	**0**	**0**	**0**	**2,975**
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		0	0	0	0	0	2,975
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		0	0	0	0	0	0
Others							
Financial assets at fair value through profit or loss – Held for trading*		**33,063**	**0**	**30,131**	**41,905**	**4,167**	**7,105**
Derivatives		0	0	0	0	0	0
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		0	0	0	0	0	0
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		**0**	**0**	**0**	**0**	**0**	**0**
Financial assets at fair value through profit or loss – Economic hedging		0	0	0	0	0	0
Debt instruments		**0**	**0**	**0**	**0**	**0**	**0**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		0	0	0	0	0	0
Financial assets at fair value through profit or loss – By option		0	0	0	0	0	0
Debt instruments		**0**	**0**	**0**	**29,186**	**250**	**0**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		0	0	0	29,186	0	0
Financial assets at fair value through profit or loss – Non-standard		**0**	**0**	**0**	**29,186**	**250**	**0**
Equity instruments		**0**	**0**	**0**	**0**	**0**	**0**
Shares and other equity securities		0	0	0	0	0	0
Financial assets at fair value through profit or loss – Excluding trading		0	0	0	0	0	0
Debt instruments		**42,428**	**0**	**2,914**	**8,244**	**0**	**26,805**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		42,428	0	2,914	8,244	0	26,805
Equity instruments		0	0	0	34,760	0	0
Shares and other equity securities		0	0	0	34,760	0	0
Financial assets at fair value through equity		**42,428**	**0**	**2,914**	**43,004**	**0**	**26,805**
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		**0**	**0**	**0**	**0**	**0**	**0**
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		0	0	0	0	0	0
Hedging derivatives		0	0	0	0	0	0

in thousands of euros		2020 financial year					
	From	**level 1**	**level 1**	**level 2**	**level 2**	**level 3**	**level 3**
	To	**level 2**	**level 3**	**level 1**	**level 3**	**level 1**	**level 2**
FINANCIAL LIABILITIES							
Debt securities		0	0	0	0	0	0
Derivatives		**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		0	0	0	0	0	0
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		0	0	0	0	0	0
Other financial assets		**0**	**0**	**0**	**0**	**0**	**0**
Financial liabilities at fair value through profit or loss – Held for trading*		**0**	**0**	**0**	**0**	**0**	**0**
Derivatives		**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		0	0	0	0	0	0
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		0	0	0	0	0	0
Financial liabilities at fair value through profit or loss – Economic hedging		**0**	**0**	**0**	**0**	**0**	**0**
Debt securities		0	0	0	0	0	0
Other financial assets		0	0	0	0	0	0
Financial liabilities at fair value through profit or loss – By option		**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		0	0	0	0	0	0
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		0	0	0	0	0	0
Hedging derivatives		**0**	**0**	**0**	**0**	**0**	**0**

(*) excluding technical coverage

The amount of the transfers indicated in this table is that of the last valuation preceding the change of level.

		Financial year 31/12/2019					
	From	**level 1**	**level 1**	**level 2**	**level 2**	**level 3**	**level 3**
in thousands of euros	**To**	**level 2**	**level 3**	**level 1**	**level 3**	**level 1**	**level 2**
FINANCIAL ASSETS							
Debt instruments		**2,748**	**0**	**26,359**	**12,751**	**31**	**259**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		2,748	0	26,359	12,751	31	259
Equity instruments		**0**	**0**	**0**	**0**	**0**	**0**
Shares and other equity securities		0	0	0	0	0	0
Derivatives		**0**	**0**	**0**	**0**	**0**	**7,199**
Interest rate derivatives		0	0	0	0	0	7,199
Equity derivatives		0	0	0	0	0	0
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		0	0	0	0	0	0
Others							
Financial assets at fair value through profit or loss – Held for trading*		**2,748**	**0**	**26,359**	**12,751**	**31**	**7,458**
Derivatives		0	0	0	0	0	0
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		0	0	0	0	0	0
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		**0**	**0**	**0**	**0**	**0**	**0**
Financial assets at fair value through profit or loss – Economic hedging		0	0	0	0	0	0
Debt instruments		**0**	**0**	**0**	**0**	**0**	**0**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		0	0	0	0	0	0
Financial assets at fair value through profit or loss – By option		0	0	0	0	0	0
Debt instruments		**0**	**0**	**0**	**36,544**	**0**	**0**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		0	0	0	36,544	0	0
Financial assets at fair value through profit or loss – Non-standard		**0**	**0**	**0**	**36,544**	**0**	**0**
Equity instruments		**0**	**0**	**0**	**0**	**0**	**0**
Shares and other equity securities		0	0	0	0	0	0
Financial assets at fair value through profit or loss – Excluding trading		0	0	0	0	0	0
Debt instruments		**34,298**	**120,807**	**52,016**	**15,180**	**0**	**33,724**
Loans due from credit institutions and customers		0	0	0	0	0	0
Debt securities		34,298	120,807	52,016	15,180	0	33,724
Equity instruments		0	0	0	0	0	6,612
Shares and other equity securities		0	0	0	0	0	6,612
Financial assets at fair value through equity		**34,298**	**120,807**	**52,016**	**15,180**	**0**	**40,336**
Interest rate derivatives		0	0	0	0	0	0
Equity derivatives		**0**	**0**	**0**	**0**	**0**	**0**
Currency derivatives		0	0	0	0	0	0
Credit derivatives		0	0	0	0	0	0
Other derivatives		0	0	0	0	0	0
Hedging derivatives		0	0	0	0	0	0

(*) excluding technical coverage

	Financial year 31/12/2019					
From	level 1	level 1	level 2	level 2	level 3	level 3
in thousands of euros — To	level 2	level 3	level 1	level 3	level 1	level 2
FINANCIAL LIABILITIES						
Debt securities	60	0	0	0	0	0
Derivatives	**0**	**0**	**0**	**0**	**0**	**4,942**
Interest rate derivatives	0	0	0	0	0	4,942
Equity derivatives	0	0	0	0	0	0
Currency derivatives	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0
Other financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Financial liabilities at fair value through profit or loss – Held for trading*	**60**	**0**	**0**	**0**	**0**	**4,942**
Derivatives	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0	0	0	0	0	0
Equity derivatives	0	0	0	0	0	0
Currency derivatives	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss – Economic hedging	**0**	**0**	**0**	**0**	**0**	**0**
Debt securities	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss – By option	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate derivatives	0	0	0	0	0	0
Equity derivatives	0	0	0	0	0	0
Currency derivatives	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0
Hedging derivatives	**0**	**0**	**0**	**0**	**0**	**0**

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

The main instrument measured at fair value level 3 on BRED Group's balance sheet is its participation in the BPCE central body.

This investment is classified as "fair value through equity that cannot be reclassified".
The methods for measuring the fair value of the BPCE SA security are described in note 10 relating to the determination of fair value. The valuation method used is the revalued net assets method, which incorporates the revaluation of BPCE's main subsidiaries.
This valuation model is based on internal parameters. The infinite growth rate and the discount rate are among the most significant parameters.

A decrease in the infinite growth rate of 0.25% would lead to a decrease in the fair value of the BPCE security of €17 million, on a like-for-like basis. This amount would have a negative impact on "Gains and losses recognised directly in equity".

An increase in the infinite growth rate of 0.25% would lead to an increase in the fair value of the BPCE security of €23 million, on a like-for-like basis. This amount would have a positive impact on "Gains and losses recognised directly in equity".

A decrease in the discount rate of 0.25% would lead to an increase in the fair value of the BPCE security of €74 million, on a like-for-like basis. This amount would have a positive impact on "Gains and losses recognised directly in equity".

An increase in the discount rate of 0.25% would lead to a decrease in the fair value of the BPCE security of €66 million, on a like-for-like basis. This amount would have a negative impact on "Gains and losses recognised directly in equity".

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 €262,000.

The cumulative impact of the sensitivity of level 3 derivatives to the main factors (interest rates, inflation, equities, etc.) would be an increase of €124,000 in the event of a 100 basis point rise in the underlying factors, and a decrease of -€138,000 in the event of a 100 basis point drop in said factors.

10.2 - 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 local banking activities, for which the business 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 10.1.

2	31/12/20				31/12/19			
in thousands of euros	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTISED COST	**46,250,850**	**1,069,666**	**18,781,155**	**26,400,029**	**38,836,658**	**1,259,301**	**15,864,957**	**21,712,400**
Loans and receivables due from credit institutions	11,733,988	0	10,312,003	1,421,985	9,465,076	3,532	7,775,241	1,686,303
Loans and receivables due from customers	31,870,195	0	7,387,114	24,483,081	26,684,737	170,043	6,659,525	19,855,169
Debt securities	2,646,667	1,069,666	1,082,038	494,963	2,686,845	1,085,726	1,430,191	170,928
Others								
FINANCIAL LIABILITIES AT AMORTISED COST	**59,897,151**	**0**	**51,239,959**	**8,657,192**	**57,051,823**	**0**	**47,455,935**	**9,595,888**
Amounts due to credit institutions	14,033,343	0	13,906,890	126,453	10,093,309	0	10,020,525	72,784
Amounts due to customers	36,899,376	0	28,376,742	8,522,634	37,755,482	0	28,244,048	9,511,434
Debt securities	8,957,878	0	8,949,773	8,105	9,196,930	0	9,185,260	11,670
Subordinated debt	6,554	0	6,554	0	6,102	0	6,102	0

NOTE 11 - TAXES

11.1 - Income tax expense

Accounting policies

Income taxes include all national and foreign taxes due on the basis of taxable profits. Income taxes also include taxes, such as withholding taxes, payable by a subsidiary, associate or partnership on its dividend distributions to the reporting entity. CVAE (contribution on the added value of companies) is not treated as an income tax.

Income taxes include:

- on the one hand, current taxes, which are the amount of current (recoverable) tax payable in respect of the taxable profit (tax loss) of a period. They are calculated on the basis of the tax results of a period of each consolidated tax entity by applying the applicable tax rates and rules established by the tax authorities and on the basis of which the tax must be paid (recovered);
- on the other hand, deferred taxes (see 11.2).

When it is likely that a tax position adopted by the group will not be accepted by the tax authorities, this situation is reflected in the accounts when posting current tax (due or recoverable) and deferred tax (asset or liability).

Since standard IAS 12 “Income Taxes” does not provide specific guidance on the tax consequences of the uncertain nature of the tax for accounting purposes, the treatment to be adopted was specified in interpretation IFRIC 23 “Uncertainties relating to tax treatments” adopted by the European Commission on 23 October 2018 and mandatory from 1 January 2019.

This interpretation clarifies the accounting and assessment of current and deferred tax when there is uncertainty about the tax treatment applied. If there is doubt about the acceptance of the tax treatment by the tax authorities under tax law, then that tax treatment is an uncertain tax treatment. If it is likely that the tax authorities will not accept the tax treatment adopted, IFRIC 23 indicates that the amount of uncertainty to be reflected in the financial statements must be estimated using the method that will provide the best prediction of the uncertain outcome. Two approaches can be used to determine this amount: the most likely amount method or the expected value method (i.e. the weighted average of the various possible scenarios). IFRIC 23 also requires an assessment of the tax uncertainties to be conducted.

The group's financial statements reflect uncertainties relating to the tax treatment of income taxes where it considers it likely that the tax authorities will not accept them. To assess whether a tax position is uncertain and to assess its effect on the amount of its taxes, the group assumes that the tax authorities will inspect all amounts declared, with full knowledge of all available information. It bases its judgment in particular on the authorities’ guidelines, case law and corrections made by the authorities concerning similar tax uncertainties. The group reviews the estimate of the amount that it expects to pay or recover from the tax authorities in respect of tax uncertainties, in the event of changes to the facts and circumstances associated with them, which may result from (among other factors) changes in tax laws, the expiry of a limitation period or the outcome of inspections and actions carried out by the tax authorities.

Tax uncertainties are recorded according to their meaning and depending on whether they relate to a current or deferred tax in the balance sheet headings “Deferred tax assets”, “Current tax assets”, “Deferred tax liabilities” and “Current tax liabilities”.

Breakdown of tax expense between current and deferred taxes

in thousands of euros	2020 financial year	2019 financial year
Current tax	-120,799	-136,571
Deferred tax	15,959	-3,145
TOTAL INCOME TAX EXPENSE	-104,840	-139,716

Reconciliation between the recognised tax expense and the theoretical tax expense

	2020 financial year		2019 financial year *	
	in thousands of euros	Tax rates	in thousands of euros	Tax rates
Net income (Group share)	270,139		306,769	
Change in the value of goodwill	0		0	
Non-controlling interests	150		1,180	
Share of net income or loss of associates	-18,902		-25,254	
Taxes	104,840		139,716	
PROFIT BEFORE TAX AND CHANGES IN GOODWILL	**356,227**		**422,411**	
Effects of permanent differences	-10,711		6,681	
Consolidated taxable income (A)	**345,516**		**429,092**	
Standard income tax rate in France (B)		**32.02%**		**34.43%**
Theoretical tax expense (income) at the tax rate in force in France (AxB)	**-110,634**		**-147,736**	
Reduced rate of tax and tax-exempt activities	1,737		1,767	
Difference in tax rates on income taxed outside France	1,721		643	
Tax on prior periods, tax credits and other tax	-25,069		-37,366	
Effects of changes to tax rate				
Other items	27,405		42,976	
INCOME TAX EXPENSE (INCOME) RECOGNISED	**-104,840**		**-139,716**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**30.34%**		**32.56%**

(*) Permanent differences are presented for the first time at 31 December 2020 and restated on the basis of consolidated tax income. Thus, their effect is now excluded from the difference between the effective tax rate and the theoretical tax rate. The 2019 data has been modified for comparability purposes.

11.2 - Deferred taxes

Accounting policies

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 fair value through equity;
- changes in the fair value of derivatives designated as cash flow hedges;

for which the corresponding deferred taxes are recognised as unrealised gains or losses directly in equity.

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

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	31/12/20	31/12/2019 *
Unrealised capital gains on UCITS	3,087	1,636
Asset financing with tax implications	0	0
Provisions for employee-related liabilities	19,353	19,144
Provisions for home-savings products	4,802	4,563
Non-deductible impairment for credit risk	34,072	29,780
Other non-deductible provisions	26,528	25,507
Changes in fair value of financial instruments recorded in equity	-12,542	-16,014
Other sources of timing differences	39,084	29,590
Deferred tax resulting from timing differences	114,384	94,206
Deferred tax resulting from the capitalisation of tax losses carried forward	1,173	2,143
Deferred taxes on consolidation restatements and eliminations		
Unrecognised deferred tax assets and liabilities		
NET DEFERRED TAX	115,557	96,349
Recognised		
As assets on the balance sheet	117,550	99,353
As liabilities on the balance sheet	1,993	3,004

(*) The 2019 data has been modified for comparability purposes.

NOTE 12 - OTHER INFORMATION

12.1 - Segment information

12.1.1 – Income statement segment information

BRED Banque Populaire's operations are organised into four business divisions:

- Commercial Banking France, which includes all the activities of the branches, wealth management centres, business centres, corporate banking and associated subsidiaries and Asset/Liability Management (ALM);
- International Commercial Banking;
- Capital Markets Department;
- Consolidated Management of Investments.

	Commercial Banking France & ALM			International Banking			Capital Markets Department			Consolidated investment management		
in thousands of euros	2020	2019 proforma	Change 2020/2019	2020	2019 proforma	Change 2020/2019	2020	2019 proforma	Change 2020/2019	2020	2019 proforma	Change 2020/2019
Net banking income	**1,001,738**	**967,235**	**3.6%**	**98,845**	**96,576**	**2.3%**	**147,461**	**120,762**	**22.1%**	**17,073**	**46,250**	**-63.1%**
Participation fee	-579,121	-574,720	0.8%	-80,357	-71,288	12.7%	-60,070	-59,248	1.4%	-44,189	-38,067	16.1%
Gross operating income	**422,617**	**392,516**	**7.7%**	**18,487**	**25,288**	**-26.9%**	**87,392**	**61,515**	**42.1%**	**-27,116**	**8,183**	**N/A**
Operating ratio	57.8%	59.4%	-1.6 pts	81.3%	73.8%	7.5 pts	40.7%	49.1%	-8.3 pts	258.8%	82.3%	176.5 pts
Cost of risk to performing loans (levels 1 and 2)	*-73,924*	*5,083*	*N/A*	*-6,054*	*-2,053*	*N/A*	*0*	*0*	*N/A*	*303*	*267*	*13.5%*
Cost of risk to impaired loans (level 3)	*-72,480*	*-58,820*	*23.2%*	*-9,869*	*-26,367*	*-62.6%*	*0*	*0*	*N/A*	*465*	*1,943*	*-76.1%*
Cost of risk	-146,404	-53,737	N/A	-15,923	-28,420	-44.0%	0	0	N/A	768	2,210	-65.2%
Operating income	**276,213**	**338,779**	**-18.5%**	**2,564**	**-3,132**	**N/A**	**87,392**	**61,515**	**42.1%**	**-26,348**	**10,393**	**N/A**
Income for equity method companies	873	1,070	-18.4%	23,754	34,634	-31.4%	0	0	N/A	-3,084	-50	N/A
Net gains or losses on other assets	0	0	N/A	0	0	N/A	0	0	N/A	5,224	2,925	78.6%
Change in goodwill	0	0	N/A	0	0	N/A	0	0	N/A	0	3	N/A
Profit before tax	**277,086**	**339,849**	**-18.5%**	**26,318**	**31,501**	**-16.5%**	**87,392**	**61,515**	**42.1%**	**-24,208**	**13,271**	**N/A**

When the breakdown was refined in 2020, the 2019 data was adjusted accordingly for the purpose of comparison.

12.1.2 - Segment analysis of consolidated balance sheet by geographic region

JOBS	2020					
in thousands of euros	Mainland France	French overseas	Abroad	European countries	North America	Rest of the world
Financial assets	24,208,577	1,335	1,619,584	1,608,509	0	11,075
Loans and advances to credit institutions	10,270,960	1,347,495	553,349	243,873	0	309,476
Loans and receivables due from customers	22,296,002	6,598,062	1,476,901	597,590	0	879,312
Accrued income and other assets	8,967,543	765,636	31,048	6,771	0	24,277
Non-current assets	311,217	241,706	215,909	22,470	0	193,439
TOTAL ASSETS	**66,054,299**	**8,954,235**	**3,896,791**	**2,479,213**	**0**	**1,417,578**

RESSOURCES	2020					
in thousands of euros	Mainland France	French overseas	Abroad	European countries	North America	Rest of the world
Financial liabilities	4,248,656	0	18	18	0	0
Amounts due to credit institutions	14,015,550	154,997	139,352	39,401	0	99,951
Amounts due to customers	29,901,680	5,647,872	1,381,261	183,333	0	1,197,928
Debt securities	8,928,835	16,651	8,105	0	0	8,105
Securities transactions and other liabilities	4,371,971	2,714,427	2,176,096	2,128,985	0	47,111
Provisions, equity and similar	4,587,606	420,288	191,959	127,475	0	64,483
TOTAL LIABILITIES	**66,054,299**	**8,954,235**	**3,896,791**	**2,479,213**	**0**	**1,417,578**

12.1.3 - Segment analysis of consolidated income by geographic region

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

in thousands of euros	2019 financial year	2018 financial year
Mainland France	855,769	959,168
French overseas	291,490	145,556
Other European countries	36,541	20,043
North America	0	0
Rest of the World	68,152	66,392
TOTAL	**1,251,952**	**1,191,159**

12.2 - Information on lease transactions

12.2.1 - Lease transactions as lessor

Accounting policies

Leases are analysed to determine whether in substance and economic reality they are finance leases or operating leases.

Finance leases

A finance lease is a lease that transfers to the lessee almost all of the risks and rewards inherent in ownership of the underlying asset.

IFRS 16 (“Leases”) gives five examples of situations that enable a finance lease to be distinguished from an operating lease:

- the lease transfers ownership of the underlying asset to the lessee at the end of the lease term;
- the lease contract gives the lessee the option to purchase the underlying asset at a price that should be sufficiently lower than its fair value on the date on which the option is able to be exercised so that the lessee can be reasonably certain of exercising the option at the start of the lease contract;
- the lease term is for the major part of the economic life of the underlying asset, even if there is no transfer of ownership;
- at the start of the lease, the discounted value of the rental payments amounts to at least substantially all of the fair value of the underlying asset;
- the leased assets are of such a specialised nature that only the lessee can use it without major modifications.

IFRS 16 also provides 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;
- when the lessee has the ability to extend the lease at a rent that is substantially below the market rate.

At the start date of the contract, the assets subject to a finance lease are recognised in the lessor's balance sheet in the form of a debt equal to the net investment in the lease agreement. The net investment corresponds to the discounted value at the implicit rate of the rent payments to be received from the lessee, plus any non-guaranteed residual value of the underlying asset due to the lessor. Rents used for the valuation of net investment more specifically include fixed payments after deduction of rental incentives to be paid and variable rent payments that are based on an index or rate.

IFRS 16 requires non-guaranteed residual values to be reviewed on a regular basis. A decrease in the estimated non-guaranteed residual value results in a change in the income allocation profile over the entire duration of the contract. In that case, a new depreciation schedule is established and an expense is recorded to correct the amount of financial income already recognised.

Any impairments in respect of receivables' counterparty risk relating to finance leases are determined in accordance with IFRS 9 and using the same method as for financial assets at amortised cost (note 4.1.10). Their impact on the income statement is shown under "Cost of credit risk".

Finance lease income is recognised as financial income in the income statement under "Interest and similar income". This financial income is recognised using the implicit interest rate of the lease, reflecting 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:

- net investment;
- 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).

Operating leases

A contract that is not classified as a finance lease is classified as an operating lease.
Assets under simple lease are listed 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".

Income from lease contracts – lessor

in thousands of euros	**2020 financial year**	**2019 financial year**
Interest and similar income	0	0
Variable rent payments not included in the net investment valuation	0	0
Capital gains or losses on disposals of property under finance leases	0	0
Income from finance leases	**0**	**0**
Rental income	939	930
Variable rent payments that do not depend on an index or rate	0	0
Income from operating leases	**939**	**930**

Repayment schedule for finance leases

in thousands of euros	31/12/20							31/12/19						
	Remaining maturity							Remaining maturity						
	< 1 year	1 year < 2 years	2 years < 3 years	3 years < 4 years	4 years < 5 years	> 5 years	Total	< 1 year	1 year < 2 years	2 years < 3 years	3 years < 4 years	4 years < 5 years	> 5 years	Total
Finance leases														
Non-discounted rent payments (gross investment)	102,441	79,613	44,148	25,323	10,747	3,949	266,221	86,006	71,655	47,780	26,056	10,718	5,321	247,536
Discounted rent payments (net investment)	98,498	76,549	42,449	24,348	10,333	3,797	255,974	82,767	68,956	45,980	25,075	10,314	5,121	238,213
Of which discounted amount of the non-guaranteed residual value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned finance income	3,943	3,064	1,699	975	414	152	10,247	3,239	2,699	1,800	981	404	200	9,323
Operating leases														
Rent payments	872	705	688	684	684	1,540	5,173	827	684	684	1,180	684	2,737	6,796

12.2.2 - Lease transactions as lessee

Accounting policies

IFRS 16 applies to contracts that, regardless of their legal name, meet the definition of a lease agreement as established by the standard, i.e. an agreement that conveys the right to control the use of an asset identified by the lessee. Control is established when the policyholder holds the following two rights throughout the term of use:

- The right to obtain almost all of the economic benefits resulting from the use of the property;
- The right to decide on the use of the property.

The existence of an identified asset is particularly dependent on the absence of substantial rights for the lessor to substitute the leased property, this condition being assessed in light of the facts and circumstances existing at the start of the agreement. The lessor's ability to freely substitute the leased property confers a non-rental character on the agreement, since its purpose is then to provide a capacity rather than an asset.
The asset may consist of a portion of a larger asset, such as a floor within a building. On the other hand, part of a property that is not physically separate within a complex, without a predefined location, does not constitute an identified asset.

The IFRS 16 standard requires lessees, with the exception of certain exemptions provided for in the standard, to record all lease contracts in the balance sheet in the form of a right of use of the leased asset included under tangible assets on the assets side and as a lease liability on the liability side.

At the initial recognition date, no deferred tax is recognised if the asset value is equal to that of the liability. Subsequent net temporary differences, resulting from changes in amounts recognised under the right of use and the rental liability, result in the recognition of deferred tax.

The rental liability is valued on the effective date of the lease at the discounted value of the payments due to the lessor over the term of the lease and which have not yet been paid.
These payments include fixed or substantially fixed rents, variable rents based on an index or rate adopted based on the last index or rate in force, any residual value guarantees and, where applicable, any sums to be paid to the lessor in respect of options that are reasonably certain to be exercised.
Rental payments taken into account in determining rental liabilities, variable payments not based on an index or rate, taxes such as VAT, whether recoverable or not, and residential tax, are all excluded.

The right of use is recognised on the asset side on the effective date of the lease for a value equal to the amount of the rental liability on that date, adjusted for payments made to the lessor before or on that date and therefore not taken into account in the valuation of the rental liability, less the incentives received. Where applicable, this amount shall be adjusted for the initial direct costs incurred by the lessee and an estimate of the dismantling and renovation costs, provided the terms and conditions of the lease require it, that the outflow of resources is likely and can be determined with sufficient reliability.

The right of use will be amortised on a straight-line basis and the rental liability on an actuarial basis, over the term of the lease, using the marginal borrowing rate of the lessees at mid-life of the contract as the discount rate.
The amount of the rental liability is subsequently adjusted to take into account changes in indices or rates on which the rents are indexed. Since this adjustment has as its counterpart the right of use, there is no effect on the income statement.

For entities covered by the financial solidarity mechanism that centralise their refinancing with the Group Treasury, this rate is determined at Group level and adjusted, where applicable, in the currency applicable to the lessee.

The lease term corresponds to the non-cancelled period during which the lessee has the right to use the underlying asset, along with any periods covered by extension options that the lessee deems reasonably certain will be exercised and periods covered by termination options that the lessee considers reasonably certain will not be exercised, where applicable.

For French “3/6/9” commercial leases, the term used is generally nine years. The reasonable certainty as to whether an option relating to the length of the agreement will be exercised or not is assessed based on the real-estate management strategy of the Group’s establishments.

At the end of the lease, the agreement is no longer enforceable, the lessee and the lessor each having the right to terminate it without the permission of the other party and subject only to a negligible penalty.

Agreements that are not renewed or terminated at the end of the agreement, i.e. “tacitly extended” agreements, are considered to have a residual term of nine months, corresponding to the current period to which the termination notice period is added.
The term of agreements not renewed or terminated at the end of the agreement, known as “in tacit extension”, is determined on the basis of expert judgement as to the prospects for holding these agreements and, failing that, in the absence of ad hoc information, over a reasonable period of 3 years.

For contracts recognised on the balance sheet, the expense relating to the rental liability appears in the interest margin within net banking income, while the amortisation expense for the right of use is recognised in the depreciation and amortisation of fixed assets within gross operating income.

Rental agreements not recognised in the balance sheet, as well as variable payments excluded from determination of the rental liability, are presented as expenses for the period among the general operating expenses.

Effects on the income statement of rental agreements - lessee

in thousands of euros	**2020 financial year**	**2019 financial year**
Interest expense on rental liabilities	-	-
Depreciation allowance for rights of use (1)	-	-
Variable rental payments not taken into account in the valuation of rental liabilities	-590	-407
RENTAL EXPENSES RELATING TO LEASE CONTRACTS RECOGNISED ON THE BALANCE SHEET	**-590**	**-407**

in thousands of euros	**2020 financial year**	**2019 financial year**
Rental expense on short-term contracts (1)	-1,033	-10,215
Rental expenses relating to low-value assets	-990	-1,042
RENTAL EXPENSES RELATING TO LEASE CONTRACTS NOT RECOGNISED ON THE BALANCE SHEET	**-2,023**	**-11,257**

(1) The application of the IFRS IC decision in 2019 would have resulted in the presentation on the line “Depreciation of rights of use” of an additional amount of €7.2 million presented in 2019 under “Lease expenses in respect of short-term contracts”.

Schedule of rental liabilities

in thousands of euros	**31/12/20**					**31/12/19**				
	Amounts of non-discounted future payments					**Amounts of non-discounted future payments**				
	<6 months	**6 months < 1 year**	**1 year < 5 years**	**> 5 years**	**Total**	**<6 months**	**6 months < 1 year**	**1 year < 5 years**	**> 5 years**	**Total**
Rental liabilities	9,752	9,442	32,004	12,777	63,975	5,332	4,893	29,365	14,060	53,650

Commitments on lease contracts not yet recognised in the balance sheet

in thousands of euros	31/12/20				31/12/19			
	Amounts of non-discounted future payments				Amounts of non-discounted future payments			
	< 1 year	1 year < 5 years	> 5 years	Total	< 1 year	1 year < 5 years	> 5 years	Total
Lease agreements whose underlying assets are not yet available	-	-	-	-	-	-	-	-

future minimum payments relating to contracts for which the Group is committed but for which the underlying assets are not yet available, are not recognised on the balance sheet, under IFRS 16, before their date of delivery. The table below presents the minimum expected payments for those agreements.

Income from lease agreements recognised in the balance sheet

in thousands of euros	2020 financial year	2019 financial year
Income from sub-letting – operating leases	88	97
Income from sub-letting – finance leases	0	0

When the Group is required to sub-let all or part of a property already leased, the sub-lease agreement is analysed in substantially the same way as the approach adopted by the lessors.

The income relating to such agreements is presented in the same way as the lessor's approach: in income from other activities for agreements qualified as operating leases and interest income for agreements qualified as finance leases.

Income from lease sale transactions

in thousands of euros	2020 financial year	2019 financial year
Profits (or losses) from lease sale transactions	0	0

12.3 - Related party transactions

Parties related to the group are consolidated companies, including equity-method companies and BPCE.

12.3.1 - 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.

Under these conditions, transactions with related parties include reciprocal operations with:

- the BPCE central institution;
- joint ventures accounted for using the equity method;
- and companies over which the Group exercises significant influence and are accounted for under the equity method (associates).

in thousands of euros	31/12/20 Parent company	31/12/20 Entities exercising joint control or significant influence	31/12/20 Joint ventures and other associates	31/12/20 Associates	31/12/19 Parent company	31/12/19 Entities exercising joint control or significant influence	31/12/19 Joint ventures and other associates	31/12/19 Associates
Loans and advances	4,681,424			147,468	1,029,527			184,172
Other financial assets	809,044			-	975,557			-
Other assets	1,818			66,653	812			-
Total assets with related parties	**5,492,286**			**214,121**	**2,005,896**			**184,172**
Debt	4,590,482			43,082	1,820,531			31,570
Other financial assets					-			
Other liabilities								
Total liabilities towards related parties	**4,590,482**			**43,082**	**1,820,531**			**31,570**
Interest and similar income and expenses	8,634			1,952	- 3,972			8,998
Fees and commissions	- 9,684			30	- 5,307			30
Net gain or loss on financial transactions	47,079			-	21,762			-
Net income from other activities								
Total net banking income with related parties	**46,029**			**1,982**	**12,483**			**9,028**
Commitments given					0			0
Commitments received								
Commitments in respect of forward financial instruments				365,205				299,309
Total commitments involving related parties	**0**			**365,205**	**0**			**299,309**

The list of entities consolidated under the full consolidation method is provided in note 18 “Scope of consolidation”.

12.4 - Partnerships and associates

Accounting policies: See Note 3

12.4.1 - Investments in companies accounted for under the equity method

12.4.1.1 - 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	31/12/20	31/12/19
ACLEDA BANK Plc	124,419	118,320
BCEL Public	15,532	20,642
Banque Calédonienne d'Investissement	167,918	162,914
SBE (formerly SOGEFIP)	22,322	22,508
SOCREDO Banque Polynésienne	36,750	36,371
Others	0	0
Financial companies	**366,941**	**360,755**
Aurora	14,523	18,635
Non-financial companies	**14,523**	**18,635**
TOTAL HOLDINGS IN EQUITY-METHOD COMPANIES	**381,464**	**379,390**

12.4.1.2 - Financial data for the main partnerships and associates

Summarised financial data for joint ventures and/or companies under significant influence are as follows, drawn up on the basis of the latest data available published by the entities concerned:

	Associates		
in thousands of euros	Banque Calédonienne d'Investissement (BCI)	ACLEDA BANK Plc	SOCREDO Banque Polynésienne
DIVIDENDS RECEIVED	**3,579**	**3,021**	**-**
MAIN AGGREGATES	-	-	-
Total assets	**3,173,041**	**5,134,732**	**2,988,581**
Total debt	**2,836,531**	**4,255,766**	**2,673,917**
Income statement	-	-	-
NBI	91,499	303,156	74,666
Operating income	32,248	130,907	13,108
Income tax	-13,912	-25,692	-10,456
Net income	18,303	105,215	2,523
RECONCILE WITH BOOK VALUE OF EQUITY-METHOD COMPANIES			
Equity of companies accounted for under the equity method	336,510	878,966	314,664
Percentage of ownership	49.90%	12.13%	15.00%
VALUE OF THE HOLDINGS ACCOUNTED FOR UNDER THE EQUITY METHOD	**167,918**	**106,593**	**47,200**
Goodwill	*0*	*17,826*	*0*
Other			*-10,450*
VALUE OF THE HOLDINGS ACCOUNTED FOR UNDER THE EQUITY METHOD	**167,918**	**124,419**	**36,750**

Summarised financial data for non-material joint ventures and companies under significant influence at 31 December 2020 are as follows:

31/12/20

Non-material companies		
In thousands of euros	**Joint ventures**	**Associates**
Carrying amount of holdings accounted for under the equity method	0	52,377
Total amount of shares in:		
net income (a)	0	-2,693
o/w discontinued activities		
Gains and losses recognised directly in equity (b)	0	-8,794
Comprehensive income (a) + (b)	0	-11,487

31/12/19

Non-material companies		
In thousands of euros	**Joint ventures**	**Associates**
Carrying amount of holdings accounted for under the equity method	0	61,785
Total amount of shares in:		
net income (a)	0	5,303
o/w discontinued activities		
Gains and losses recognised directly in equity (b)	0	-4,670
Comprehensive income (a) + (b)	0	632

12.4.1.3 - Nature and scope of major restrictions

BRED Group has not experienced significant restrictions associated with the interests held in associates and joint ventures.

12.4.2 - Share of net profit of companies accounted for under the equity method

in thousands of euros	**31/12/20**	**31/12/19**
ACLEDA BANK Plc	12,268	13,171
BCEL Public	2,159	4,232
Banque Calédonienne d'Investissement	8,948	15,438
SBE (formerly SOGEFIP)	873	1,070
SOCREDO Banque Polynésienne	379	1,792
Others	-2,641	-10,450
Financial companies	**21,986**	**25,254**
Other	-3084	0
Non-financial companies	**-3084**	**0**
SHARE OF NET INCOME OF COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**18,902**	**25,254**

In 2019, the “Other” item includes an impairment of the Socredo property, amounting to €10.5 million.

12.5 - Interests in non-consolidated structured entities

12.5.1 Nature of interests in non-consolidated structured entities

A non-consolidated structured entity is a structured entity that is not controlled and therefore is not accounted for using the full consolidation method. Consequently, the interests held in a joint venture or associate classified as a structured entity fall within the scope of this note.
Structured entities that are controlled but not consolidated for reasons of threshold also fall within the scope of this note.
They include all structured entities in which BRED holds an interest and is involved with in one or more of the following capacities:

- originator/structurer/arranger;
- placement agent;
- manager;
- or, in any other capacity that has a major impact on the structuring or management of the transaction (e.g. providing financing, guarantees or structuring derivatives, tax investor, major investor, etc.).

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

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

In note 14.3, 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

"Other activities" covers all remaining activities.

12.5.2 - 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 and provisions recognised as liabilities.

The "Notional amount of derivatives" line item corresponds to the notional amounts of options sales relating to structured entities.
The data is presented below, aggregated based on the related type of activity.

At 31 December 2020

Excluding investments by insurance activities *in thousands of euros*	Securitisation	Asset management	Structured financing	Other activities
Financial assets at fair value through profit or loss	**0**	**314,993**	**21,473**	**0**
Trading derivatives	0	0	21,473	0
Trading financial instruments (excluding derivatives)	0	0	0	0
Financial assets at fair value through profit or loss – Non-basic	0	314,993	0	0
Financial instruments designated at fair value through profit or loss by option	0	0	0	0
Equity instruments – excluding trading	0	0	0	0
Financial assets at fair value through equity	**0**	**0**	**5**	**30,988**
Financial assets at amortised cost	**0**	**5,209**	**668,337**	**0**
Other assets	**0**	**0**	**0**	**0**
Total assets	**0**	**320,202**	**689,815**	**30,988**
Financial liabilities at fair value through profit or loss	**0**	**0**	**0**	**0**
Provisions	**0**	**0**	**0**	**0**
Total liabilities	**0**	**0**	**0**	**0**
Financing commitments given	**0**	**9,800**	**196,868**	**0**
Guarantee commitments given	**0**	**0**	**391,889**	**0**
Guarantees received	**0**	**0**	**0**	**0**
Notional amount of derivatives	**0**	**0**	**0**	**0**
Maximum loss exposure	**0**	**330,002**	**1,278,572**	**30,988**

Investments by insurance activities *in thousands of euros*	**Securitisation**	**Asset management**	**Other activities**
Financial assets at fair value through profit or loss	**0**	**1,711,573**	**0**
Trading derivatives	0	0	0
Trading financial instruments (excluding derivatives)	0	1,711,573	0
Financial instruments designated at fair value through profit or loss by option	0	0	0
Available-for-sale financial assets	**0**	**0**	**0**
Loans and receivables	**0**	**0**	**0**
Held to maturity financial assets	**0**	**0**	**0**
Other assets	**0**	**0**	**0**
Total assets	**0**	**1,711,573**	**0**
Financial liabilities at fair value through profit or loss	**0**	**0**	**0**
Liabilities relating to policies in insurance activities	**0**	**0**	**0**
Provisions	**0**	**0**	**0**
Total liabilities	**0**	**0**	**0**
Financing commitments given	**0**	**0**	**0**
Guarantee commitments given	**0**	**0**	**0**
Guarantees received	**0**	**0**	**0**
Notional amount of derivatives	**0**	**0**	**0**
Maximum loss exposure	**0**	**1,711,573**	**0**

in thousands of euros	**Securitisation**	**Asset management**	**Structured financing**	**Other activities**
Size of structured entities	**0**	**99,998,650**	**1,224,783**	**1,008,829**

At 31 December 2019

Excluding investments by insurance activities *in thousands of euros*	**Securitisation**	**Asset management**	**Structured financing**	**Other activities**
Financial assets at fair value through profit or loss	**0**	**353,451**	**22,307**	**0**
Trading derivatives	0	0	22,307	0
Trading financial instruments (excluding derivatives)	0	0	0	0
Financial assets at fair value through profit or loss – Non-basic	0	353,451	0	0
Financial instruments designated at fair value through profit or loss by option	0	0	0	0
Equity instruments – excluding trading	0	0	0	0
Financial assets at fair value through equity	**0**	**0**	**205**	**37,371**
Financial assets at amortised cost	**0**	**0**	**732,361**	**0**
Other assets	**0**	**0**	**0**	**0**
Total assets	**0**	**353,451**	**754,873**	**37,371**
Financial liabilities at fair value through profit or loss	**0**	**0**	**0**	**0**
Provisions	**0**	**0**	**0**	**0**
Total liabilities	**0**	**0**	**0**	**0**
Financing commitments given	**0**	**0**	**426,001**	**0**
Guarantee commitments given	**0**	**0**	**345,261**	**0**
Guarantees received	**0**	**0**	**0**	**0**
Notional amount of derivatives	**0**	**0**	**0**	**0**
Maximum loss exposure	**0**	**353,451**	**1,526,135**	**37,371**

Investments by insurance activities *in thousands of euros*	**Securitisation**	**Asset management**	**Other activities**
Financial assets at fair value through profit or loss	**0**	**1,226,077**	**0**
Trading derivatives	0	0	0
Trading financial instruments (excluding derivatives)	*0*	*1,226,077*	*0*
Financial instruments designated at fair value through profit or loss by option	0	0	0
Available-for-sale financial assets	**0**	**0**	**0**
Loans and receivables	**0**	**0**	**0**
Held to maturity financial assets	**0**	**0**	**0**
Other assets	**0**	**0**	**0**
Total assets	**0**	**1,226,077**	**0**
Financial liabilities at fair value through profit or loss	**0**	**0**	**0**
Liabilities relating to policies in insurance activities	**0**	**0**	**0**
Provisions	**0**	**0**	**0**
Total liabilities	**0**	**0**	**0**
Financing commitments given	**0**	**0**	**0**
Guarantee commitments given	**0**	**0**	**0**
Guarantees received	**0**	**0**	**0**
Notional amount of derivatives	**0**	**0**	**0**
Maximum loss exposure	**0**	**1,226,077**	**0**

in thousands of euros	**Securitisation**	**Asset management**	**Structured financing**	**Other activities**
Size of structured entities	**0**	**83,200,805**	**1,559,273**	**2,144,839**

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.

During the period the Group did not grant any financial support to unconsolidated structured entities in which it holds an interest.

12.5.3 - 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.

12.6 - Operations by country

BRED Group is not required to present this information which is contained in the BPCE report.

12.7 - Statutory auditors' fees

The fees recognised for the statutory auditors belonging to the same network as the statutory auditors responsible for auditing BRED financial statements are, for the 2019 and 2020 financial years:

Amounts in thousands of euros	KPMG				PWC				TOTAL			
	Amount		%		Amount		%		Amount		%	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Mandates to certify financial statements (1)	**659**	**686**	**90.0%**	**93.5%**	**461**	**565**	**86.4%**	**87.7%**	**1,120**	**1,251**	**88.5%**	**90.8%**
- Issuer	*219*	*225*			*199*	*262*			*418*	*487*		
- Fully integrated subsidiaries	*440*	*461*			*262*	*303*			*702*	*764*		
Services other than certifying statements	**73**	**48**	**10.0%**	**6.5%**	**73**	**79**	**13.6%**	**12.3%**	**146**	**127**	**11.5%**	**9.2%**
- Issuer	*61*	*48*			*69*	*79*			*130*	*127*		
- Fully integrated subsidiaries	*12*	*0*			*4*	*0*			*16*	*0*		
TOTAL	**732**	**734**	**100%**	**100%**	**534**	**644**	**100%**	**100%**	**1,266**	**1,378**	**100%**	**100%**
Change (%)	***-0.2%***				***-17.2%***				***-8.2%***			

(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

The amounts relate to the services included in the income statement for the financial year, including in particular non-recoverable VAT.

Services other than the certification of accounts consist primarily of work to review regulatory reporting, work to review the declaration of extra-financial performance and compliance review work.

NOTE 13 - CONDITIONS FOR DRAWING UP COMPARATIVE DATA

Not applicable for BRED Group in 2020.

NOTE 14 - SCOPE OF CONSOLIDATION

14.1 - Securitisation transactions

Accounting policies

Securitisation is a financial arrangement that allows an entity to improve its balance sheet liquidity. Technically, assets selected according to the quality of their guarantees are grouped into an ad hoc company that purchases them using finance obtained by issuing securities subscribed by investors.
The specific entities created in this way are consolidated when the Group controls them. Control is measured against the criteria of IFRS 10 and recalled in 3.2.1.

BRED Group internal securitisation transactions

in millions of euros	Nature of assets	Date of creation	Expected maturity	Nominal amount at initial recognition	Balance at 31/12/2020
Elide 2011	Residential real estate loans	4/6/2011	Jan-36	1,089	117
Elide 2012	Residential real estate loans	6/26/2012	Apr-37	1,190	156
Elide 2014	Residential real estate loans	11/18/2014	Oct-39	915	231
Elide 2017-1	Residential real estate loans	2/2/2017	Dec-37	1,842	738
Elide 2017-2	Residential real estate loans	4/27/2017	Oct-41	1,051	500
Elide 2018	Residential real estate loans	5/29/2018	Sep-46	1,390	922
Sub-total Elide				**7,477**	**2,664**

14.2 - Guaranteed UCITS

Guaranteed UCITS are funds whose objective, at the expiry of a given period, is to achieve an amount determined by the mechanical application of a predefined calculation formula, based on financial market indicators, and to distribute income determined in the same way where applicable. The management objective of these funds is guaranteed by a credit institution.

Analysis of the overall economy of these structures in terms of criteria defined by IFRS 10 demonstrates that the Group does not hold power over the relevant activities (management flexibility being limited) and is not exposed to variable returns (a robust risk monitoring system has been put in place) and therefore does not consolidate these structures.

14.3 - Other interests in consolidated subsidiaries and structured entities

BRED Group has not granted any financial support to consolidated structured entities.

14.4 - Scope of consolidation at 31 December 2020

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 Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (the 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 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.

	Nationality	Voting interest (%)	Ownership 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	70.00	70.00
BCI Mer Rouge – place Lagarde – Djibouti	E	51.00	51.00
BIC BRED – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00
BIC BRED Suisse – Place de Longemalle 1, 1204 Geneva – Switzerland	E	100.00	100.00
BRED Bank Fidji ltd – 96, Thomson Street – Suva – Fiji Islands	E	100.00	100.00
Bred Bank Cambodia – 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 – Republic of 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	6.45
Soredom – 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
Bred Salomon Island-Kukum Highway Plaza – PO Box 1639 Honiara – Solomon Islands	F	85.00	85.00
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
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, Chongqing – China	E	100.00	100.00
BRED IT – Thai Wah Tower – Sathorn District –Bangkok – Thailand	E	100.00	100.00
Cofeg – 18, quai de la Rapée – 75012 Paris	F	100.00	100.00
Click and Trust – 18, quai de la Rapée – 75012 Paris	F	66.00	66.00
FCC Elide – 41, avenue de l'Opéra – 75002 Paris	F	100.00	100.00
Foncière du Vanuatu – Port Vila – Republic of 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	100.00	100.00
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
Ingépar – 88 Avenue de France – 75013 Paris	F	100.00	100.00
Non-financial companies – Insurance			
Prepar Iard – Tour Franklin – 101 quartier Boïeldieu – 92040 La Défense	F	100.00	100.00
Prepar-Vie – Tour Franklin – 101 quartier Boïeldieu – 92040 La Défense	F	99.98	99.98
CONSOLIDATION USING THE EQUITY METHOD			
Credit institutions			
ACLEDA – 61 Preah Monivong Blvd – Kahn Daun Penh – Cambodia	E	12.13	12.13
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

14.5 - Companies not consolidated at 31 December 2020

ANC regulation no. 2016-09 of 2 December 2016 requires companies that prepare their consolidated financial statements in accordance with international standards as adopted by the European Union to publish additional information relating to companies not included within their scope of consolidation as well as equity securities of a significant nature.

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 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:

				in thousands of euros	
Companies	**Location (1)**	**Portion of capital held**	**Reason for exclusion from consolidation (2)**	**Equity amount (3)**	**Income amount (3)**
BPCE	France	5.0%	No control	17,177,095	-1,073,022
BP Développement	France	4.3%	No control	697,406	58,081

[(1)] Operating country
[(2)] Absence of control, joint control or significant influence (outside the scope: or "HP"), post-employment benefit plan or long-term employee benefit plan excluded from the scope of IFRS 10 (Pers.), holding acquired for subsequent disposal in the short term classified as assets held for sale (IFRS 5), etc.
[(3)] Amount of equity and profit for the last financial year known at the balance sheet date and in accordance with the applicable financial reporting framework according to the country in question.

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

Companies	Location (1)	Portion of capital held	Reason for exclusion from consolidation (2)
COFIBRED 8 SAS	France	100.00%	Non-significant entity
SCI LE SOLEIL	France	99.90%	Non-significant entity
SCI ALCYONE 2014	France	100.00%	Non-significant entity
SCI LAGON LOCATION 1	France	99.95%	Non-significant entity
SNC DIDEROT FINANCEMENT 25	France	25.00%	Non-significant entity
PAKOUSI SNC	France	50.00%	Non-significant entity
COFIBRED 6	Switzerland	100.00%	Non-significant entity
Regamar SA	France	99.98%	Non-significant entity
Newton Immobilier	France	50.00%	Non-significant entity
I2F NC NOUMEA	New Caledonia	34.00%	Non-significant entity
BRD Cambodia	Cambodia	100.00%	Non-significant entity
BRD Laos	Laos	99.96%	Non-significant entity
EURL LABOURDONNAIS	France	100.00%	Non-significant entity
Iliade I	Belgium	99.84%	Non-significant entity
Bay Dvpt ltd	Vanuatu	50.00%	Non-significant entity
VNBR Limited	Vanuatu	50.00%	Non-significant entity
IRR INVEST US llc	United States	100.00%	Non-significant entity
IRR INVEST US LLC SHARES CLASS K2	United States	24.56%	Non-significant entity
IRR INVEST US LLC SHARES CLASS S2	United States	24.56%	Non-significant entity
ATLANTIQ	France	29.72%	Non-significant entity

[(1)] Operating country
[(2)] Absence of control, joint control or significant influence (outside the scope: or "HP"), not significant ("NS") post-employment benefit plan or long-term employee benefit plan excluded from the scope of IFRS 10 (Pers.), holding acquired for subsequent disposal in the short term classified as assets held for sale (IFRS 5), etc.

Statutory auditors' report on the consolidated financial statements

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

KPMG SA
Tour Eqho
2, avenue Gambetta
92066 Paris La Défense Cedex

Statutory auditors' report on the annual financial statements

(Year ended 31 décembre 2020)

A l'assemblée générale
BRED BANQUE POPULAIRE
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 the financial year ended 31 December 2020, 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 carried out our audit in accordance with the independence rules set out in the French Commercial Code and the Code of Ethics for the Statutory Auditor profession for the period from 1 January 2020 to the date of issue of our report, and in particular, we have not provided any services prohibited by Article 5(1) of Regulation (EU) no. 537/2014.

Comments

Without calling into question the opinion expressed above, we draw your attention to the change in accounting method triggered by the application of Regulation no. 2020-10 of the French Accounting Standards Authority (*Autorité des Normes Comptables* - ANC)
relating to the presentation of securities borrowing as set out in note 2.2 to the annual financial statements.

Justification of our assessments - Key points of the audit

The global crisis linked to the Covid-19 pandemic creates special conditions for the preparation and audit of financial statements for this financial year. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have many consequences for companies, particularly on their business and financing, as well as increased uncertainty about their future prospects. Some of these measures, such as travel restrictions and working from home, have also had an impact on the internal organisation of companies and the way in which audits are implemented.

It is in this complex and changing context that, 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.

Estimate of impairment charges and provisions on outstanding loans

Identified risk

BRED Banque Populaire Group is exposed to credit risk and counterparty risk associated with the inability of its customers or its counterparties to fulfil their financial commitments.

In accordance with the "impairment" section of IFRS 9, it records impairment provisions and other provisions to cover risks of losses that are expected (amounts in Stages 1 and 2) or demonstrated (amounts in Stage 3).

The provisioning rules for expected losses require the establishment of an initial impairment stage, recording a 1-year expected loss from the origination of a new financial asset, and a second stage recording an expected loss at maturity, in the event of a significant deterioration in credit risk.

Impairment charges and provisions for expected losses (stage 1 and stage 2) are determined firstly on the basis of models developed by Groupe BPCE incorporating various parameters (expected cash flows over the life of the financial instrument, probability of default, loss rate in the event of default, forward-looking information, etc.).

In the unprecedented context of the Covid-19 crisis, the methods for calculating impairment charges and provisions for expected credit losses required a number of adjustments as specified in note 7.1.2.

They were supplemented by additional impairment charges estimated according to expert opinion on loans granted to the sectors most weakened by the crisis or loans that have been subject to support measures.

Outstanding loans bearing a proven counterparty risk (stage 3) are subject to impairment charges determined mainly on an individual or statistical basis. Those impairments are valued by your Bank's management based on estimated recoverable future cash flows taking into account available collateral for each of the loans in question.

Our response

As regards the provisions and impairment charges attached to Stage 1 and 2 cases

- We tested the key controls implemented by Management to identify impaired or bad loans, particularly with regard to the counterparty rating process.
- We analysed changes in exposures and value adjustments by similar risk categories over the 2020 financial year.
- In view of the organisation of Groupe BPCE, we conducted a critical review of the work of Groupe BPCE's consolidation auditors who, in conjunction with their experts and specialists:
  - assured themselves of the existence of a governance structure that periodically reviews impairment models and parameters used to calculate impairment charges and which analyse changes in impairment charges under the new IFRS 9 rules;
  - performed controls on the adjustments made to the methods for calculating impairment charges for expected credit losses in the context of the Covid-19 crisis;
  - assessed the appropriate level of the parameters used to calculate the impairment charges;
  - carried out counter-calculations on the main credit portfolios;
  - performed controls on the entire IT system implemented by Groupe BPCE, including a review of general IT controls, interfaces and embedded controls for specific data processing information relating to IFRS 9.

In addition, we examined the system in place to identify the loans and sectors most weakened by the health crisis, as well as the methods for determining additional provisions established by experts on these loans. We have verified the correct documentation and justification of the sector provisions.

We considered that the identification and assessment of credit risk was a key point in the audit given that the resulting impairment charges and provisions constitute a significant estimate for preparation of the accounts and require management's judgement, in allocating the outstanding loans to the various stages, in determining the parameters and methods for calculating the impairment charges and provisions for outstanding loans in stages 1 and 2 and in assessing the level of individual provisioning of outstanding loans in stage 3.

In particular, in the context of the Covid-19 crisis, we considered that assessment of the adequacy of the level of credit risk coverage through impairment charges and the level of the associated cost of risk were a particular area of attention for 2020.

Net customer loans and receivables accounted for nearly 38% of the Group's total balance sheet at 31 December 2020.

Impairment charges on outstanding customer loans amounted to €956.5 million, of which €106.6 million was for stage 1, €142.5 million stage 2 and €707.3 million stage 3. Provisions for expected credit losses amounted to €26.4 million at 31 December 2020.

The cost of risk in 2020 amounted to -€161.6 million, versus -€79.9 million at 31 December 2019. For more details on the accounting principles and exposures, see notes 5.5 and 7.1.

The impacts of the Covid-19 crisis on credit risk are mentioned in note 1.5.

As regards impairment charges and provisions of Stage 3 cases

As part of our audit procedures, we generally examined the control system relating to the identification of exposures, monitoring of credit and counterparty risks, assessment of non-recovery risks and determination of related impairment charges and provisions on an individual basis.

Our work consisted of assessing the quality of the monitoring system for sensitive, doubtful and disputed counterparties, the credit review process and the collateral valuation system.

For impairment charges specific to outstanding corporate loans, we checked that a periodic review was carried out of the credit risk of counterparties under supervision and assessed, based on samples, the assumptions and data used by management to estimate impairment charges.

Lastly, we examined the information given in respect of credit risk coverage in the notes to the consolidated financial statements.

Valuation of financial instruments

Identified risk

As a result of its membership of the BPCE network, BRED Banque Populaire holds, jointly with the other retail banks in the Group, shares in the BPCE central institution.

As part of its financial activities or in connection with its offering of services to its customers, BRED Banque Populaire Group holds complex financial instruments.

The value of the central institution's securities, classified as equity securities at fair value through equity that cannot be reclassified, was determined by calculating a net asset value per share including the revaluation of the main BPCE subsidiaries.

Their valuation is based on:

- for Natixis and CNP Assurances, a multi-criteria approach combining target market prices published by analysts and, where applicable, other prices resulting from recent transactions;

Our response

With regard to the value of the securities of the central institution BPCE SA:

Given the organisation of Groupe BPCE, valuation of BPCE securities is carried out by the central institution's valuation teams. As a result, the audit procedures required to validate this work are carried out, at our request, by the central institution's college of auditors.

Thus, upon receipt of the conclusions, we check the audit approach they have implemented and carry out a critical review of these conclusions. As part of the work carried out, the central institution's auditors use the expertise of each firm's Evaluation and Models teams.

The work carried out mainly consisted of:

- analysing the relevance of the methodology and inputs used to value Natixis and CNP Assurances;

- for other unlisted subsidiaries, the discounted multi-year forecasts of expected dividend flows (DDM) determined based on business plans.

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.

These securities or derivative are financial assets or liabilities posted to the balance sheet at fair value. The revaluation 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. In addition, BRED Banque Populaire Group may be required to put in place hedging transactions using various financial instruments.

We considered that the valuation of the derivatives as well as the valuation of the unlisted securities represented a key point of the audit given the importance of judgement in their valuation, which in particular concerns:

- the use of internal valuation models, developed by BRED Banque Populaire or Groupe BPCE
- 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 consideration of financial trajectories;
- the estimate of valuation adjustments that take into account counterparty or liquidity risks or activity-related risks, for example.
- the performance of effectiveness tests on hedging relationships.

The fair value of BPCE securities amounted to €774 million at 31 December 2020, a change in OCI compared to the acquisition value related to this security of -€182 million.

The procedures for determining the fair value of financial instruments are described in note 10 as well as note 10.1, which contains a breakdown of the fair value of assets and liabilities according to the complexity of the

for the other unlisted subsidiaries, obtaining and critically reviewing valuations, business plans and analysis of the inputs used according to each entity's profile, particularly in an uncertain environment linked to the Covid-19 crisis, and a counter-calculation of valuations;

- validating the inputs and assumptions used to determine the components of the structural and central treasury costs relating to the activities of the central institution BPCE S.A. valued on the basis of forward-looking data;

- assessing the absence of indicators/factual elements likely to significantly jeopardise the valuation of intangible assets determined by an independent expert during the financial year, the report on which was read and critically reviewed during our work during the year.

With regard to the value of other financial instruments:

We evaluated the processes and controls put in place by the Group to identify and value financial instruments, particularly the governance of valuation models and control of the results recorded on these transactions.

- In conjunction with our specialists in risk modelling and quantitative techniques, we:
- 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. Our work concerned in particular the governance and methodologies selected for market reserves and value adjustments,
- analyses internal processes and procedures for documenting hedging relationships and conducts independent tests on a selection of hedging relationships.

Specific verifications

We also performed the specific verifications required by applicable French laws and regulations in accordance with French auditing standards.

Information given in the management report and in the other documents on the financial position and annual accounts sent to the members

We have no matters to report regarding the fair presentation and consistency of the information given in the management report of the board of directors and the other documents concerning the company's financial position and the financial statements sent to the cooperative members.

The fair presentation and consistency with the annual accounts of the information relating to payment times mentioned in Article D.441-6 of the French Commercial Code require the following observation on our part:

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

Report on corporate governance

We attest to the existence in the Board of Directors' report on corporate governance of the information required by Articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

Other checks or information required by laws and regulations

Designation of statutory auditors

We have been appointed Statutory Auditors of BRED BANQUE POPULAIRE by the General Meeting of 21 May 1999, for the firm KPMG S.A., and of 23 May 1996, for the firm PwC, in light of the acquisitions or mergers of firms occurring since those dates.

At 31 December 2020, the firm KPMG S.A. was in the 22nd consecutive year of its appointment and the firm PwC was in its 25th 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 monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems as well as the internal audit system, where applicable, with respect to the procedures concerning the preparation 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 until 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 Regulation (EU) 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 discuss with the audit committee any risks to our independence as well as the safeguards implemented.

Signed in Neuilly-sur-Seine and Paris La Défense, on 22 April 2021

The statutory auditors

PricewaterhouseCoopers Audit		KPMG S.A.	
Anik Chaumartin	Emmanuel Benoist	Fabrice Odent	Ulrich Sarfati
Associée	Associé	Associé	Associé

4
Annual individual financial statements

INCOME STATEMENT

In thousands of euros

	Notes	2020 financial year	2019 financial year
Interest and similar income	**3.1**	874,792	831,333
Interest and similar expense	**3.1**	-370,320	-389,754
Income from finance leases and operating leases	**3.2**	0	0
Expense on finance leases and operating leases	**3.2**	0	0
Income from variable-income securities	**3.3**	48,715	34,975
Fee and commission income	**3.4**	462,856	478,259
Fee and commission expense	**3.4**	-109,189	-117,332
Gains or losses on trading securities	**3.5**	89,984	127,538
Gains or losses on available for sale securities and similar	**3.6**	14,569	45,185
Other operating banking income	**3.7**	23,093	16,165
Other operating banking expense	**3.7**	-29,861	-5,244
NET BANKING INCOME		**1,004,639**	**1,021,125**
Operating expenses	**3.8**	-603,916	-600,129
Depreciation, amortisation and impairment of non-current assets		-36,986	-34,007
GROSS OPERATING PROFIT		**363,737**	**386,989**
Cost of risk	**3.9**	-79,446	-53,312
OPERATING PROFIT		**284,291**	**333,677**
Gains or losses on non-current assets	**3.10**	1,234	900
PRE-TAX PROFIT ON ORDINARY ACTIVITIES		**285,525**	**334,577**
Non-recurring income	**3.11**	0	0
Corporate profit tax	**3.12**	-90,503	-98,157
Allocations to and reversals from the fund for general banking risks and regulated provisions		-40,000	0
NET INCOME		**155,022**	**236,420**

BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

In thousands of euros

ASSETS	Notes	31/12/2020	31/12/2019 restated *
CASH AND BALANCES WITH CENTRAL BANKS		294,761	3,790,059
TREASURY BILLS AND SIMILAR SECURITIES	4.3	13,696,204	9,995,559
RECEIVABLES FROM CREDIT INSTITUTIONS	4.1	10,341,771	8,097,217
TRANSACTIONS WITH CUSTOMERS	4.2	25,731,172	20,608,459
BONDS AND OTHER FIXED-INCOME SECURITIES	4.3	6,167,148	7,664,364
SHARES AND OTHER VARIABLE-INCOME SECURITIES	4.3	3,829,858	5,370,025
EQUITY INTERESTS AND OTHER LONG-TERM INVESTMENTS	4.4	898,560	877,148
INVESTMENTS IN AFFILIATES	4.4	1,046,837	1,052,355
FINANCE AND OPERATING LEASES	4.5	0	0
INTANGIBLE ASSETS	4.6	20,611	25,016
PROPERTY, PLANT AND EQUIPMENT	4.6	219,040	217,480
OTHER ASSETS	4.8	3,315,592	3,519,805
ACCRUALS	4.9	1,751,074	2,269,326
TOTAL ASSETS		**67,312,628**	**63,486,813**

OFF-BALANCE SHEET ITEMS	Notes	31/12/2020	31/12/2019
Commitments given			
FINANCING COMMITMENTS	5.1	4,015,760	4,597,394
GUARANTEE COMMITMENTS	5.1	2,429,681	2,235,447
COMMITMENTS IN RESPECT OF SECURITIES		7,147,858	6,351,249

* 2019 has been restated following the application of ANC Regulation no. 2020-10. Details are presented in notes 4.2, 4.3.1, 4.8 and 4.14.
For BRED SA, the impact relates to the item "Customer transactions", which amounted to €9,702,538 in 2019 before restatement, a decrease of €1,605,321 related to the receivable for centralised deposits with the Caisse des Dépôts et Consignations savings fund, which is deducted from regulated savings accounts under liabilities as from 2020.

In thousands of euros

LIABILITIES	Notes	31/12/2020	31/12/2019 restated *
AMOUNTS DUE FROM CENTRAL BANKS		**0**	0
AMOUNTS DUE TO CREDIT INSTITUTIONS	**4.1**	**14,296,570**	10,050,952
TRANSACTIONS WITH CUSTOMERS	**4.2**	**34,475,295**	34,632,018
DEBT SECURITIES	**4.7**	**9,101,962**	9,616,080
OTHER LIABILITIES	**4.8**	**2,655,443**	2,334,471
ACCRUALS	**4.9**	**2,693,757**	2,984,533
PROVISIONS	**4.10**	**240,629**	214,547
SUBORDINATED DEBT	**4.11**	**2,368**	2,368
FUND FOR GENERAL BANKING RISKS (FGBR)	**4.12**	**212,908**	172,908
CAPITAL AND RESERVES EXCLUDING FGBR	**4.13**	**3,633,696**	3,478,936
Share capital		1,375,718	1,361,628
Share premium account		7,482	7,482
Reserves		1,982,205	1,760,137
Revaluation differential		0	0
Regulated provisions and investment subsidies		3,269	3,269
Retained earnings		110,000	110,000
Net income for the year (+/-)		155,022	236,420
TOTAL LIABILITIES		**67,312,628**	**63,486,813**

OFF-BALANCE SHEET ITEMS	Notes	31/12/2020	31/12/2019
Commitments received			
FINANCING COMMITMENTS	**5.1**	1,878,200	2,285,928
GUARANTEE COMMITMENTS	**5.1**	4,957,089	3,968,954
COMMITMENTS IN RESPECT OF SECURITIES		7,349,903	7,769,511

* 2019 has been restated following the application of ANC Regulation no. 2020-10. Details are presented in notes 4.2, 4.3.1, 4.8 and 4.14. For BRED SA, the impact relates to "Customer transactions", which amounted to €36,237,339 in 2019 before restatement, a decrease of €1,605,321 related to the receivable for centralised deposits with the Caisse des Dépôts et Consignations savings fund, which is deducted from regulated savings accounts under liabilities as from 2020.

NOTE 1 - GENERAL BACKGROUND

1.1 - Significant events

Increase in the capital of BRED Banque Populaire

BRED Banque Populaire remunerated the cooperative shares in respect of 2019 in accordance with the recommendation issued on 27 March 2020 by the European Central Bank (ECB) in the context of the global health crisis, on an exceptional basis, in new cooperative shares. This transaction led to the creation of 1,352,196 new operative shares with a value of €10.42; the corresponding capital increase amounted to €14,089,882.32. The share capital now stands at €1,375,717,807.62.

The share capital is divided into one hundred and thirty-two million twenty-six thousand six hundred and sixty-one (132,026,661) shares with a par value of ten euros and forty-two cents (€10.42) each, fully paid up and all of the same category.

BRED Banque Populaire did not carry out any further capital increases in 2020.

1.2 - Groupe BPCE and the 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 Banque Populaire and Caisse d'Epargne networks

Groupe BPCE is a cooperative group whose cooperative members own the two retail banking networks, comprising the 14 Banque Populaire banks and the 15 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 institution 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 15 Caisses d'Epargne and 14 Banque Populaire banks.

BPCE's missions are closely linked to the cooperative principles of the Banques Populaires and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services that they offer, organises depositor protection, approves key management appointments and oversees the smooth functioning of the Group's institutions.

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

As a holding company, BPCE is the head entity of the Group. It owns the subsidiaries common to both networks in local banking and insurance, corporate banking and financial services, and their production entities. It also defines the Group's corporate strategy and growth policy.

BPCE's main subsidiaries, including Natixis, a listed company in which BPCE holds a 70.662% stake, are arranged into three major divisions:

- Retail Banking and Insurance, including the Banque Populaire network, the Caisse d'Epargne network, the Solutions & Financial Expertise division (including factoring, consumer credit, leasing, sureties & financial guarantees and the Retail Securities business), the Payments and Insurance divisions of Natixis and the Other Networks (mainly Banque Palatine);
- Asset and Wealth Management;
- and Corporate Banking.

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 Articles L. 511-31 and 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 Groupe BPCE and its affiliates and to organise the mutual financial support that binds them.

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 Banque Populaire Network Fund and the Caisse d'Epargne Network Fund and has put in place the Mutual Guarantee Fund (*Fonds de Garantie Mutuel*).

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

The **Caisse d'Epargne Network Fund** consists of a deposit of €450 million by the Caisses d'Epargne 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 ten-year term deposits. The amount of deposits per network is €176 million at 31 December 2020.

The total amount of deposits made with BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% or more than 0.3% of the Group's total risk-weighted assets.

In the entities' individual financial statements, deposits made under the guarantee and shared support mechanism are recognised in equity under a separate heading.

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 solvency adequacy guarantee in their capacity as affiliates of the central institution.

The liquidity and capital adequacy of the local savings companies are guaranteed in respect of each savings company by the Caisse d'Epargne 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 - Significant events

Covid-19

2020 was marked by the Covid-19 health crisis. The rapid spread of the pandemic caused a deterioration in the global economic situation, affecting many business sectors and having a significant impact on the economic activities of many countries. Travel restrictions in affected areas and supply chain disruption due to closures of industrial and commercial companies during 2020 have had a clear impact on economic value chains in the affected geographical areas and business sectors (income from tourism, air transport, local sales, etc.).

In order to support the economy during this health crisis, national governments announced measures to provide financial and non-financial assistance to affected business sectors.

The Covid-19 crisis also spread to the financial world, leading in particular to very high volatility and erratic market fluctuations. In an environment characterised by a high degree of uncertainty, BRED Banque Populaire Group took into account the effects of the crisis, as they could be assessed at the reporting date, when determining the valuation of financial assets and liabilities, as well as impairment charges and provisions in its financial statements at 31 December 2020.

The impact of the crisis on the financial statements at 31 December 2020 is detailed in note 1.5.

1.4 - Events after the end of the reporting period

On 9 February 2021, BPCE S.A. announced its intention to acquire the shares of Natixis S.A. that it did not hold, approximately 29.3% at 31 December 2020, and to submit a simplified public offer to the Autorité des Marchés Financiers (AMF).

This draft public offer, at the price of €4.00 per share (cum dividend), will be examined by the AMF and will, where applicable, be followed by a compulsory withdrawal if the conditions for implementation are met. This proposed offer will have no impact on BPCE's control over Natixis.

In accordance with the principles set out in note 4.4 to the annual financial statements, BRED Banque Populaire examined the impact of this proposed offer on the determination of BPCE's value in use in the financial statements at 31 December 2020, it being specified that BPCE is Natixis' majority shareholder and considered that this transaction would not call into question the value used.

BRED Banque Populaire's equity investments are measured at value in use. This value in use takes into account BRED Banque Populaire's specific situation, which, together with other shareholder institutions, owns BPCE SA, and the strategic interest of owning it in the long term. Natixis' membership of Groupe BPCE and its integration into the solidarity mechanism were also taken into account.

These valuations are based on technical inputs based on a long-term vision of ownership and membership of the group and not on valuation parameters at their limits.

1.5 - Impact of the health crisis on the financial statements

The effects of the health crisis on individual financial statements are described in the following paragraphs.

1.5.1 - Economic support measures

The rapid spread of the Covid-19 pandemic caused a deterioration in the global economic situation affecting many business sectors.

As of 15 March 2020 prior to the announcement of the lockdown in France, the French Banking Federation (FBF) declared that French banks would make a concerted effort to support their customers, in particular retailers, professionals and small and medium-sized enterprises, which could face difficulties as a result of the Covid-19 epidemic temporarily affecting their activity.

In this context, BRED Banque Populaire undertook to help its professional and corporate customers facing cash flow difficulties by actively implementing the economic support measures agreed by the government:

- Deferment of loan repayments for companies, without penalties or additional costs;
- Distribution of government-backed loans.

The economic support measures taken during the 2020 financial year are described below.

1.5.1.1 - Government-backed loans (PGE)

Government-backed loans (PGE - *Prêts Garantis par l'État*) are a support measure established pursuant to Article 6 of Act no. 2020-289 of 23 March 2020 amending the 2020 Finance Act and the Minister of Economy and Finance's decree of 23 March 2020 granting a government guarantee to credit institutions and financing companies from 16 March 2020 in order to meet the cash flow requirements of companies affected by the Covid-19 health crisis. The measure was extended until 30 June 2021 by the 2021 Finance Act. PGEs must meet the eligibility criteria common to all institutions distributing these loans defined by law.

PGEs are one-year cash loans with deferred repayment terms over this period. Beneficiary companies can decide, at the end of the first year, to amortise the PGE over a period of one to five additional years or to start paying off the capital only from the second year of the amortisation period by paying only the interest and the cost of the government guarantee.

For eligible companies, the amount of the PGE is capped, generally (excluding innovative and recently set up companies, and excluding Seasonal PGEs for our tourism/hospitality/catering companies, for example), at 25% of the company's turnover. PGEs benefits from a 70 to 90% government guarantee depending on the size of the undertaking, with banks thus retaining the residual risk. The government guarantee covers a percentage of the outstanding amount of the debt (capital, interest and incidentals) until its maturity. The government guarantee may be called before maturity in the event of a credit event.

A reasonable early repayment penalty is set in the agreement (2% of the outstanding capital during the initial period of the loan, 3 to 6% of the outstanding capital during the loan amortisation period). The extension conditions are not fixed in advance but are set two to three months before the expiry of the extension option, depending on market conditions.

PGEs may not be covered by a security interest or guarantee other than the government guarantee unless they are granted under a Minister of Economy and Finance decree. Professionals and managers may ask or be asked to take out death insurance, but this may not be imposed.

With regard to the government guarantee, it is considered an integral part of the terms of the agreement and is taken into account when calculating impairment charges for expected credit losses. The guarantee fee paid to the French government when the loan is granted by BRED Banque Populaire is recognised in profit or loss over the initial term of the PGE using the effective interest rate (EIR) method. The impact is presented in the net interest margin.

At 31 December 2020, 12,567 PGEs had been disbursed by BRED Banque Populaire for €2,042 million.

1.5.1.2 - Deferral of loan repayments (forbearance) and other loan restructuring

In the context of the Covid-19 crisis, BRED Banque Populaire granted its retailer, professional, SME and large corporate customers concessions in various forms (temporary suspension of maturities, rescheduling, renegotiation) to help them overcome temporary cash flow difficulties caused by the crisis.

Broad-based measures

As soon as the lockdown was announced in France, BRED Banque Populaire offered to defer loan maturities, including capital and interest, for six months for its professional and SME customers in specific business sectors. Subsequently, other broad-based measures were granted to specific business sectors, such as deferment for up to 12 months of loan maturities to small and medium-sized enterprises in the tourism, hospitality and catering sectors. In France, the market protocol has not been updated with regard to this last amendment.

The conditions of these moratoria are part of the general forbearance provisions defined in Article 10 of the EBA Guidelines (EBA/GL/2020/02) published on 2 April 2020 and amended on 2 December 2020 (EBA/GL/2020/15).

Pursuant to this text, the granting of general moratoria, without specific conditions, to counterparties that did not have financial difficulties prior to the Covid-19 crisis, does not constitute on its own an indicator of a significant aggravation of credit risk. Thus, the implementation of a broad-based moratorium to deal with a temporary liquidity crisis in the context of the Covid-19 crisis does not result in an automatic downgrade to Stage 2 (or doubtful/Stage 3 when the loss is more than 1% of the difference between the net present value before restructuring and the net present value after restructuring) of loans classified as healthy before this crisis.

At 31 December 2020, 18,303 loans granted by BRED Banque Populaire, representing €1,158 million (of which €764 million granted to small and medium-sized enterprises) were subject to forbearance measures. The duration of the moratorium can be up to twelve months for the tourism, hospitality and catering sectors.

Individual measures

In addition, BRED Banque Populaire assisted its customers individually by granting them different forms of concessions (moratoria, rescheduling or other changes to loan terms) the terms of which have been set based on the customer's individual situation. When granting such a concession, specific analysis is carried out to identify whether the counterparty shows signs of being in financial difficulty at that date. If such an indicator is found, the outstanding is downgraded to Stage 2 (or Stage 3 when the loss is greater than 1% of the difference between the net present value before restructuring and the net present value after restructuring), which results in an adjustment to its provisioning level.

Moratoria granted by BRED Banque Populaire have generally been charged at the loan’s initial interest rate, which means that interest continues to accrue during the forbearance period. At the end of the moratorium period, the interest is included in the principal of the loan and repaid over the residual term of the loan (extended due to the forbearance). In this case, the moratorium does not involve any loss of cash flow for the bank. No impact on income therefore needs to be recognised.

1.5.2 - Consequences on the use of estimates

1.5.2.1 - Impairment of credit risk

In 2020, BRED Banque Populaire’s cost of credit risk amounted to €79 million, up significantly compared to 2019, mainly due to the increase in expected credit losses in the context of the Covid-19 crisis.
BRED Banque Populaire relies primarily on Groupe BPCE’s models to calculate impairment charges on healthy loans.

The health crisis has had a significant impact on the economy, with significant repercussions on many business sectors. Due to the exceptional circumstances and uncertainties, Groupe BPCE relied on the various statements published by ESMA, the EBA, the ECB and the IASB to determine expected credit losses in the context of the Covid-19 crisis.

With this in mind, Groupe BPCE reviewed its macroeconomic (forward-looking) forecasts and adapted them to take account of the specific context of Covid-19 and the economic support measures. The group used three main scenarios to calculate the IFRS 9 provisioning inputs with projections up to 2023:

- The central scenario was updated based on scenarios determined by the Group’s economists in September 2020;

- A pessimistic scenario, corresponding to worse performance of the macroeconomic variables defined under the central scenario;
- An optimistic scenario, corresponding to better performance of the macroeconomic variables defined under the central scenario.

Following the historic economic shock linked to the Covid-19 crisis in 2020, the central scenario expects GDP to recover strongly from 2021 and then gradually return to a more normal long-term rate of economic activity in the following years. Economic activity is thus expected to return to its pre-crisis (2019) level in 2023.

The four-year projections of the main macroeconomic variables based on the Group's economists' scenarios for each of the boundaries are presented below:

	Optimistic			Central			Pessimistic		
	GDP	*Unemp.*	*10-YR rate*	*GDP*	*Unemp.*	*10-YR rate*	*GDP*	*Unemp.*	*10-YR rate*
2020	-5.8%	7.4%	0.30%	-9.6%	8.5%	-0.11%	-12.3%	11.5%	-0.60%
2021	10.0%	8.7%	0.70%	7.2%	10.0%	0.01%	4.0%	12.5%	-0.40%
2022	4.3%	7.9%	0.82%	2.6%	9.3%	0.13%	0.9%	11.7%	-0.28%
2023	2.8%	7.6%	0.94%	1.6%	9.0%	0.25%	0.4%	11.4%	-0.16%

In addition, Groupe BPCE has supplemented and adapted this approach, taking into account the specific characteristics of certain scopes or significant markets. Thus, each scenario is weighted according to its closeness to the market consensus forecast on the main economic variables of each scope in question or significant market of the Group.

For BRED Banque Populaire retail banking, the projections are broken down using key macroeconomic variables such as GDP, unemployment rates and 10-year interest rates on French sovereign debt.

For BRED Banque Populaire retail banking, the economic scenarios have been adapted to take into account the uncertainties linked to the macroeconomic projections and economic support measures (PGEs, short-time working, tax measures). These adaptations resulted in:

- mitigating the suddenness and intensity of the crisis with a 60% moderation of the GDP scenarios. For example, for the central scenario, the GDP value used is a weighted average of the initial value of the scenario (-9.6% weighted at 40%) and long-term growth in France (+1.4% weighted at 60%). This adaptation is consistent with the ECB's press releases on taking account of the Covid-19 crisis under IFRS 9 and with the EBA guidelines on forbearance;
- and spreading the effects of the crisis over a longer period delaying the scenario by 9 months, which means that the deterioration of GDP and other variables will affect the probability of default 9 months later.

These adjustments reflect the positive impact of the various government support measures on the economic fabric, including reducing the occurrence of defaults and delaying them.

Scenario weighting at 31 December 2020

The health crisis is an unprecedented shock and there is still a significant risk of a downturn to the economic outlook. The risk of the economic situation worsening, including the possibility of a systemic financial crisis, remains high.

To reflect these uncertainties in the calculation of expected credit losses, the weighting of the pessimistic scenario is set at 35% (weighted at 20% at 31 December 2019).

The optimistic scenario is considered unlikely with a probability limited to 5%, this weighting remaining lower than the probability generally attributed to the optimistic scenario (weighted at 15% at 31 December 2019).

The central scenario is assigned a 60% probability (weighted at 65% at 31 December 2019).

Furthermore, due to the difficulty in assessing the counterparties' risk situations accurately, additional conservative adjustments to ECLs were made amounting to €4.8 million:

- on the credit portfolios of Medium-Sized Enterprises, which do not have automatic ratings, the ratings of certain counterparties have been downgraded via a grid distributed among the Group's institutions. The ratings take into account the debtor's additional debt resulting from the support measures granted (including PGEs);
- on the credit portfolios of Professionals and Small Businesses, rated automatically, the automatic improvement in ratings as a result of government support measures (positive impact of moratoria and PGEs on the cash position of these counterparties) was neutralised and the lowest rating since March 2020 was taken into account.

Lastly, additional provisions of €10 million were recognised by BRED Banque Populaire to cover the specific risks of their portfolios, in addition to the provisions described above and calculated by the Group's tools.

These provisions mainly concern the tourism, hospitality, catering, specialist retail and aerospace sectors. With the Covid-19 crisis, Groupe BPCE significantly strengthened its monitoring of the affected sectors. A sector-based approach to monitoring market developments in each economic sector and sub-sector was implemented. It aims to improve the existing sector monitoring framework and is established centrally by the Risk Division with monthly updates.

In summary, the main changes made in 2020 to the calculation of expected credit losses included:

- updating economic scenarios in September in order to monitor as closely as possible the evolution of forecasts (as a reminder, before the crisis, the scenarios were updated once a year, in June);
- adapting the method of weighting economic scenarios to the particularly high uncertainty in the current context and which results in scenario boundaries that are very far apart;
- adapting the economic variables to take account of the economic uncertainty and the effect of government support measures;
- for retail banking, neutralising the automatic improvement of the ratings of Professional and Small Business portfolios as a result of government support measures;
- implementing, specifically for the consumer credit activity, a model incorporating the new macroeconomic assumptions into a more detailed portfolio segmentation.

Based on the above scenarios and weightings and after taking into account methodological adjustments and support measures, the calculation of expected credit losses led BRED Banque Populaire to recognise a charge under Cost of credit risk of €79 million in 2020, a rise of 50% compared with 2019 (€53 million).

1.5.2.2. - Fair value of financial assets affected by the health crisis

Given the effects of the Covid-19 health crisis on the financial markets, the valuation of certain products was affected during 2020 by market illiquidity.

Equity interests in unlisted private equity funds are valued in accordance with the rules set out in the International Private Equity and Venture Capital Valuation (IPEV) Guidelines, also recommended by Invest Europe. The valuation of the shares held by BRED Banque Populaire in unlisted funds (approximately €308 million) was subject to an in-depth review at 31 December 2020. In the absence of a recent net asset value (NAV) established by the management company or when the NAV does not take into account the effects of the crisis (or does so only partially), a discount determined on the basis of a sectoral approach was applied to the last available NAV. These valuations are used to value any impairment of the securities held.

The valuation of investments held in real estate funds was also reviewed at 31 December 2020 and, where applicable, a discount was applied to reflect the impact of the crisis on the valuation of the underlying assets.

This valuation of private equity funds and real estate funds resulted in a specific impairment estimated at €0.14 million.

NOTE 2 - ACCOUNTING POLICIES AND GENERAL PRINCIPLES

2.1 - Valuation methods, presentation of individual financial statements and balance sheet date

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).

The annual individual financial statements for the financial year ended 31 December 2020 were approved by the Board of Directors on 22 February 2021. They will be submitted for the approval of the General Meeting of 27 May 2021.

The amounts presented in the financial statements and in the notes thereto are expressed in millions of euros, unless otherwise stated. Rounding effects may potentially generate differences between the amounts presented in the financial statements and those presented in the accompanying notes.

2.2 - Changes in accounting methods

The texts adopted by the ANC with mandatory application in 2020 have had no significant impact on the institution's individual accounts.

However, BRED Banque Populaire applies Regulation no. 2020-10 of 22 December 2020 amending ANC Regulation no. 2014-07 of 26 November 2014 on the financial statements of banking sector companies, which amends the presentation of securities borrowing and regulated savings. Assets are deducted from liabilities in notes 4.2, 4.3.1, 4.8 and 4.14.

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 - General accounting principles

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:

- operational continuity;
- consistency of accounting methods from one period to the next;
- independent financial years;
- compliance with the general principles for the preparation and presentation of individual 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.

BRED Banque Populaire applies the new definition of default under Article 178 of Regulation (EU) no. 575/2013, which is presented in notes 4.1 and 4.2.1.

The specific accounting principles are presented in the separate notes to which they relate.

2.4 - Main contributions to banking resolution schemes

The deposit and resolution guarantee fund methods were amended by an Order of 27 October 2015.

For guarantee funds for the deposits, guarantees and securities mechanisms, the total amount of contributions paid amounted to €40.4 million. Non-reimbursable contributions in the event of voluntary licence withdrawal amounted to €9.4 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 €31 million.

The Resolution Fund was established in 2015 pursuant to 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). From 2016, it became a Single Resolution Fund (SRF) created by the Member States party to the Single Supervision Mechanism (SSM). The SRF is a funding mechanism available to the resolution authority (Single Resolution Board) dedicated to 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 for the year 2020. The amount of contributions paid stands at €26.1 million for the financial year, of which €22.2 million was recognised as an expense and €3.9 million took the form of cash guarantee deposits recorded on the assets side of the balance sheet (15% of calls for funds set up in the form of cash guarantee deposits). The accumulation of contributions recorded on the assets side of the balance sheet amounted to €16.1 million at 31 December 2020.

NOTE 3 - INFORMATION ON THE INCOME STATEMENT

3.1 - Interest and similar income and expenses

Accounting policies

Interest and commissions in the nature of interest are recognised in profit or loss on a prorata temporis basis.

At 31 December 2020, negative interest is presented as follows:

- negative interest on an asset is recorded as an interest expense in NBI;
- negative interest on a liability is presented as interest income in NBI.

At 31 December 2019, negative interest was presented net of positive interest on financial assets and liabilities, respectively.

Commissions and fees relating 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.

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. BRED Banque Populaire considers such income as interest.

	2020 financial year			2019 financial year		
In thousands of euros	Income	Expenses	**Net**	Income	Expenses	Net
Interbank transactions*	184,738	-97,362	**87,376**	185,832	-129,102	56,730
Customer transactions	433,837	-91,528	**342,309**	398,234	-158,160	240,074
Bonds and other fixed income securities	254,343	-181,430	**72,913**	245,439	-102,492	142,947
Subordinated debt	1,874	0	**1,874**	1,828	0	1,828
Other						
Total	**874,792**	**-370,320**	**504,472**	831,333	-389,754	441,579

* Of which €8.3 million as operating expenses and €80.67 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 €1.658 million for the financial year 2020, compared with a charge of €1.0 million for the financial year 2019.

3.2 - Income and expense from finance lease and operating lease transactions

Not applicable.

3.3 - Income from variable-income securities

Accounting policies

Income from variable-income securities includes dividends and other income from shares and other variable-income securities, equity interests, other long-term securities and shares in affiliated companies.

Dividends are recognised as soon as their payment has been decided by the competent body. They are reported under “Income from variable-income securities”.

In thousands of euros	**2020 financial year**	2019 financial year
Shares and other variable-income securities	3,430	13,167
Equity interests and other long-term investments		
Investments in affiliates	45,286	21,808
TOTAL	**48,715**	**34,975**

3.4 - Fees and commissions

Accounting policies

Commissions similar by nature to interest are recognised in interest, income and similar expenses (note 3.1).

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.

	2020 financial year			2019 financial year		
In thousands of euros	Income	Expenses	**Net**	Income	Expenses	Net
Cash and interbank transactions	7,395	-506	**6,889**	8,918	-317	8,601
Customer transactions	133,497	0	**133,497**	146,940	0	146,940
Securities transactions	13,086	0	**13,086**	11,198	0	11,198
Payment services	184,727	-85,624	**99,103**	192,458	-95,776	96,682
Gains on currency transactions	748	-141	**607**	832	-109	723
Off-balance sheet commitments	30,953	-11,272	**19,681**	28,653	-10,579	18,074
Financial services	86,584	-11,646	**74,938**	83,882	-10,551	73,331
Advisory services						
Other	5,866	0	**5,866**	5,378	0	5,378
Total	**462,856**	**-109,189**	**353,667**	478,259	-117,332	360,927

3.5 - Gains or losses on trading securities

Accounting policies

Gains or losses on trading securities include:

- gains or losses on balance sheet and off-balance sheet transactions on trading securities;

- realised gains or losses on forward foreign exchange transactions resulting from purchases and sales of foreign currencies and the periodic valuation of foreign exchange transactions and precious metals;
- gains or losses arising from transactions in financial futures instruments, including interest rates, exchange rates and stock market indices, whether such instruments are firm or conditional, including trading book hedging transactions.

In thousands of euros	**2020 financial year**	2019 financial year
Trading securities	**-47,000**	495,514
Gains on currency transactions	**126,988**	66,680
Forward financial instruments	**9,996**	-434,656
Total	**89,984**	127,538

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

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

Accounting policies

This item corresponds to the gains or losses from transactions involving available for sale securities and portfolio securities, resulting from the difference between reversals of provisions and disposal gains and allocations to provisions and disposal losses.

	2020 financial year			2019 financial year		
In thousands of euros	Available for sale securities	Portfolio securities	**Total**	Available for sale securities	Portfolio securities	Total
Impairment	**-15,175**		**-15,175**	**41,550**		**41,550**
Provisions	*-27,550*		*-27,550*	*-18,704*		*-18,704*
Reversals	*12,375*		*12,375*	*60,254*		*60,254*
Gains on disposal	**29,745**		**29,745**	**3,635**		**3,635**
Other items						
Total	**14,569**		**14,569**	**45,185**		**45,185**

3.7 - Other banking operating income and expenses

Accounting policies

Other banking operating income and expenses include, among other things, the share of transactions carried out jointly, the reinvoicing of banking expenses and revenues, the income and expenses of real-estate transactions and provision of IT services.

Also included in this item are expenses and income from finance and/or operating lease activities not carried out on a principal basis and whose fixed assets are included in assets under tangible capital assets.

These income and expenses include, but are not limited to:

- rents and disposal capital gains and losses relating to fixed assets leased or leased with call option or under an operating lease;
- allowances and recoveries relating to impairments, losses on bad debt and recoveries on amortised debts relating to the fraction of doubtful rents whose impairment is mandatory, as well as those relating to compensation for termination of agreements;
- depreciation charges for the assets concerned.

	2020 financial year			2019 financial year		
In thousands of euros	Income	Expenses	**Total**	Income	Expenses	Total
Share in joint operations	9,122	0	**9,122**	8,411	0	8,411
Rebilling of banking income and expense	3,310	-22,072	**-18,762**	1,769	-2	1,767
Property business						
IT services						
Other activities	80	0	**80**	199	0	199
Other related income and expenses	10,581	-7,789	**2,792**	5,786	-5,242	544
Total	**23,093**	**-29,861**	**-6,768**	16,165	-5,244	10,921

Rebilling of banking income and expense:

As of 2020, rebilling of "central institution" activities (listed in the French Monetary and Financial Code) is presented under NBI and the rebilling of Group assignments remains presented under management fees. The amount of NBI contributions amounted to €22.1 million in 2020 and the amount of contributions to operating expenses amounted to €39.6 million in 2020 versus €33.7 million in 2019.

3.8 - Operating expenses

Accounting policies

General operating expenses include personnel costs including wages and salaries, employee mandatory and discretionary profit-sharing, social security contributions, taxes and levies relating to personnel costs. Other administrative expenses such as other taxes and levies and remuneration for external services are also recorded.

In thousands of euros	**2020 financial year**	2019 financial year
Personnel costs		
Wages and salaries	-201,633	-198,163
Pension costs and similar obligations	-44,555	-78,742
Other social security charges	-60,984	-60,254
Employee incentive scheme(s)	-17,583	-16,606
Employee profit-sharing scheme(s)	-30,930	-32,737
Payroll taxes and charges	-27,694	-24,385
Total personnel costs	**-383,379**	**-410,887**
Other operating expenses		
Taxes and duties	-19,549	-20,527
Other general operating expenses	-200,988	-168,715
Total other operating expenses	**-220,537**	**-189,242**
Total	**-603,916**	**-600,129**

Below is the average active workforce during the period, broken down by occupational category: 1,918 management staff and 1,598 non-management staff, making a total of 3,516 employees.

In 2020, rebilling of "central institution" activities (listed in the French Monetary and Financial Code) paid to BPCE is now presented under NBI and the rebilling of Group assignments paid by BPCE remains under management fees. NBI amounted to €22.1 million in 2020 and the amount of contributions to operating expenses amounted to €39.6 million in 2020 versus €33.7 million in 2019.

The CICE tax credit (*Crédit d'Impôt pour la Compétitivité et l'Emploi*) is deducted from payroll costs. It amounted to €0.420 million in 2020.

In 2019, a pension expense was recognised for €35 million following outsourcing of management of retirement benefit assets to an insurer. A reversal of provisions of the same amount has been recognised in corporate liabilities, the impact is zero in the income statement.

In 2020, a pension expense was recognised for €2 million following outsourcing of management of retirement benefit assets to an insurer. A reversal of provisions of the same amount has been recognised in corporate liabilities, the impact is zero in the income statement.

These movements explain the significant changes between personnel costs and other operating expenses between 2019 and 2020; the impact on total income is neutral.

3.9 - Cost of risk

Accounting policies

The cost of risk item only includes the cost of credit risk (or counterparty risk). Credit risk is the existence of a potential loss linked to a possibility of default by the counterparty on the commitments that it has taken out. Counterparty refers to any legal entity that is the beneficiary of a loan or a signed commitment, part of a forward financial instrument or issuer of a debt security.

The cost of credit risk shall be assessed when the claim is qualified as doubtful, i.e. when the risk is proven once it is likely that the institution will not receive all or part of the sums due in respect of the commitments entered into by the counterparty in accordance with the initial contractual provisions, notwithstanding the existence of collateral or surety.

Credit risk is also assessed when the credit risk is identified, on outstandings that are not doubtful but present a significant increase in credit risk since initial recognition (see notes 4.1 and 4.2.1).

The cost of credit risk therefore consists of all allocations and reversals of impairment charges on receivables from customers, credit institutions, fixed income securities (in the event of proven default risk of the issuer), provisions on off-balance sheet commitments (excluding off-balance sheet financial instruments) as well as losses on bad debts and recoveries on amortised receivables.

However, allowances and reversals of provisions, losses on unrecoverable debts or recoveries of amortised debts relating to interest on doubtful debts, subject to mandatory provisioning, are posted in the Interest and Similar Income and Other Banking Operating Income items of the income statement. In the case of trading securities, available for sale securities, portfolio activity and financial futures securities, the counterparty risk cost is recognised directly in the items recording the gains and losses on those portfolios, except in the case of a proven default risk of the counterparty, where this component can be effectively isolated and where the movements in provisions on counterparty risk are then recorded under the Cost of Risk item.

	2020 financial year					2019 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**	0	0	0	0	**0**
Customers	-123,628	86,859	-3,858	1,118	**-39,509**	-109,831	60,890	-813	2,532	**-47,222**
Securities portfolio and other receivables	-548	-171	0	0	**-719**	-243	-183	0	0	**-426**
Provisions										
Off-balance sheet commitments	-6,162	1,095			**-5,067**	-2,510	1,079			**-1,431**
Provisions for customer risks	-41,152	6,401			**-34,751**	-13,661	10,948			**-2,713**
Other	0	600			**600**	-1,528	8			**-1,520**
Total	**-171,490**	**94,784**	**-3,858**	**1,118**	**-79,446**	**-127,773**	**72,742**	**-813**	**2,532**	**-53,312**

	2020	2019
of which:		
-reversals of obsolete impairment charges	94,784	72,742
-reversals of utilised impairment charges	32,903	28,055
Total reversals	127,687	100,797
-losses covered by provisions	-32,903	-28,055
Net reversals	**94,784**	**72,742**

3.10 - Gains or losses on non-current assets

Accounting policies

Gains or losses on non-current assets include:

- gains or losses on disposals of tangible and intangible assets allocated to operation of the institution, arising from the difference between capital gains and losses on disposal and reversals and allocations to provisions;
- gains or losses on transactions in equity securities, on other long-term securities, on units in affiliates and held to maturity securities, arising from the difference between reversals of provisions and disposal gains and allocations to provisions and disposal losses.

In thousands of euros	2020 financial year				2019 financial year			
	Equity interests and other long-term investments	Held to maturity securities	Tangible and intangible assets	Total	Equity interests and other long-term investments	Held to maturity securities	Tangible and intangible assets	Total
Impairment	**0**	**0**		**0**	**32,954**	**0**		**32,954**
Provisions made	-847	0		-847	0	0		0
Provisions written back	846	0		846	32,954	0		32,954
Gains on disposal	**-844**	0	**2,078**	**1,234**	**-32,795**	**0**	**742**	**-32,053**
Total	**-844**	**0**	**2,078**	**1,234**	**158**	**0**	**742**	**900**

In 2020: *The disposal of an operational building generated a gain of €1.835 million out of the €2 million realised in total.*

In 2019: *The reversals and the result of the disposal are linked to matured tax consolidation operations.*

3.11 - Non-recurring items

Accounting policies

This item only includes pre-tax income and expenses, which are generated or occur exceptionally and which are not part of the institution's day-to-day activity.

No exceptional item was recorded in 2020.

3.12 - Income tax

Accounting policies

Since the 2009 financial year, the Caisse d'Epargne and the Banque Populaire networks have decided to 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.

The tax charge for the financial year corresponds to the corporation tax due in respect of the period ended.

It also includes allowances/reversals of tax provisions on tax financing and taxes recorded in advance for tax credits received for the remuneration of interest-free loans.

3.12.1 - Breakdown of income tax in respect of the 2020 financial year

BRED Banque Populaire is a member of the BPCE tax group.

Income tax paid to the head company of the tax group, which is broken down between tax on current income and tax on non-recurring income, was as follows:

In thousands of euros

Tax bases at the following rates	31.00%	28.00%	15.00%	Total
Tax on current income	207,968	500	0	
Tax on non-recurring income				
	207,968	500	0	
Tax losses brought forward				
Tax bases	207,968	500	0	
Corresponding tax	64,470	140	0	64,610
Additional contribution assessed at 3.3%				2,107
Deductions in respect of tax credits				-5,217
Tax recognised				**61,500**
Overseas territories tax				175
Provisions for the return to profitability of subsidiaries				-551
Foreign tax credits				3,977
Provisions for tax and other				25,402
TOTAL				**90,503**

Most of the provision for taxes and miscellaneous expenses is associated with a deferred tax provision relating to the tax optimisation operations, which are recorded prudently in the accounts as the transactions occur.

3.13 - Change in fund for general banking risks

BRED Banque Populaire made an allocation of €40 million to the fund for general banking risks (FGBR) to cover the risk of the current health and economic crisis, the impacts of which are difficult to identify at the balance sheet date. A €2 million decrease was recorded in favour of Groupe BPCE's guarantee funds.

The FGBR amounted to €88 million at 31 December 2020.

NOTE 4 - 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.

4.1 - Interbank transactions

Accounting policies

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, or at their acquisition cost for buybacks of receivables, plus interest accrued but not yet due and net of any impairment charges recognised for credit risk.

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 contractual 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.

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 the institution 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 and more than six months for receivables from local authorities in harmonisation with the default events defined in Article 178 of Regulation (EU) no. 575/2013 of 26 June 2013 concerning prudential requirements applicable to credit institutions and the EBA guidelines (EBA/GL/2016/07) on the application of the definition of default and Delegated Regulation no. 2018/1845 of the European Central Bank on the threshold for assessing the materiality of credit obligations past due, applicable no later than 31 December 2020. The definition of loan default is therefore specified by the introduction of a relative threshold and an absolute threshold to be applied to past due payments to identify situations of default, clarification of the criteria for loans returning to being healthy with the imposition of a probationary period and the introduction of explicit criteria for classifying restructured loans as being in default.

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, as amended, 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 whose recovery is doubtful 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.

Allocations 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 credit risk is identified on loans that are not doubtful but present a significant increase in credit risk since their first recognition, it is assessed on the basis of expected credit losses over their residual lifetime. This credit risk is recognised under liabilities in the form of a provision. Since 1 January 2018, the valuation methods for these non-doubtful outstandings have been aligned with those of IFRS 9 of Stage 2 (S2) used for the consolidated financial statements.

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

In thousands of euros

ASSETS	31/12/2020	31/12/2019 restated *
Receivable on demand	**4,722,242**	1,049,461
Current accounts	*4,722,242*	*1,049,461*
Overnight loans and advances	*0*	*0*
Securities purchased under overnight repurchase agreements	*0*	*0*
Non-allocated items	**674**	886
Receivable at term	**5,606,015**	7,030,412
Term loans and advances	*2,823,794*	*2,389,134*
Subordinated loans and equity loans	*0*	*0*
Securities purchased under term repurchase agreements	*2,782,221*	*4,641,278*
Accrued interest	**12,840**	16,458
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	**10,341,771**	**8,097,217**

* At 31 December 2020, in accordance with ANC Regulation no. 2020-10, the receivable for centralised deposits with the Caisse des Dépôts et Consignations savings fund is deducted from regulated savings accounts under liabilities.

Receivables arising from transactions with the network amounted to €4,529.87 million in demand loans and advances and €1,022.6 million in term loans and advances.

The centralisation of "Livret A" passbook and LDD deposits at the Caisse des Dépôts et Consignations amounted to €1,367.44 million at 31 December 2020, which is deducted from liabilities in note 4.2.

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 2020.

In thousands of euros

LIABILITIES	**31/12/2020**	31/12/2019
Payable on demand	**1,465,476**	1,877,038
Credit balances on ordinary accounts	*692,653*	*602,931*
Overnight loans and advances	*772,823*	*1,274,107*
Securities sold under overnight repurchase agreements	*0*	*0*
Other amounts due	**15,148**	24,184
Payable at term	**12,830,479**	8,161,846
Term loans and advances	*12,282,763*	*7,639,127*
Securities sold under term repurchase agreements	*547,716*	*522,719*
Accrued interest	**-14,532**	-12,116
TOTAL	**14,296,570**	**10,050,952**

Liabilities arising from transactions with the network amounted to €29.82 million in demand loans and advances and €4,590.5 million in term loans and advances.

4.2 - Customer transactions

4.2.1 - Customer transactions

Accounting policies

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.

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 contractual 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.

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 the institution 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 and more than six months for receivables from local authorities in harmonisation with the default events defined in Article 178 of Regulation (EU) no. 575/2013 of 26 June 2013 concerning prudential requirements applicable to credit institutions and the EBA guidelines (EBA/GL/2016/07) on the application of the definition of default and Delegated Regulation no. 2018/1845 of the European Central Bank on the threshold for assessing the materiality of credit obligations past due, applicable no later than 31 December 2020. The definition of loan default is therefore specified by the introduction of a relative threshold and an absolute threshold to be applied to past due payments to identify situations of default, clarification of the criteria for loans returning to being healthy with the imposition of a probationary period and the introduction of explicit criteria for classifying restructured loans as being in default.

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, as amended, 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 whose recovery is doubtful 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.

Allocations 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 credit risk is identified on loans that are not doubtful but present a significant increase in credit risk since their first recognition, it is assessed on the basis of expected credit losses over their residual lifetime. This credit risk is recognised under liabilities in the form of a provision. Since 1 January 2018, the valuation methods for these non-doubtful outstandings have been aligned with those of IFRS 9 of Stage 2 (S2) used for the consolidated financial statements.

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

In thousands of euros

ASSETS	31/12/2020	31/12/2019
Overdrawn current accounts	**1,098,267**	1,278,437
Commercial receivables	**140,082**	152,870
Other loans to customers	**23,800,208**	18,585,276
Repurchase agreements	*0*	*1,049*
Cash facilities and consumer credit	*7,415,491*	*4,773,712*
Equipment loans	*6,518,636*	*5,835,241*
Home loans	*8,176,167*	*6,311,290*
Other facilities to customers	*158,115*	*162,843*
Securities purchased under repurchase agreements	*1,531,799*	*1,501,139*
Subordinated loans	*0*	*0*
Other		
Accrued interest	**245,312**	253,632
Non-performing loans and receivables	**877,501**	764,615
Impairment of receivables due from customers	**-430,198**	-426,370
Total	**25,731,172**	**20,608,459**

Amounts due from customers eligible for refinancing by the French Central Bank or the European Central Bank system totalled: €6,986.57 million.

The sharp increase in cash and consumer loans is linked to the granting of €2,042 million in government-backed loans (PGEs) in the context of the health crisis.

Amounts owed to customers

In thousands of euros

LIABILITIES	31/12/2020	31/12/2019 restated
Regulated savings accounts	**6,674,178**	5,933,915
Livret A	*1,422,584*	*1,258,042*
PEL/CEL	*1,923,986*	*1,871,586*
Other regulated savings accounts	*3,327,609*	*2,804,288*
Receivable against the savings fund**	**-1,367,441**	-1,605,321
Other customer accounts and loans(1)	**29,054,504**	30,223,746
Guarantee deposits	**61,348**	24,703
Other amounts due	**42,888**	41,492
Accrued interest	**9,818**	13,482
Total	**34,475,295**	**34,632,018**

** At 31 December 2020, in accordance with ANC Regulation no. 2020-10, the receivable for centralised deposits with the Caisse des Dépôts et Consignations savings fund is deducted from regulated savings accounts under liabilities.

(1) Detailed customer accounts and loans

	31/12/2020			31/12/2019		
In thousands of euros	Demand	Term	Total	Demand	Term	Total
Credit balances on ordinary accounts	19,444,800	0	**19,444,800**	18,473,654	0	**18,473,654**
Loans to financial customers	6,320,102	1,125,738	**7,445,840**	6,345,750	810,718	**7,156,468**
Securities sold under repurchase agreements	0	384,126	**384,126**	0	10,104	**10,104**
Other accounts and loans	0	1,779,738	**1,779,738**	0	4,583,520	**4,583,520**
Total	**25,764,902**	**3,289,602**	**29,054,504**	**24,819,404**	**5,404,342**	**30,223,746**

4.2.2 - 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	13,092,212	560,514	-293,665	289,038	-224,647
Self-employed professionals	1,158,511	58,622	-23,438	*27,083*	*-18,497*
Retail	8,979,728	241,705	-109,269	*140,603*	*-97,446*
Private sector administrations	112,553	16,660	-3,825	*2,010*	*-1,908*
Social security and public administrations	160,175	0	0	*0*	*0*
Other	248,890	0	0	0	0
Total at 31 December 2020	**23,752,070**	**877,501**	**-430,198**	**458,734**	**-342,498**
Total at 31 December 2019	**18,769,075**	**764,615**	**-426,370**	***476,898***	***-355,308***

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

4.3.1 - Securities portfolio

Accounting policies

"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.

During a securities lending transaction, the loaned securities cease to appear on the balance sheet and a receivable representing the carrying amount of the loaned securities is recognised on the asset side.

In a securities borrowing transaction, the borrowed securities are recorded under trading securities with a corresponding liability representing the debt for the securities owed to the lender for an amount equal to the market price of the borrowed securities on the day of the loan. Borrowed securities are presented on the balance sheet deducted from the debt representing the value of the borrowed securities.

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 first 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 (UCITS) and investment funds, market value corresponds to the available net asset values reflecting market conditions as at the reporting 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 the institution 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 compulsorily 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.

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 compulsorily 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.

	31/12/2020					31/12/2019 restated				
In thousands of euros	Trading	Available for sale securities	Investment	Portfolio securities	**Total**	Trading	Available for sale securities	Investment	Portfolio securities	**Total**
Treasury bills and similar securities	**1,965,168**	**11,731,036**	**0**		**13,696,204**	**719,040**	**9,276,519**	**0**		**9,995,559**
Gross amount	1,964,976	11,717,808	0		**13,682,784**	718,903	9,264,500	0		**9,983,403**
Accrued interest	192	13,694	0		**13,886**	137	14,385	0		**14,522**
Impairment	0	(466)			**(466)**	0	(2,366)			**(2,366)**
Bonds and other fixed income securities	**1,286,274**	**4,880,874**	**0**		**6,167,148**	**2,180,484**	**5,483,880**	**0**		**7,664,364**
Gross amount	1,286,274	4,899,274	0		**6,185,548**	2,180,484	5,500,811	0		**7,681,295**
Accrued interest		8,548	0		**8,548**		8,300	0		**8,300**
Impairment		(26,948)	0		**(26,948)**		(25,231)	0		**(25,231)**
Shares and other variable-income securities	**3,545,196**	**284,662**		**0**	**3,829,858**	**5,049,141**	**320,884**		**0**	**5,370,025**
Gross amounts	3,545,196	317,137		0	**3,862,333**	5,049,141	333,100		0	**5,382,241**
Accrued interest					**0**					**0**
Impairment		(32,475)		0	**(32,475)**		(12,216)		0	**(12,216)**
Total	**6,796,637**	**16,896,572**	**0**	**0**	**23,693,209**	**7,948,664**	**15,081,283**	**0**	**0**	**23,029,947**

For treasury bills and similar securities, the amount of receivables representing loaned securities was €7,368.1 million at 31 December 2020.

There were no held to maturity securities at 31 December 2020.

Unrealised capital gains and losses of all available-for-sale securities were €293.31 million and €60.93 million, respectively.

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

	31/12/2020				31/12/2019 restated			
In thousands of euros	Trading	Available for sale securities	Investment	**Total**	Trading	Available for sale securities	Investment	**Total**
Listed securities	1,822,240	5,141,851	0	**6,964,091**	823,411	3,227,315	0	**4,050,726**
Unlisted securities	727,913	3,477,692	0	**4,205,605**	1,793,088	3,789,680	0	**5,582,768**
Securities loaned	701,097	7,959,730	0	**8,660,827**	282,888	7,715,352	0	**7,998,240**
Non-performing loans and receivables	0	9,008	0	**9,008**	0	3,179	0	**3,179**
Accrued interest	192	23,628	0	**23,820**	137	24,873	0	**25,010**
Total	**3,251,442**	**16,611,910**	**0**	**19,863,352**	**2,899,524**	**14,760,400**	**0**	**17,659,923**
O/w subordinated notes	*34,629*	*37*	*0*	***34,666***	*14,540*	*37*	*0*	***14,577***

On this category of investment securities, the securities subject to a capital loss are impaired. Unrealised capital losses amounted to €28.45 million at 31 December 2020 versus €26.82 million at 31 December 2019.

Unrealised capital gains on available-for-sale securities amounted to €226.23 million at 31 December 2020 versus €115.57 million at 31 December 2019.

There were no longer any held to maturity securities at 31 December 2020 nor at 31 December 2019.

The portion of bonds and other fixed-income securities issued by public bodies amounted to €475.31 million at 31 December 2020 versus €508.77 million at 31 December 2019.

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

	31/12/2020				31/12/2019 restated			
In thousands of euros	Trading	Available for sale securities	Portfolio securities	**Total**	Trading	Available for sale securities	Portfolio securities	**Total**
Listed securities	3,545,196	0		**3,545,196**	4,768,020	0		**4,768,020**
Unlisted securities	0	284,662		**284,662**	281,121	320,884		**602,005**
Accrued interest				**0**				**0**
Total	**3,545,196**	**284,662**	**0**	**3,829,858**	**5,049,141**	**320,884**	**0**	**5,370,025**

Application of ANC Regulation no. 2020-10, which amends the presentation of securities borrowing and regulated savings.

At 31 December 2020, shares and other variable-income securities included €284.66 million in UCITS compared with €601.77 million in UCITS at 31 December 2019.

On this category of investment securities, the securities subject to a capital loss are impaired. Unrealised capital losses amounted to €32.48 million at 31 December 2020 versus €12.22 million at 31 December 2019.

In this category of available-for-sale securities, unrealised capital gains amounted to €67.08 million at 31 December 2020 versus €58.98 million at 31 December 2019.

4.3.2 - Changes in held to maturity securities

In thousands of euros	**31/12/2019**	**Purchases**	**Disposals**	**Repayments**	**Conversion**	**Discounts/ premiums**	**Other changes**	**31/12/2020**
Treasury bills	0							**0**
Bonds and other fixed income securities	0							**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

BRED Banque Populaire does not hold any investment securities.

4.3.3 - Asset reclassification

Accounting policies

To harmonise accounting practices and comply with IFRS, ANC Regulation no. 2014-07 integrates the provisions of Opinion 2008-19 of 8 December 2008 dealing with the reclassification of securities out of the “trading securities” and “available-for-sale securities” categories.
“Trading securities” may now be reclassified to the “Held to maturity” and “Available for sale” categories in the following two cases:

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

Reclassification from “Available for sale” to “Held to maturity” is effective as from the reclassification date in either of the following conditions:

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

Note that in a press release dated 23 March 2009 the French accounting board, Conseil National de la Comptabilité, states that “the possibilities of transfer between portfolios, in particular from the available-for-sale portfolio to the held-to-maturity portfolio as provided for in Article 19 of CRB Regulation no. 90-01 before amendment by CRC Regulation no. 2008-17, continue to apply and are not revoked by ANC Regulation no. 2014-07.

CRC Regulation no. 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.

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

BRED Banque Populaire has not reclassified any assets in accordance with the provisions of the aforementioned regulation relating to transfers of securities outside the “Trading securities” and “Available for sale securities” categories.

4.4 - Equity interests, investments in affiliates and other long-term investments

Accounting policies

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.

4.4.1 - Changes in equity interests, investments in affiliates and other long-term investments

In thousands of euros	**1/1/2020**	Change	**31/12/2020**
Gross amount	**1,929,621**	**15,894**	**1,945,515**
Equity interests and other long-term investments	*877,266*	*21,412*	***898,678***
Investments in affiliates	*1,052,355*	*-5,518*	***1,046,837***
Impairment	**-118**	**0**	**-119**
Equity interests and other long-term investments	*-118*	*0*	***-119***
Investments in affiliates	*0*		***0***
Net long-term investments	**1,929,503**	**15,894**	**1,945,397**

Shares in non-trading real-estate investment companies recorded under long-term investments were not material at 31 December 2020 as at 31 December 2019.

Other long-term investments include in particular the deposit guarantee fund association certificates (€4.1 million) and the deposit guarantee fund associate certificates (€14.99 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.

These valuations are based on the concept of value in use. As a result, they take into account BRED Banque Populaire’s specific situation, the affiliation of these investments to Groupe BPCE and their integration into the solidarity mechanism, their strategic interest for BRED Banque Populaire and the fact that they are held with a long-term objective.

These valuations are based on technical inputs based on a long-term vision of ownership and membership of the group and not on valuation parameters at their limits.
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 2020, the carrying amount for BPCE securities was €813.6 million.

4.4.2 - Statement of subsidiaries and equity interests

Subsidiaries and equity interests	Capital	Equity other than capital including FGBR where applicable (excluding income for the year)	Share of capital held (as a %)	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	Income (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										
Subsidiaries owned by BRED (> 50%)										
Cofibred	656,015	1,257,567	100.00	985,540	985,540			22,169	6,717	0
Bred Bank Cambodia	65,722	55,410	100.00	61,297	61,297			11,345	-2,337	0
Equity interests held by BRED (< 50%)										
BPCE	173,614	17,177,095	4.95	813,644	813,644			432,980	-1,073,022	45,204
BP Développement	456,117	241,289	4.32	27,074	27,057			67,254	58,081	0
B. Aggregate information on each security whose gross value does not exceed 1% of the capital of the company required to declare them										
French subsidiaries (all)				209	209					0
Foreign subsidiaries (all)				0	0					0
Association certificates				4,103	4,103					0
Equity interests in French companies				3,379	3,277					36
Equity interests in Foreign companies				501	501					45
o/w equity interests in listed companies				105	105					0

4.4.3 - 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
JASPE	18 Quai de la Rapée, 75012 PARIS	SNC
ALCYONE 2014	1200 Avenue du Docteur Maurice Donat 06250 Mougins	SCI
LAGON LOCATION 1	35 Rue des Mathurins 75008 Paris	SCI
PAKOUSI	88 Avenue de France 75013 Paris	SNC
DIDEROT FINANCEMENT 25	88 Avenue de France 75013 Paris	SNC

4.4.4 - Related-party transactions

In thousands of euros	**Credit institutions**	**Other undertakings**	**31/12/2020**	31/12/2019
Receivables	**2,471,775**	**5,175,191**	**7,646,966**	7,996,651
o/w subordinated	-	-	-	-
Debt	**989,513**	**475,485**	**1,464,998**	1,680,486
o/w subordinated	-	-	-	-
Commitments given	**144,034**	**115**	**144,149**	110,076
Financing commitments	15,000	-	15,000	*30,000*
Guarantee commitments	129,034	115	129,149	*80,076*
Other commitments given				

4.5 - Finance and operating leases

Not applicable.

4.6 - Non-current assets

The accounting rules for non-current assets are set forth in ANC Regulation no. 2014-03.

4.6.1 - Intangible assets

Accounting policies

An intangible asset is a non-monetary asset without physical substance. Intangible assets are recorded at cost (purchase price and related costs). These assets are amortised over their estimated useful lives.

Software is amortised over a maximum period of five years. Any additional amortisation that may be applied to software under the existing tax regulations is recorded under accelerated amortisation.

Business goodwill is not amortised but is subject, when necessary, to impairment charges.

Leasehold rights are amortised on a straight-line basis over the residual term of the lease and, if necessary, are tested for impairment relative to their market value.

In thousands of euros	1/1/2020	Increase	Decrease	Other movements	12/31/2020
Gross amounts	**82,096**	**8,966**	**-1,370**	**0**	**89,692**
Lease rights and business assets	37,451	0	0	0	37,451
Software	43,179	7,656	-461	557	50,932
Other	1,466	1,309	-909	-557	1,309
Depreciation and impairment	**-57,080**	**-12,462**	**461**	**0**	**-69,081**
Lease rights and business assets	-36,231	-226	0	0	-36,457
Software	-20,849	-12,236	461	0	-32,623
Other		0	0	0	
Net carrying amount	**25,016**	**-3,496**	**-908**	**0**	**20,611**

The change in other movements corresponds to capital projects which have been launched.

4.6.2 - Tangible assets

Accounting policies

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:

Components	Useful life
Land	NA
Non-destructible façades	NA
Façades, roofing and waterproofing	20-40 years
Foundations/structures	30-60 years old
Renovations	10 to 20 years
Technical equipment	10-20 years
Technical installations	10-20 years
Fixtures and fittings	8-15 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.

In thousands of euros	1/1/2020	Increase	Decrease	Other movements	31/12/2020
Gross amounts	**411,802**	**28,879**	**-22,266**	**0**	**418,415**
Operating property, plant and equipment	***407,977***	***28,705***	***-22,213***	***0***	***414,469***
Land	60,945	0	-396	1,703	62,252
Buildings	136,640	2,269	-1,182	3,114	140,841
Shares in non-trading real estate companies					
Other	210,392	26,436	-20,635	-4,817	211,376
Property, plant and equipment not used in operations	***3,825***	***174***	***-53***	***0***	***3,946***
Depreciation and impairment	**-194,322**	**-24,440**	**19,470**	**-83**	**-199,375**
Operating property, plant and equipment	***-192,804***	***-24,227***	***19,417***	***-83***	***-197,697***
Terrains					
Constructions	-74,771	-3,410	1,140	0	-77,041
Shares in non-trading real estate companies					
Other	-118,033	-20,817	18,277	-83	-120,656
Property, plant and equipment not used in operations	***-1,518***	***-213***	***53***	***0***	***-1,678***
Net carrying amount	**217,480**	**4,439**	**-2,796**	**-83**	**219,040**

4.7 - Debt securities

Accounting policies

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.

In thousands of euros	31/12/2020	31/12/2019
Short-term notes and savings certificates	0	0
Interbank market instruments and negotiable debt securities	9,102,397	9,616,444
Bonds	0	0
Other debt securities	0	0
Accrued interest	(435)	(364)
Total	**9,101,962**	**9,616,080**

4.8 - Other assets and liabilities

In thousands of euros	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2019 restated * Assets	31/12/2019 restated * Liabilities
Securities settlement accounts	0	0	0	0
Premiums on options purchased and sold	937	37,536	151,492	63,125
Debts in respect of securities borrowed and other securities	0	1,879,191	0	1,429,232
Tax and social security receivables and debts	75,305	116,590	77,609	122,747
Guarantee deposits received and paid	0	68	0	68
Sundry debtors and sundry creditors	3,239,350	622,057	3,290,704	719,299
TOTAL	**3,315,592**	**2,655,443**	**3,519,805**	**2,334,471**

* In accordance with ANC Regulation no. 2020-10 the amount of debt on borrowed securities is reduced by the value of the identical securities classified by the institution as trading securities and for the amount of the debt. See note 4.3.1.

Sundry debtors particularly include margin calls.

Other receivables include CICE and CIR receivables amounting to €922.86 million at 31 December 2020 compared to €1,755.82 million at 31 December 2019.

4.9 - Accruals and deferred income

In thousands of euros	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2019 Assets	31/12/2019 Liabilities
Foreign exchange commitments	104,436	161,506	732,058	479,236
Deferred gains and losses on hedging forward financial instruments	1,475,053	1,884,584	1,269,034	1,685,307
Prepaid expenses and deferred income	72,234	223,270	68,082	201,079
Accrued income and accrued expenses	64,617	170,250	97,598	135,824
Items in process of collection	72,917	240,098	92,250	460,078
Other	-38,183	14,050	10,305	23,009
TOTAL	**1,751,074**	**2,693,758**	**2,269,326**	**2,984,533**

4.10 - Provisions

Accounting policies

This heading includes provisions for risks and charges, whether or not directly linked to banking transactions as defined under Article L.311-1 of the French Monetary and Financial Code and related transactions as defined in Article L.311-2 of the same code, and which are clearly identifiable in terms of nature but whose timing and amount are uncertain. Unless covered by a specific text, such provisions may be set up only if the company has an obligation to a third party at the balance sheet date and no equivalent consideration is expected in return, in accordance with the provisions of ANC Regulation no. 2014-03.

It particularly includes a provision for employee benefit obligations and a provision for counterparty risk on guarantee and financing commitments given.

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. On this basis, a provision is established on the same generation of contracts in the event of a potentially unfavourable situation for the bank, without netting between generations.

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

4.10.1 - Statement of changes in provisions

In thousands of euros	1/1/2020	Provisions made	Uses of provisions	Provisions written back	31/12/2020
Provisions for counterparty risks	**147,971**	**45,619**	**-15,656**	**-2,508**	**175,426**
Provisions for employee benefit obligations	**49,876**	**4,695**	**-5,726**	**-2,000**	**46,845**
Provisions for home saving plans (PEL) and home sa	**16,700**	**1,658**	**0**	**0**	**18,358**
Other provisions for liabilities	**0**	**0**	**0**		**0**
Securities portfolio and forward financial instruments					
Long-term investments					
Property development					
Provisions for taxes					
Other	*0*	*0*	*0*	*0*	*0*
Exceptional provisions	**0**	**0**	**0**	**0**	**0**
Restructuring of information systems					
Other exceptional provisions					
Total	**214,547**	**51,973**	**-21,382**	**-4,508**	**240,629**

The reversal of provisions for employee benefit obligations notably reflects the effects of taking out, in 2020, a retirement benefits insurance policy with an insurer for €2 million.

4.10.2 - Provisions and impairment charges for counterparty risk

In thousands of euros	1/1/2020	Provisions made	Uses of provisions	Provisions written back	31/12/2020
Impairment of assets	**504,339**	**158,272**	**-47,604**	**-86,183**	**528,825**
Impairment of loans and advances to customers	428,176	123,285	-32,918	-86,183	432,361
Impairment of other receivables	76,163	34,987	-14,686	0	96,464
Provisions for counterparty risks recognised as liabilities	**147,971**	**45,619**	**-15,656**	**-2,508**	**175,426**
Provisions for off-balance sheet commitments	6,053	6,162	-1,095	0	11,121
Provisions for country risks	1,574	0	-600	0	974
Provisions for sector risks and collective provisions	101,632	30,177	-3,452	0	128,358
Provisions for customer counterparty risks	38,712	9,280	-10,510	-2,508	34,974
Other provisions	0	0	0	0	0
TOTAL	**652,310**	**203,892**	**-63,261**	**-88,691**	**704,251**

4.10.3 - 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

BRED 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	31/12/2020				31/12/2019			
	CARBP regime	**Retirement indemnities**	**Other commitments**	**Total**	CARBP regime	Retirement indemnities	Other commitments	Total
Actuarial liabilities	107,054	8,397	58,045	**173,496**	108,301	9,066	55,626	**172,993**
Fair value of plan assets	-60,451	-4,944	-37,543	**-102,938**	-59,497	-5,427	-35,204	**-100,128**
Fair value of reimbursement rights								
Effect of ceiling on plan assets								
Unrecognised actuarial gains/(losses)	-12,265	-591	-10,857	**-23,713**	-11,325	-770	-10,894	**-22,989**
Unrecognised past service costs			0				0	
Net amount reported on the balance sheet	**34,338**	**2,862**	**9,644**	**46,845**	**37,479**	**2,870**	**9,527**	**49,876**
Employee benefit commitments recorded in the balance sheet	34,338	2,862	9,644	46,845	37,479	2,870	9,527	49,876
Plan assets recorded on the balance sheet				0				0

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.

In 2020, BRED Banque Populaire outsourced the asset management for retirement benefits, amounting to €2 million, to an insurer.

→ *Analysis of costs for the year*

In thousands of euros	31/12/2020				31/12/2019
	CARBP regime	**Retirement indemnities**	**Other commitments**	**Total**	Total
Cost of services rendered	0	0	-3,521	**-3,521**	**-2,759**
Past service cost	0	0	0	**0**	**0**
Interest disbursed	-656	115	-374	**-914**	**-2,927**
Interest received	369	18	236	**622**	**873**
Benefits paid	3,541	0	2,186	**5,727**	**4,077**
Contributions received			2,000	**2,000**	**35,000**
Actuarial gains/losses recognised in profit and loss	-112	-126	-285	**-523**	**0**
Other	0	0	-359	**-359**	**-576**
TOTAL	**3,141**	**8**	**-117**	**3,032**	**33,688**

"Contributions received" amounting to €2 million reflect the reversal of provisions following outsourcing of management of retirement benefit assets to an insurer. Since an equivalent expense was recognised in "pension costs", the impact in the income statement is zero.

→ ***Breakdown of fair value of plan assets***

	CAR-BP		End-of-career awards	
	Weight by category as a %	**Fair value of assets** *(in thousands of euros)*	**Weight by category as a %**	**Fair value of assets** *(in thousands of euros)*
Cash	2.70%	1,635	1.20%	451
Shares	42.20%	25,509	13.80%	5,181
Bonds	55.10%	33,307	80.00%	30,034
Property	0.00%	0	5.00%	1,877
Derivatives	0.00%	0	0.00%	0
Investment funds	0.00%	0	0.00%	0
Total	100.00%	**60,451**	100.00%	**37,543**

Main actuarial assumptions

	CARBP regime		Other commitments	
As a percentage	**31/12/2020**	31/12/2019	**31/12/2020**	31/12/2019
Discount rate	0.38%	0.62%	0.43%	0.67%
Expected return on plan assets	1.60%	1.60%	1.60%	1.60%

The mortality tables used are: TGH05-TGF05
The discount rate used is based on the curve of first-class lenders (“EUR Composite (AA)” curve).

4.10.4 - Provisions for regulated home savings products

Deposits held in regulated home savings products

In thousands of euros	**31/12/2020**	31/12/2019
Deposits held in regulated home savings plans (PEL)		
* less than 4 years	162,608	153,020
* more than 4 years and less than 10 years	911,635	867,946
* more than 10 years	671,448	686,271
Deposits held in regulated home savings plans	**1,745,692**	**1,707,237**
Deposits held in regulated home savings accounts	169,828	158,565
TOTAL	**1,915,520**	**1,865,802**

Loans granted

In thousands of euros	**31/12/2020**	31/12/2019
Loans granted		
* under regulated home savings plans	601	866
* under regulated home savings accounts	738	1,134
TOTAL	**1,339**	**2,000**

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

In thousands of euros	1/1/2020	Net allocations/reversals	31/12/2020
Provisions for regulated home savings plans			
* less than 4 years	2,491	-85	2,406
* more than 4 years and less than 10 years	4,301	-748	3,553
* more than 10 years	9,272	1,821	11,093
Provisions for regulated home savings plans	**16,064**	**988**	**17,052**
Provisions for regulated home savings accounts	**662**	**662**	**1,324**
Provisions for PEL regulated home savings loans	-11	4	-7
Provisions for CEL regulated home savings loans	-15	4	-11
Provisions for regulated home savings loans	**-26**	**8**	**-18**
TOTAL	**16,700**	**1,658**	**18,358**

4.11 - Subordinated debt

Accounting policies

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.

In thousands of euros	31/12/2020	31/12/2019
Term subordinated debt	0	0
Undated subordinated debt		
Undated super-subordinated debt	0	0
Mutual guarantee deposits	2,368	2,368
Accrued interest	0	0
Total	2,368	2,368

At 31 December 2020, the amount of bond issue and redemption premiums remaining to be amortised are zero.

4.12 - Funds for general banking risks

General principles

These funds are intended to cover risks inherent in the company's banking activities, in accordance with the provisions of Article 3 of CRBF (*Comité de la Règlementation Bancaire et Financière* - Banking and Finance Regulatory Committee) 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 section 1.2).

In thousands of euros	12/31/2019	Increase	Decrease	Other changes	31/12/2020
Regional Solidarity Fund	123,082	1,960	0		125,042
Fund for general banking risks	49,826	36,080	1,960		87,866
Total	172,908	38,040	1,960	0	**212,908**

At 31 December 2020, the funds for general banking risks included in particular €89.94 million allocated to the Banque Populaire Network Fund (*Fond Réseau Banque Populaire*), €35.11 million allocated to the Mutual Guarantee Fund (*Fonds de Garantie Mutuel*) and €87.87 million allocated to the Regional Solidarity Fund (*Fonds Régional de Solidarité*).

4.13 - Shareholders' equity

In thousands of euros	Capital	Share premiums	Reserves/ other	Retained earnings	Income	Total capital and reserves excluding FGBR
TOTAL AT 31 DECEMBER 2018	**1,176,070**	**7,482**	**1,634,303**	**110,000**	**150,100**	**3,077,955**
Movements during the period	185,558	0	129,103	0	86,320	400,981
TOTAL AT 31 DECEMBER 2019	**1,361,628**	**7,482**	**1,763,406**	**110,000**	**236,420**	**3,478,936**
Change in method impact						0
Allocation of 2019 income			*236,420*		*-236,420*	0
Distribution of dividends			*-14,353*			-14,353
Capital decrease						0
Capital increase	*14,090*					14,090
Other movements						0
Income for the period					*155,022*	155,022
TOTAL AT 31 December 2020	**1,375,718**	**7,482**	**1,985,473**	**110,000**	**155,022**	**3,633,696**

The share capital is set at €1,375,717,807.62. The share capital is divided into one hundred and thirty-two million twenty-six thousand six hundred and sixty-one (130,026,661) shares with a par value of ten euros and forty-two cents (€10.42) each, fully paid up and all of the same category.

On 27 July 2020, the European Central Bank issued a new recommendation no. ECB/2020/35, reiterating its position expressed on 27 March 2020, asking credit institutions to refrain from paying a dividend in cash until 1 January 2021. At 30 September 2020, BRED Banque Populaire distributed €14 million in interest on cooperative shares. This distribution was made by issuing new cooperative shares as a substitute for a full cash payment.

4.14 - 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.

	31/12/2020						
In thousands of euros	Less than 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years	No fixed maturity	Total
Treasury bills and similar securities	59,935	1,292,744	5,254,793	6,082,261	1,006,470	0	13,696,204
Receivables from credit institutions	7,985,985	1,021,651	272,103	472,119	589,913	0	10,341,771
Customer transactions	4,838,614	1,325,824	2,897,399	7,376,548	9,292,787	0	25,731,172
Bonds and other fixed income securities	108,767	62,798	569,531	1,490,095	3,935,956	0	6,167,148
Finance and operating leases	0	0	0	0	0	0	0
Total uses of funds	**12,993,301**	**3,703,018**	**8,993,826**	**15,421,023**	**14,825,126**	**0**	**55,936,294**
Amounts due to credit institutions	6,073,444	2,675,795	3,233,019	2,156,284	158,028	0	14,296,570
Customer transactions	29,933,534	1,318,728	2,329,891	789,234	103,909	0	34,475,295
Debt securities	724,251	6,895,619	1,429,799	52,292	0	0	9,101,962
Subordinated debt	2,368	0	0	0	0	0	2,368
Total resources	**36,733,597**	**10,890,142**	**6,992,709**	**2,997,810**	**261,937**	**0**	**57,876,195**

Following the application of ANC Regulation no. 2020-10, debts represented by a security are presented after deduction of borrowed securities and the debt on the savings fund is deducted from regulated savings. See notes 4.2, 4.3.1 and 4.8.

NOTE 5 - INFORMATION ON OFF-BALANCE SHEET AND SIMILAR ITEMS

5.1 - Commitments received and given

General principles

Financing commitments

Financing commitments to credit institutions and similar institutions include, but are not limited to, refinancing agreements, acceptances to be paid or commitments to pay, confirmations of openings of documentary credits and other commitments given to credit institutions.

Financing commitments to customers include opening of confirmed credit lines, backup lines of credit for commercial paper, securities issuance facilities commitments and other commitments to economic agents other than credit institutions and similar.
Funding commitments received include refinancing agreements and miscellaneous commitments received from credit institutions and similar.

Guarantee commitments

Guarantee commitments given on behalf of credit institutions particularly include sureties, pledges and other guarantees given on behalf of credit institutions and similar.

Guarantee commitments given on behalf of customers particularly include sureties, pledges and other guarantees given on behalf of economic agents other than credit institutions and similar.

Guarantee commitments received particularly include sureties, pledges and other guarantees received from credit institutions and similar.

5.1.1 - Financing commitments

In thousands of euros	**31/12/2020**	31/12/2019
Financing commitments given		
to credit institutions	**183,425**	**614,272**
to customers	**3,832,335**	**3,983,122**
Opening of documentary credits	*57,079*	*56,057*
Opening of other confirmed credit lines	*3,761,110*	*3,919,091*
Other commitments	*14,146*	*7,974*
Total financing commitments given	**4,015,760**	**4,597,394**
Financing commitments received		
from credit institutions	**1,878,200**	2,285,928
from customers		
Total financing commitments received	**1,878,200**	**2,285,928**

5.1.2 - Guarantee commitments

In thousands of euros	31/12/2020	31/12/2019
Guarantee commitments given		
To credit institutions	**367,202**	**245,446**
- confirmation of opening of documentary credits	*250,625*	*139,258*
- other guarantees	*116,577*	*106,188*
To customers	**2,062,479**	**1,990,001**
- property guarantees	*255,748*	*217,896*
- tax and administrative guarantees	*31,754*	*30,901*
- other endorsements and similar guarantees	*799,515*	*768,861*
- other guarantees given	*975,462*	*972,343*
Total guarantee commitments given	**2,429,681**	**2,235,447**
Guarantee commitments received from credit institutions	4,957,089	3,968,954
Total guarantee commitments	**7,386,770**	**6,204,401**

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

In thousands of euros	31/12/2020		31/12/2019	
	Commitments given	Commitments received	Commitments given	Commitments received
Other securities assigned as guarantees to credit institutions	3,050,709		2,918,023	
Other securities assigned as guarantees received from customers	0		0	
Total	**3,050,709**	**0**	**2,918,023**	**0**

At 31 December 2020, receivables pledged as collateral in the context of refinancing arrangements included in particular:

- €0.587 million of receivables mobilised with Banque de France under the TRICP automated system, compared with €16.8 million at 31 December 2019;
- BRED Banque Populaire does not hold any pledged claims with SFEF at 31 December 2020 or at 31 December 2019.

5.2 - Transactions involving forward financial instruments

Accounting policies

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 over-hedging, 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:

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

Options

The notional amount of the underlying instrument to which the option or futures contract relates is recorded, distinguishing between contracts entered into for hedging purposes and contracts entered into in connection with market transactions.

In the case of options involving interest rates, currencies or equities, premiums paid or received are recorded in a suspense account. At the balance sheet date, these options are valued and recognised in profit or loss in the case of options quoted on an organised or similar market. In the case of over-the-counter transactions, capital losses give rise to a provision, whereas unrealised capital gains are not recognised. On the sale, purchase, exercise or expiry of the options, premiums are recognised immediately in profit or loss.

Income and expenses on hedging instruments are recognised in the same way as those relating to the hedged item. Written options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organised markets when market makers ensure continuous quotations with spreads that reflect traded prices or when the underlying financial instrument is quoted on an organised market.

5.2.1 - Financial instruments and forward foreign exchange transactions

In thousands of euros	31/12/2020				31/12/2019			
	Hedging	Other transactions	Total	Fair value	Hedging	Other transactions	Total	Fair value
Firm transactions								
Transactions on organised markets	***0***	***18,956,781***	***18,956,781***	***0***	***0***	***14,519,722***	***14,519,722***	***0***
Interest rate contracts	0	185,383	185,383	0	0	164,345	164,345	0
Foreign exchange contracts	0	99,010	99,010	0		287,780	287,780	0
Other contracts	0	18,672,388	18,672,388	0		14,067,597	14,067,597	0
Over-the-counter transactions	***117,843,035***	***132,080,096***	***249,923,131***	***(294,335)***	***108,337,207***	***128,097,715***	***236,434,922***	***111,339***
Forward rate agreements (FRA)	0	0	0	0	0	0	0	0
Interest rate swaps	117,012,666	31,014,222	148,026,888	(302,707)	107,036,763	48,364,890	155,401,653	(158,152)
Foreign exchange swaps	830,369	9,230,319	10,060,688	162,521	1,300,444	18,976,897	20,277,341	51,344
Other forward contracts	0	91,835,555	91,835,555	(154,149)	0	60,755,928	60,755,928	218,147
Total firm transactions	**117,843,035**	**151,036,877**	**268,879,912**	**(294,335)**	**108,337,207**	**142,617,437**	**250,954,644**	**111,339**
Conditional transactions								
Transactions on organised markets	***0***	***2,892,516***	***2,892,516***	***(35,921)***	***0***	***8,920,916***	***8,920,916***	***93,626***
Interest rate options	0	0	0	0	0	0	0	0
Foreign exchange options	0	0	0	0			0	0
Other options	0	2,892,516	2,892,516	(35,921)		8,920,916	8,920,916	93,626
Over-the-counter transactions	***0***	***2,611,410***	***2,611,410***	***(680)***	***0***	***2,734,921***	***2,734,921***	***(5,257)***
Interest rate options	0	1,849,769	1,849,769	816	*0*	1,773,761	1,773,761	1,089
Foreign exchange options	0	606,719	606,719	695	0	855,493	855,493	(1,798)
Other options	0	154,922	154,922	(2,191)	0	105,667	105,667	(4,548)
Total conditional transactions	0	5,503,926	5,503,926	(36,601)	**0**	**11,655,837**	**11,655,837**	**88,369**
Total financial and currency forwards	**117,843,035**	**156,540,803**	**274,383,838**	**(330,936)**	**108,337,207**	**154,273,274**	**262,610,481**	**199,708**

5.2.2 - Breakdown of over-the-counter interest rate financial instruments and financial currency swaps by type of portfolio

In thousands of euros	31/12/2020					31/12/2019				
	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	**Total**	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	**Total**
Firm transactions	***110,326,836***	***7,516,199***	***0***	***40,244,541***	***158,087,576***	***100,810,052***	***7,527,155***	***0***	***67,341,787***	***175,678,994***
Forward rate agreements (FRA)	0	0	0	0	***0***	0	0	0	0	0
Interest rate swaps	109,496,467	7,516,199	0	31,014,222	***148,026,888***	99,509,608	7,527,155	0	48,364,890	155,401,653
Foreign exchange swaps	830,369	0	0	9,230,319	***10,060,688***	1,300,444	0	0	18,976,897	20,277,341
Other interest rate forward contracts	0	0	0	0	***0***					0
Conditional transactions	***0***	***0***	***0***	**1,849,769**	***1,849,769***	**0**	**0**	**0**	**1,773,761**	**1,773,761**
Interest rate options	0	0	0	1,849,769	***1,849,769***	0	0	0	1,773,761	1,773,761
Total	**110,326,836**	**7,516,199**	**0**	**42,094,310**	**159,937,345**	**100,810,052**	**7,527,155**	**0**	**69,115,548**	**177,452,755**

5.3 - Foreign currency transactions

Accounting policies

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.

In thousands of euros	**31/12/2020**	31/12/2019
Spot currency transactions		
Currency receivable not received	812,846	377,653
Currency deliverable not delivered	2,526,838	2,823,018
TOTAL	**3,339,683**	**3,200,671**

5.4 - Breakdown of balance sheet by currency

	31/12/2020		31/12/2019 restated	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Euro	55,427,914	45495629	54032915	46752188.4
US dollar	10,272,234	11972951	7,266,455	6,806,589
Pound sterling	458,388	9204244	665,840	9,059,593
Swiss franc	238,877	89132	274,095	91,789
Yen	866,730	138673	1,152,877	385,364
Other	48,485	411998	94,631	391,290
Total	**67,312,628**	**67,312,628**	63,486,813	63,486,813

NOTE 6 - OTHER INFORMATION

6.1 - Consolidation

Pursuant to Article 4111-1 of ANC Regulation no. 2014-07, in application of Article 111-1 of ANC Regulation no. 2020-01, BRED Banque Populaire prepares consolidated financial statements under international accounting standards.

The individual company accounts are incorporated into the consolidated financial statements of Groupe BPCE.

6.2 - Operations in non-cooperative countries

Under Article L.511-45 of the French Monetary and Financial Code and the French Minister of the Economy's Decree of 6 October 2009, credit institutions are required to publish, in the notes to their annual financial statements, information on their operations and activities in countries and territories that have not entered into an administrative assistance agreement with France for the exchange of and access to banking information in connection with the fight against tax fraud and tax evasion.

These obligations form part of global measures to discourage transactions with countries and territories considered non-cooperative for tax purposes, as defined at OECD meetings and summits, and are also designed to combat money laundering and financing of terrorism.

Since its foundation, Groupe BPCE has adopted a prudent approach, ensuring that the entities belonging to its networks are kept informed about updates to the OECD list of territories considered non-cooperative as regards the exchange of information for tax purposes and the potential consequences of maintaining operations in non-cooperative territories. In addition, lists of 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 institution, 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 6 October 2020 issued in application of Article 238-0-A of the French General Tax Code.

In 2020, BRED Banque Populaire had activity with:

- its banking subsidiary in Vanuatu: holding an ordinary bank account, granting a bank loan of €7.2 million at 31 December 2020; impact on income of less than €100,000.
- its banking subsidiary in Fiji: holding an ordinary bank account; exchange of services less than €250,000.

PROFIT FROM LAST FIVE FINANCIAL YEARS

in thousands of euros	2016	2017	2018	2019	2020
Capital at the year end					
Cooperative shares: amount	839,839	995,425	1,176,070	1,361,628	1,375,718
Number of shares outstanding	81,458,640	96,269,300	113,301,560	130,674,465	132,026,661
Equity	2,467,948	2,767,722	3,077,955	3,478,936	3,633,696
Results of operations					
Net banking income	898,274	953,138	926,573	1,021,125	1,004,639
Profit before tax, employee profit-sharing, depreciation, amortisation and provisions	359,089	292,384	366,249	483,392	408,096
Income tax	-78,750	-63,121	-34,350	-98,157	-90,503
Employee profit-sharing for the year	-29,857	-26,900	-29,070	-31,700	-30,433
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	221,021	158,719	150,099	236,420	155,022
Retained earnings before appropriation of profit for the year	110,000	110,000	110,000	110,000	110,000
Net income transferred to reserves	198,327	134,803	126,825	207,220	129,702
Retained earnings after appropriation of profit for the year	110,000	110,000	110,000	110,000	110,000
Interest allocated to members	11,642	13,231	15,770	17,379	-17,569
Remaining interest to allocate to reserves (*)	0	2,750	0	0	0
Earnings per share (cooperative shares)					
Profit after tax and employee profit-sharing, but before depreciation, amortisation and provisions	4.07	2.48	3.15	4.34	2.20
Profit after tax and employee profit-sharing, depreciation, amortisation and provisions	3.59	1.95	1.84	2.90	1.19
Dividend per share	0.18	0.17	0.17	0.16	0.14
Employees					
Employee data Average workforce employees during the period	3,426	3,438	3,428	3,512	3,516
Total payroll costs for the period	183,337	190,960	195,254	198,163	201,633
Employee benefits	95,959	100,519	101,048	138,996	105,539

- 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
- The 17,032,260 new cooperative shares created in December 2018 have been entitled to dividends since 14 December 2018
- The 17,372,905 new cooperative shares created in December 2019 have been entitled to dividends since 18 December 2019
- The 1,352,196 new cooperative shares created in December 2020 have been entitled to dividends since 30 September 2020

(*) Balance linked to the accrual of interest, in the process of being allocated to reserves by the Board of Directors

STATUTORY AUDITORS' REPORT ON THE ANNUAL INDIVIDUAL FINANCIAL STATEMENTS

Statutory auditors' report
on the annual financial statements

(Year ended 31 décembre 2020)

A l'assemblée générale
BRED BANQUE POPULAIRE
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 the financial year ended 31 December 2020, 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 carried out our audit in accordance with the independence rules set out in the French Commercial Code and the Code of Ethics for the Statutory Auditor profession for the period from 1 January 2020 to the date of issue of our report, and in particular, we have not provided any services prohibited by Article 5(1) of Regulation (EU) no. 537/2014.

Comments

Without calling into question the opinion expressed above, we draw your attention to the change in accounting method resulting from the application of regulation no. 2020-10 of the French accounting standards authority relating to the presentation of securities borrowing as set out in note 2.2 to the annual financial statements.

Justification of our assessments - Key points of the audit

The global crisis linked to the Covid-19 pandemic creates special conditions for the preparation and audit of financial statements for this financial year. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have many consequences for companies, particularly on their business and financing, as well as increased uncertainty about their future prospects. Some of these measures, such as travel restrictions and working from home, have also had an impact on the internal organisation of companies and the way in which audits are implemented.

It is in this complex and changing context that, 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.

Estimation of credit risk in the context of the health crisis

Identified risk

Bred Banque Populaire constitutes impairments and provisions to cover the risk of losses resulting from the inability of its customers to meet their financial commitments. Those impairment charges and provisions are recorded in respect of expected losses on loans in default as well as on loans identified as sensitive or credit-impaired.

Provisions for expected losses are determined first and foremost on the basis of models developed by Groupe BPCE incorporating various parameters (expected cash flows over the life of the financial instrument, probability of default, loss rate in the event of default, forward-looking information, etc.) supplemented by additional provisions estimated according to expert opinion on the outstandings of the sectors most weakened by the crisis.

In the context of the Covid-19 crisis, the methods for calculating provisions for expected credit losses were adjusted in a number of ways.

Outstanding loans bearing a proven counterparty risk are subject to impairment determined mainly on an individual or statistical basis. Those impairment charges are valued by BRED Banque Populaire's management based on estimated recoverable future cash flows taking into account available collateral for each of the loans in question.

We considered that the identification and assessment of credit risk was a key point in the audit given that the loans granted to customers represent a significant part of the balance sheet and that the resulting impairment charges and provisions constitute a significant estimate for preparation of the accounts and require management's judgement, both in determining the parameters and methods for calculating provisions for expected losses on outstanding loans presenting a significant deterioration in credit risk and in assessing the level of individual impairment of outstanding loans at proven risk.

In particular, in the context of the Covid-19 crisis, we considered that the assessment of the adequacy of the level of credit risk coverage through impairment charges and provisions and the level of the associated cost of risk were a particular area of attention for 2020.

At 31 December 2020, outstanding loans amounted to €25,731.2 million, including €430.2 million in impairment charges. Provisions for expected credit losses amounted to €128.3 million.
The cost of risk in 2020 amounted to -€79.5 million (versus -€53.3 million in 2019).
For more details on the accounting principles and exposures, see notes 3.9, 4.2 and 4.10.2.
The impacts of the Covid-19 crisis on credit risk are described in note 1.5.2.1.

Our response

Provisioning of outstanding non-doubtful loans with a significant deterioration in credit risk:

Our work mainly consisted of

- observing the existence of an internal control system that allows the ratings of the different outstanding loans to be discounted at an appropriate frequency,
- assessing the work of Groupe BPCE's consolidation auditors who, in conjunction with their experts and specialists:
  - checked the existence of a governance structure that periodically reviews impairment models and the parameters used to calculate impairment charges;
  - assessed the relevance of those parameters used to calculate impairment charges at 31 December 2020;
  - tested the operational effectiveness of the controls on the adjustments made to the methods for calculating impairment charges for expected credit losses in the context of the Covid-19 crisis;
  - carried out counter-calculations on the main credit portfolios;
- examining the system in place to identify the loans and sectors most weakened by the health crisis, as well as the methods for determining additional provisions established by experts on these loans. We have verified the correct documentation and justification of the sector provisions.

Impairment on doubtful and irrecoverable outstanding loans

As part of our audit procedures, we generally examined the control system relating to the identification of exposures, monitoring of credit and counterparty risks, assessment of non-recovery risks and determination of related impairment charges on an individual basis.

Our work consisted of assessing the quality of the monitoring system for sensitive, doubtful and disputed counterparties, the credit review process and the collateral valuation system.

For impairment charges specific to outstanding corporate loans, we checked that a periodic review was carried out of the credit risk of counterparties under supervision and assessed, based on samples, the assumptions and data used by management to estimate impairment charges.

We also reviewed the detailed information in the notes on the coverage of credit risk.

Valuation of financial instruments

Identified risk	Our response
As a result of its membership of the BPCE network, BRED Banque Populaire holds, jointly with the other retail banks in the Group, shares in the BPCE central institution. In addition, in the context of its financial activities or in connection with its client services offering, BRED BANQUE POPULAIRE holds a portfolio of securities (Treasury bills, bonds, equities, etc.) and derivative contracts. These instruments are valued using different approaches based on their nature, classification 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 use of internal valuation models. The value of the central institution's securities, classified as equity investments, was determined by calculating a net asset value per share including the revaluation of the main BPCE subsidiaries, the intangible assets held by BPCE and the structural expenses of the central institution. The valuation of the main subsidiaries is based on the discounted multi-year forecasts of expected dividend flows (DDM), which are based on medium-term financial projections prepared by the entities concerned under Groupe BPCE's annual budget procedure and established for the purposes of the Group's management; • 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 other unlisted securities; • the consideration of financial trajectories; • the estimate of valuation adjustments that take into account counterparty or liquidity risks. *The net carrying amount of BPCE securities amounted to €814 million at 31 December 2020.* *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 4.3 and 5.2.*	***Valuation of the central institution BPCE SA's securities:*** Given the organisation of Groupe BPCE, valuation of BPCE securities is carried out by the central institution's valuation teams. As a result, the audit procedures required to validate this work are carried out, at our request, by the central institution's college of auditors. The work carried out mainly consisted of: - obtaining and critically reviewing subsidiaries' business plans and main investments, particularly in an uncertain environment linked to the Covid-19 crisis, and analysing the discount, growth and return on capital rates according to the profile of each entity; - validating the inputs and assumptions used to determine the components of the structural and central treasury costs relating to the activities of the central institution BPCE S.A. valued on the basis of forward-looking data; - making a counter-calculation of valuations; - assessing the absence of indicators/factual elements likely to significantly jeopardise the valuation of intangible assets determined by an independent expert during the financial year, the report on which was read and critically reviewed during our work during the year. We assessed their audit approach and conducted a critical review of their findings. ***Valuation of other financial instruments:*** With regard to BRED BANQUE POPULAIRE's own activity, we assessed the processes and controls put in place to identify and evaluate financial instruments held, particularly the governance of valuation models and control of the results recorded on these transactions. In conjunction with our specialists in risk modelling and quantitative techniques, we: • performed independent valuations on a sample of derivatives and analysed any discrepancies; • compared market values with the market share prices observed for the listed instruments on the closing date; • analysed the internal identification and validation processes for the main value adjustments applied to financial instruments and their changes over time: our analyses particularly concerned the governance and methodologies selected for the market reserves constituted. We checked that the estimates used are supported by methods that are consistent with the principles described in the notes.

Specific verifications

We also performed the specific verifications required by applicable French laws and regulations in accordance with French auditing standards.

Information given in the management report and in the other documents on the financial position and annual accounts sent to the members

We have no matters to report regarding the fair presentation and consistency of the information given in the management report of the board of directors and the other documents concerning the company's financial position and the financial statements sent to the cooperative members.

The fair presentation and consistency with the annual accounts of the information relating to payment times mentioned in Article D.441-6 of the French Commercial Code require the following observation on our part:

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

Report on corporate governance

We attest to the existence in the Board of Directors' report on corporate governance of the information required by Articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

Other checks or information required by laws and regulations

Designation of statutory auditors

We have been appointed Statutory Auditors of BRED BANQUE POPULAIRE by the General Meeting of 21 May 1999, for the firm KPMG S.A., and of 23 May 1996, for the firm PwC, in light of the acquisitions or mergers of firms occurring since those dates.

At 31 December 2020, the firm KPMG S.A. was in the 22nd consecutive year of its appointment and the firm PwC was in its 25th 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 monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems as well as the internal audit system, where applicable, with respect to the procedures concerning the preparation 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 Regulation (EU) 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.

Fait à Neuilly-sur-Seine et Paris La Défense, le 22 avril 2021

Les commissaires aux comptes

PricewaterhouseCoopers Audit		**KPMG SA**	
Anik Chaumartin	Emmanuel Benoist	Fabrice Odent	Ulrich Sarfati
Associée	Associé	Associé	Associé

5

Risk management and compliance monitoring carried out by BRED Group

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 of companies in the banking, payment services and investment services sector subject to supervision by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) (hereinafter the "Decree of 3 November 2014"), 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 the security of its operations in accordance with the laws and instructions issued by General Management.

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

Overall organisation of internal control

In accordance with banking regulations, the institution's internal control system is based on:
- First-level controls performed by the operational line manager;
- Second-level permanent controls carried out by dedicated staff – whose work is not operational in regulatory terms;
- And periodic controls.

Permanent and periodic control are integrated into Groupe BPCE's control functions. The system is defined and described in procedures, policies and charters covering each of the control functions. The internal control mechanism seeks to align the risk incurred with BRED Group's policies.

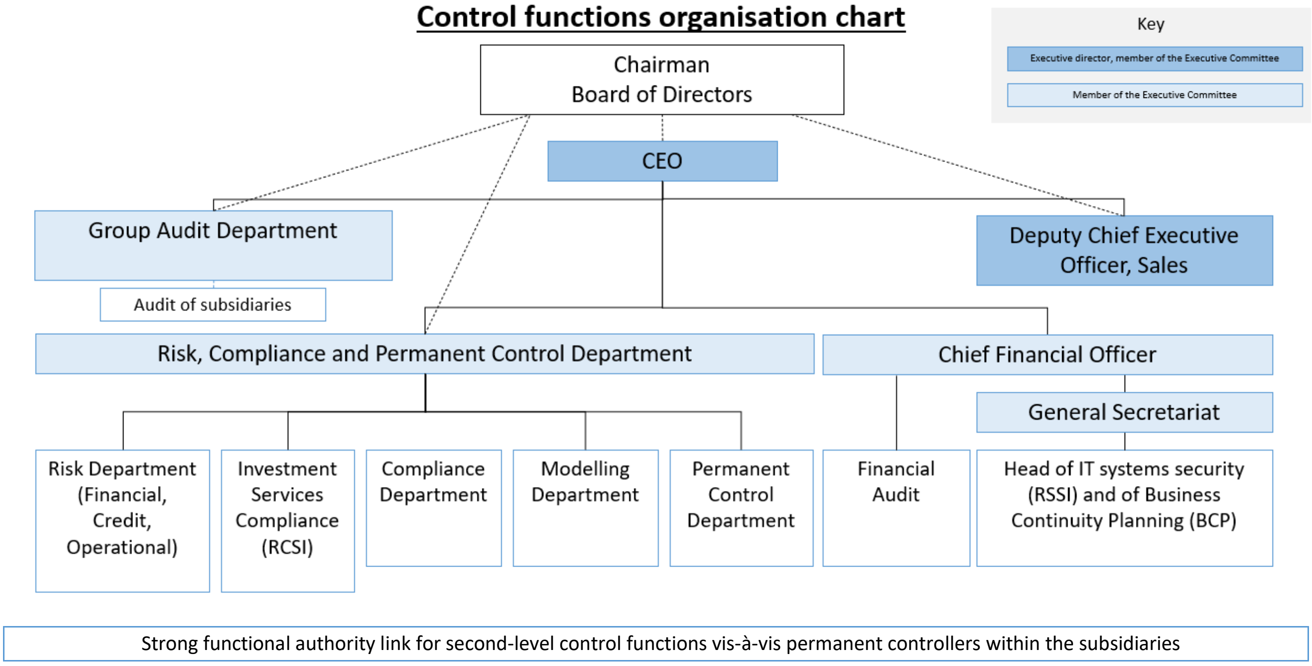
The Head of Permanent Control is responsible for permanent control within the meaning of Article 16 of the Decree of 3 November 2014.

The Inspector General is in charge of periodic control, in accordance with Article 17 of the Decree of 3 November 2014.

The Head of Risk, Compliance and Permanent Control is in charge of monitoring compliance in accordance with Article 28 of the Decree of 3 November 2014.

The Head of Risk, Compliance and Permanent Control is in charge of risk management in accordance with Article 74 of the Decree of 3 November 2014.

Organisation of the internal control mechanism of BRED Group at 31 December 2020



Consolidated control

One of the fundamental principles of internal control concerns the comprehensiveness of its scope: it applies to all types of risk and to all the consolidated entities of BRED Group, be they banks or not, and be they French or foreign.

Internal control within the subsidiaries is in particular structured around:

- the supervisory bodies (and the accountable managers for banking entities) of each of the subsidiaries;
- periodic control carried out on one hand by BRED Group Audit and, on the other hand, where applicable, through local auditing in close collaboration with BRED Group Audit;
- permanent control carried out within the subsidiary in close collaboration with BRED's second-level permanent control functions, as part of BRED Group's consolidated risk monitoring system.

Aligning controls with risk types and the auditability 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, which, as needed and only where appropriate, leads the risk management and compliance function staff to count on:

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

This subsidiarity makes it possible to distribute the work among various staff members of a given function (at the local, consolidated or central body level).

Internal control staff

General Management

Under the supervision of the Board of Directors and its special committees, 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. It regularly monitors that operations run properly and ensures the quantitative and qualitative adequacy of the staff and tools assigned to permanent and periodic controls 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 handled (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 its diverse 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 highlight the importance of the permanent control system and the obligations of each member of the Executive Committee regarding compliance with statutory and regulatory provisions. The delegations are regularly updated by the General Secretariat.

The General Management ensures that the Board of Directors and special committees receive information.

The Board of Directors

In accordance with the guidelines of the European Banking Authority (EBA) on internal governance, the Board of Directors must:

- periodically assess the effectiveness of the institution's internal governance framework and take appropriate measures to address any weaknesses detected;
- oversee and monitor the consistent implementation of the strategic objectives of the institution's organisational structure and risk strategy, including its risk appetite and risk management framework;
- check that the institution's risk culture is implemented consistently;
- oversee the implementation and upholding of a code of conduct to detect, manage and mitigate actual and potential conflicts of interest;
- oversee the integrity of financial information and financial reporting as well as the internal control framework, including an effective and sound risk management framework;

- ensure that the heads of internal control functions are able to act independently and may express their concerns and inform the Board directly, where applicable, when the risk of adverse developments affects or is likely to affect the institution;
- monitor the implementation of the internal audit plan, after consulting with the Risk and Audit Committees.

To this end, the Board of Directors relies on several special committees.

The Audit and Accounts Committee and the Risk Committee express an opinion on the quality of the internal control work carried out, verifying in particular that the consolidated risk measurement, monitoring and management systems are consistent, and make recommendations whenever it considers additional action should be taken in this regard.

In accordance with the Decree of 3 November 2014, the Compensation Committee defines the principles of BRED's compensation policy and verifies its implementation.

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.

Line managers (first 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 permanent control system through self-checks based on controls integrated into operational procedures and automated controls during the processing of transactions. First-level controls are performed by line managers in order to verify the quality of their employees' work.

The operational departments are responsible for:

- drawing up and implementing procedures related to their scope of activities, after obtaining the approval for the compliance and risk management processes by the permanent control functions;
- implementing procedures for which they are responsible to ensure the controlled management of activities;
- compliance and management of potential operational, credit, market, interest rate, custodial, liquidity and settlement/delivery risks and risks for IT and real property projects, investments and financial transactions and activities for which they are responsible, in particular by the appropriate handling of new activities, new products or changes that affect how these activities operate, as well as risk limits defined by the Bank, including at the initiative of the operational department;
- first level control – a control plan at the first 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;
- the responses to be diligently formulated to the requests for information made by permanent and periodic control departments, 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 permanent or periodic control) and implementing them within a reasonable time period.

Independent permanent control functions (second level)

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

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

Within the Risk, Compliance and Permanent Control Department, the second level permanent control stakeholders are:

- the Risk Department, 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 Permanent Control Department, responsible for organising and monitoring the second-level permanent control system with the support of decentralised permanent control staff in the commercial network and at subsidiaries;
- the Compliance Department, whose main 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 Investment Services Compliance Department that notably ensures the proper implementation of the general regulation of the AMF (French Financial Markets Authority) and the French Monetary and Financial Code.

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

Within the General Secretariat, the IT Systems Security & Business Continuity Department is responsible for the relevant IT security and business continuity plans. It reports functionally to the Risk, Compliance & Permanent Control Department. Likewise, the function of Safety for persons and property is led by the General Secretariat. It also reports functionally to the Risk, Compliance & Permanent Control Department.

The staff working at the second level of permanent control in the regional head offices of retail banks (under the hierarchical authority of the regional manager), and in the subsidiaries (under the hierarchical authority of the CEO of the subsidiary) are subject to the strong bond of functional authority established with the second level BRED permanent control departments involved.

These units and staff are responsible for preventing and controlling risk, essentially by verifying that pertinent first-level controls are carried out within the operational departments and subsidiaries. After completion of the controls, they inform the relevant hierarchical managers of any corrective action that needs to be taken unless suitable action plans have already been defined. Second-level permanent control recommendations, like recommendations from periodic control, must be implemented within a reasonable time frame. Within this framework, they are responsible for updating the overall system of risk control and for implementing the internal control charter. The status of the permanent control system and of BRED Group's risk control system are regularly reported to General Management as well as to the Board's Risk Committee and the Board of Directors.
When necessary, the Head of Risk, Compliance and Permanent Control, the Head of Risk, the Head of Compliance and the Head of Investment Services Compliance can have access to the Board of Directors and its special committees, particularly the Risk Committee, without having to obtain authorisation from the General Management and/or the accountable managers. The Head of Risk, Compliance and Permanent Control is invited to all the Board Risk Committee meetings of BRED Group subsidiaries.

Periodic control (third-level)

Periodic control is exercised by Group Audit, 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 Groupe BPCE audit and having been validated by General Management and the Risk Committee of BRED's Board of Directors. It is also presented to the Board of Directors for information.

In the framework of duties set forth in Article 17 of the Decree of 3 November 2014, Group Audit 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 supervisory bodies 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, Group Audit makes use of its dedicated and specialist means and resources to conduct objective reviews and issue, in complete independence, its opinions, findings and recommendations.
BRED Group Audit, in accordance with Groupe BPCE's internal audit function charter, maintains a strong bond of functional authority with the internal auditing managers of the subsidiaries that have them.

If necessary, the Head of Group Audit may ask to consult the Board of Directors or any of its specialist committees without first seeking authorisation from the accountable managers. The Head of Group Audit is invited to all meetings of the Risk Committee attached to BRED Group subsidiaries' Boards of Directors.

Employees assigned to internal control

	FTEs present at 31/12/2020 (Excluding long-term leave, maternity leave, without pay)				Total at 31/12/2019	Change
	Parent company	Subsidiaries	Total	Total ratio of total resources/staff		
Group Audit	26.5	3	29.5	0.5%	28	5.4%
Risks	71.3	40.8	112.2	2.0%	112.6	-0.4%
Compliance	53.7	34.6	88.3	1.6%	78.6	12.3%
ISSO	2.8	5.2	8.0	0.1%	5.1	57.4%
Business Continuity	1.9	2.6	4.4	0.1%	4.1	8.6%
Financial audit	4.1	6.8	10.8	0.2%	12.4	-12.6%
Total	160.3	92.9	253.2	4.5%	240.8	5.2%
Total workforce (registered)	**4,058.0**	**1,530.0**	**5,588.0**		**5,489.0**	**1.8%**

Coordination of internal controls

The cross-functional nature of the control functions is achieved through umbrella committees, notably the Control Functions Coordination Committee (CFCC), 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 BRED Group's permanent control system.

As a general rule, the Executive Committee has authority to consider any topic of importance to BRED Group. This means that any matters related to internal control can be referred to it directly without the involvement of one of the specialised committees.

BRED Group's Control Functions Coordination Committee regularly holds meetings for the main persons who carry out the first and second level permanent control and periodic control. 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 Risk Committee evaluates the quality of the system of risk management and permanent control, notably concerning the consistence 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

BRED Group determines its risk appetite 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:

- credit risk and counterparty risk (articles 106 to 121 of the Decree of 3 November 2014), induced by BRED's core lending activity;
- market risk (articles 122 to 136 of the Decree of 3 November 2014);
- balance sheet risk, especially liquidity risk (Articles 148 to 186 of the Decree of 3 November 2014) and structural interest-rate risk (Articles 134 to 139 of the Decree of 3 November 2014);
- operational risk including non-compliance risk, legal risk, security of computer systems and risk of fraud (Article 214 and 215 of the Decree of 3 November 2014).

The exposures and the mechanism for managing such risks are set out in the sections below.

BRED does not make commitments in business:

- conduct activities in which it is not proficient, in order to guarantee its own integrity and that of Groupe BPCE;
- 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 the accountable managers of BRED promote the risk and compliance culture at all levels of the organisation. The Risk, Compliance and Permanent Control Department coordinates the dissemination of the risk and compliance culture to all employees in collaboration with all other control divisions and/or functions.

Generally, BRED's Risk, Compliance & Permanent Control Department:

- takes part in risk management and compliance activity sessions, which are special occasions on which to discuss risk issues, to present the work carried out by various participants, and to provide training and share best practises among Groupe BPCE's institutions. The system is supplemented by dedicated working groups and meetings covering topical issues. Similarly, BRED organises this type of contact for the benefit of BRED Group entities;
- maintains a high level of regulatory awareness, notably by receiving and circulating explanatory regulatory documents and by regular interaction with other BRED Group departments and entities;
- contributes, through its managers and its Head of Risk, Compliance and Permanent Control, to the decisions made in committees dedicated to risk management at the Groupe BPCE level;
- benefits from a training programme for its employees provided by Groupe BPCE's Human Resources Department, which it adds to according to the needs for in-house training;
- maps the institution's risks overall, thus assessing its risk profile and identifying its main priority risks;
- oversees the annual review of risk appetite indicators as part of the system put in place by Groupe BPCE.

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 BRED Group.

Context of the 2020 financial year

The 2020 financial year was marked by the management and impact of the COVID-19 health crisis. Faced with this crisis, Groupe BPCE's institutions, including BRED Group, quickly implemented mechanisms to ensure business continuity and risk monitoring for all types of risk.

The banks in the marketplace rolled out two main measures to support corporate and professional customers:

- mass and specific moratoriums;
- government-backed loans.

At the level of Groupe BPCE's central body, several crisis dashboards were set up frequently. These dashboards covered all types of risk: credit risk, market risk, operational risk, etc. At the same time, impact studies and stress tests were specifically carried out.

With regard to the management and monitoring of credit risk, several mechanisms were set up:

- new reports were rolled out on government-backed loan approvals to monitor the weekly production of these loans (particularly the sectors financed and the credit ratings of counterparties). In this crisis context, the European Banking Authority indicated on 25 March that the moratoriums set up at the initiative of banks are not borrower specific but rather addressed to broad ranges of product classes or customers, and therefore that government-backed loans do not have to be automatically classified as forbearance measures;
- a synthetic COVID-19 indicator to identify customers that may be impacted by the health crisis was set up. This system makes it possible to detect and take charge of risky situations and to deal quickly with any adverse developments based on various information, particularly on the professional and very small business customer (VSE) segments;

- an override grid was defined to manage the health crisis: it changes the override standard currently in place for customers impacted by the health crisis. This override grid limited the biases observed on internal rating models (improved ratings) due to the various corporate support measures;
- a change was made in the segmentation standard for the turnover of professional customers in the context of COVID-19. It aims to mitigate the impact of the COVID-19 crisis and to avoid hasty changes in segment by retaining the average turnover over the past three years.

With regard to business continuity and IT security, drawing on the experience and the pandemic plan established following previous influenza warnings (bird flu and swine flu), Groupe BPCE launched a fast, relevant and measured response in metropolitan France and around the world.

In handling the situation due to the COVID-19 pandemic, the crisis management guidelines adopted proved relevant both in terms of the measures and the tools used. However, the Group is aware that these provisions are not applicable to all types of crises and has therefore developed other solutions adapted to the various possible scenarios.

Remote working infrastructures, which were already in place, were broadened in order to continue conducting business during the lockdown decreed by the authorities. Information system security, including data protection, compliance and anti-fraud controls, were adapted to remote working across all the operational processing chains concerned. Human resources and Group communications worked tirelessly to adapt the working environment of employees and strengthen social ties during lockdown.
At the same time, the banks – including BRED Group – rolled out their crisis management system in constant liaison and in line with Groupe BPCE's system.

With regard to Compliance, 2020 was marked by the success of exceptional marketing processes as well as specific products due to the unique health crisis (ex: government-backed loans, loan maturity deferrals for professional customers and mortgages).

Customer protection was also, as such, a top concern for BRED Group, whether it be helping our customers carry out social distancing measures with technological contributions, like contactless payment with merchants, or immediately rolling out government economic measures such as government-backed loans.

1 - CREDIT RISK

Credit risk is the risk incurred in the event of default by a debtor or a counterparty, or several debtors or several counterparties considered as the same group of customers linked together pursuant to regulations; this risk can also be seen in the form of a loss in value of the securities issued by the defaulting counterparty.

The counterparty risk is defined as the risk of the counterparty to a transaction defaulting prior to definitive settlement of all cash flows associated with the transaction.

1.1 - Principles of credit risk management

"Information provided under IFRS 7"

BRED's credit risk management is based on the strict separation of the Commitments Department from the commercial functions. The Commitments Department is involved in the decision-making process and subsequent monitoring of commitments. It has employees in the regional head offices for operations which promote best practices in order to control risk in a satisfactory fashion.

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 BRED Group.
The Credit Risk Department (CRD) reports to the Risk, Compliance and Permanent Control Department, which in turn reports to the General Management. The Credit Risk Department, which is totally independent from the commercial functions and from the Commitments Department, is responsible for second level permanent controls on credit risk. It validates the credit policies once they have been approved by the supervisory bodies.

Management of credit risk is mainly based on:

- a system of delegation of powers to specific persons, reviewed annually by the Commitments Department and Credit Risk Department;
- an internal rating system that is highly integrated into the decision-making process;
- risk-spreading criteria;
- ongoing monitoring of commitments via an automated system in order verify all positions, the maturity of repayable amounts and to monitor irregular accounts;
- reinforced detection and prevention of risks with retail, professional and corporate customers via the action of branch network employees and their hierarchy of monitoring tools;
- periodic monitoring of the quality and risk of the various portfolios via dashboards and ad-hoc studies;
- 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;
- delegation of the analysis and approval of dossiers at the most appropriate skill level: the commercial business line and 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 €7m for corporates, €5m for professional customers and €4m for retail customers, 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 customers 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

"Information provided under IFRS 7"

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 Groupe BPCE. As well as the rating of counterparties (assessment of probability of default) and contracts (estimated losses on default), the system comprises standards for segmentation, identifying incidents, clustering, etc. It is part of a consolidated approach to the credit risk of BRED Group (supervision of subsidiary risk).

The system is being accredited by the banking regulator within the framework of Groupe BPCE within a clearly defined scope in terms of Basel segments and entities. 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 II agreement; it tries to relay the regulatory supervision carried out by 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 actions deemed priorities: updating forbearance detection systems, rolling out the new definition of default, integrating Groupe BPCE into third party repositories, gathering balance sheets for internal rankings and 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 watchlist that identifies Corporate and Retail counterparties to be monitored particularly closely. 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 bad debts watchlist contains counterparties with a proven risk of insolvency and which are in default under Basel rules. 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 also participates each quarter in the Groupe BPCE Watchlist Committee on dossiers concerning the Bank.

1.2.2 - Follow-up methods

The sales departments use dedicated processing software 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 - Reports and communications to executive and supervisory bodies

The Credit Risk Department reports regularly to various bodies. Reporting generally takes place on a quarterly basis (dashboard, watchlist, leverage finance, etc.), a semi-annual basis (Leverage-Buy-Out reporting) or an annual basis. These reports inform the accountable managers and the supervisory body. They are reviewed in the Risk Committee of the Board of Directors and in the Executive Risk Committee. The dashboard for credit risks is also regularly presented to the Board of Directors.

The Credit Risk Department also carries out work for Groupe BPCE, particularly as part of regulatory reporting. In addition to these reports, risk studies are carried out from time to time, including for presentation to the Executive Committee.

1.3 – Assessment of the quality of outstanding loans and impairment policies

1.3.1 – Governance of control procedures

From a regulatory perspective, Article 118 of the Decree of 3 November 2014 states that "*regulated undertakings must analyse changes in the quality of their commitments at least quarterly*." For large transactions, that analysis particularly identifies any reclassification necessary within internal categories used to assess the level of credit risk, as well as any allocation of doubtful loans in the accounts and appropriate levels of provisioning.

Statistical provisions on performing loans, calculated at the Groupe BPCE level for the networks in accordance with IFRS 9, are assessed using a methodology validated by Groupe BPCE's model comitology (reviewed by an independent management structure and validated by the Risk Management Models Committee and the Risk, Compliance and Permanent Control Standards and Methods Committee). These provisions include scenarios for changes in economic conditions determined annually using Groupe BPCE's economic research, with probability of occurrence reviewed quarterly by the Groupe BPCE Watchlist and Provisions Committee.

Provisions for loans in default are calculated at the limits of each institution, with the exception of shared loans in default exceeding €20m and which are centrally coordinated by the Groupe BPCE Watchlist and Provisions Committee on a quarterly basis. The allocated provision is calculated by taking into account the present value of guaranties using a cautious approach, with no systematic haircut at this stage. A methodology aiming to apply a haircut policy was defined at the end of 2019 and rolled out as part of the implementation of the NPL (non-performing loan) guidance.

1.3.2 - Method of provisioning and impairment under IFRS 9

Provisioning method

An impairment or provision for expected credit loss must be systematically recognised for debt instruments classified as financial assets at amortised cost or as financial assets at fair value through equity, financing commitments and financial guarantee contracts that are not recognised at fair value through profit or loss, as well as receivables arising from lease agreements and commercial receivables (ECLs – Expected Credit Losses).

For financial assets that have not been subject to objective indications of losses on an individual basis, impairments are recognised on the basis of observed loss history as well as reasonable and justifiable forecasts of discounted future cash flows.

Financial instruments are divided into three categories (stages) according to the deterioration in credit risk observed since their first recognition. Each category of loans has a specific credit risk assessment method:

1. Stage 1 (S1)	2. Stage 2 (S2)	3. Stage 3 (S3)
Healthy loans for which there is no significant increase in credit risk since the first recognition of the financial instrument. Impairment or provision for credit risk corresponds to expected credit losses at one year	Healthy loans for which a significant increase in credit risk has been recorded since the first recognition of the financial instrument, are transferred to this category. The impairment or provision for credit risk is determined based on credit loss events expected over the remaining term of the financial instrument (credit losses expected on maturity);	Impaired assets within the meaning of IFRS 9 for which there is an objective indication of loss of value related to an event that characterises a proven credit risk (for example, non-repayment of a loan at its normal maturity, collective proceedings, unpaid debts suffered by the client, inability to finance a renewal investment, etc.) and which occurs after the initial recognition of the instrument concerned. This category covers receivables for which a default event has been identified, as defined in Article 178 of the European Regulation of 26 June 2013 relating to the prudential requirements applicable to credit institutions.

A provisioning policy is in place for Groupe BPCE corporate customers. It describes the basis for calculating the impairment of receivables and the methodology for determining individual impairment based on an expert assessment. It also defines the concepts (measurement of credit risk, accounting principles for impairment of receivables under IFRS and French standards) and data that must be contained in a non-performing debt or dispute file, as well as the essential elements to be presented in a provisioning sheet.

A corporate provisioning policy for Groupe BPCE exposures under €15m was defined. In the section dedicated to the methodology for determining individual impairment on the basis of an expert assessment, it defines “going concern”, “gone concern” and “combined” impairment approaches.

Groupe BPCE applies the contagion principle. This principle is particularly applied in the identification of groups of customer counterparties, through clustering links within those groups.

A methodology for applying haircuts to the value of guarantees in order to face unavoidable uncertainties was defined and implemented.

1.4 - Credit risk reducing techniques

Credit risk mitigation techniques are commonly used within BRED Group and are different depending on whether the guarantee accepted is collateral or a personal guarantee.

Guarantees constitute one of the main means of reducing credit risk. Traditionally, BRED has used collateral (mortgages, pledged assets, etc.) and personal guarantees (mutual guarantee companies, BRED Habitat guarantee, CASDEN guarantees, risk-sharing, etc.). BRED has implemented a system to verify the process for entering into guarantees, incorporating validity, registration and valuation. The inclusion of guarantees in the calculation of weighted assets (credit risk reduction techniques) reduces the capital requirement related to secured commitments.

In the context of the COVID-19 crisis, the French government extended its guarantee within the scope of the government-backed loans granted. BRED Group used this opportunity to reduce credit risk.

1.5 - The permanent control system for credit risk

1.5.1. - First level controls

Operational line managers are responsible for first level controls. The representatives of the Commitments Department are responsible, within the regional head offices, for ensuring that the financial statements are properly established and commitments are properly carried out.

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.

1.5.2. - 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 permanent controllers at the subsidiaries.

The second level control of credit risk performed by the Credit Risk Department is based 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 the economic and financial situation, the ability of the customer and/or of the project to be financed to generate the cash-flows required for the repayment, the level of indebtedness after the transaction under consideration, the guarantees, clustering, compliance with risk-spreading rules, compliance with capital requirements, the rating, and classification as leveraged finance or forbearance;
- 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 sends Groupe BPCE work undertaken and results achieved for its second level controls.

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 BRED Group's Credit Committee.

1.6 - Crisis simulations related to credit risk

Groupe BPCE's Risk Department conducts simulations of crises related to credit risk at Group level, including BRED. 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.

Stress tests are carried out on the basis of the Group's consolidated exposures. Risk parameters are calibrated based on the specific characteristics of each major Group hub (Natixis, Crédit Foncier de France, the Banque Populaire network, the Caisse d'Epargne network). They cover all portfolios subject to credit and counterparty risk, irrespective of the approach used to calculated the weighted outstandings (standard or IRB approach). They are conducted based on detailed information consistent with the data supplied for the COREP Group’s prudential reporting and portfolio risk analyses.

Three types of stress tests are carried out:
- the EBA stress test, conducted every two years, aims to test the resilience of credit institutions against simulated shocks and to compare them to each other (the EBA 2020 stress test was exceptionally postponed to 2021 due to the health crisis);
- Groupe BPCE's annual internal stress test. This test includes more scenarios than the EBA stress test and includes changes to projections across the entire balance sheet;
- specific stress tests can be performed on external (supervisor) or internal request.

1.7 - Forbearance, performing et non performing exposures

Forbearance is caused by the combination of a concession and financial difficulties and can relate to performing or non-performing loans.

The transition from performing forborne loans to non-performing forborne loans follows specific rules separate from those of default (a new concession or a payment more than 30 days past due) and, like exiting forbearance, is subject to probationary periods. A situation of forced restructuring, or of over-indebtedness proceedings, or any situation of default within the meaning of the Groupe BPCE standard requiring a forbearance measure as defined above constitutes a non-performing forborne loan.

The information on exposures to performing and non-performing forborne loans is nevertheless in addition to the information already provided on default.

The probationary periods for exiting forbearance situations were deployed as part of the new default project. A guide for classifying forbearance has been rolled out as part of crisis management. Additionally, since the end of 2020, it specifies the criteria enabling Groupe BPCE institutions to adopt these practices.

1.8 - Work completed in 2020

In addition to the work to manage the health crisis as specified above, several structural changes took place in 2020 to address regulatory requirements, the most important including:

- the deployment of the standard relating to the new definition of default (in accordance with the guidelines of the European Banking Authority - EBA/GL/2016/07). The forbearance standard, a subset of the new default, was specified in order to be rolled out in information systems at the beginning of 2021;
- the roll-out of high-risk standards as well as numerous early warning indicators to strengthen the supervision of institutions and the central body.

In addition, the risk policy on home loans was revised based on the recommendations of the High Council for Financial Stability (HCSF): its roll-out was underway at the end of 2020. The policy includes a new indicator—DTI (debt to income).

1.9 - Statistics on exposure to credit risk

1.9.1 - Breakdown of gross exposures by category (credit risks, including counterparty risks)

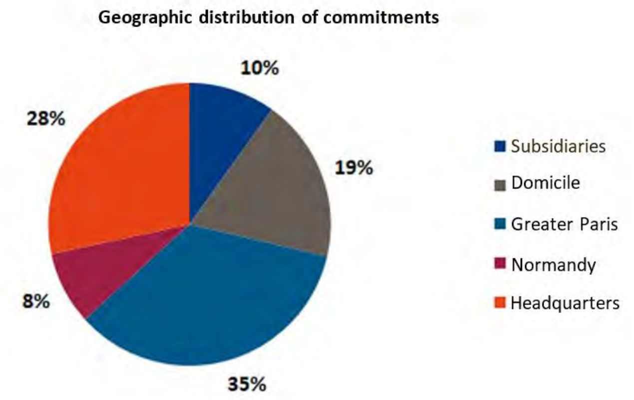
Credit risk - Exposures

In millions of euros	31/12/2020				31/12/2019
	Standard	IRB	SEC ERBA	Total	Total
National governments	589.8	14,522.5	-	15,112.3	16,773.7
Regional or local authorities	229.0	-	-	229.0	229.6
Public sector entities	772.0	-	-	772.0	404.9
Institutions	10,943.8	3,188.9	-	14,132.7	9,710.6
Corporates	3,863.9	12,132.0	-	15,995.9	14,294.0
Retail customers	415.0	19,327.0	-	19,741.9	17,227.3
MBS exposures	1,522.1	-	-	1,522.1	837.7
High-risk exposures	470.2	-	-	470.2	436.7
Exposures in default	298.6	-	-	298.6	286.9
Investments made in the form of units or shares of undertakings for collective investment (UCIs)	45.6	-	-	45.6	47.0
Shares	-	1,486.7	-	1,486.7	1,457.7
Securitisation	-	-	1,623.7	1,623.7	1,413.1
Other assets	-	1,910.4	-	1,910.4	2,587.0
Total	**19,149.9**	**52,567.5**	**1,623.7**	**73,341.1**	**65,705.9**

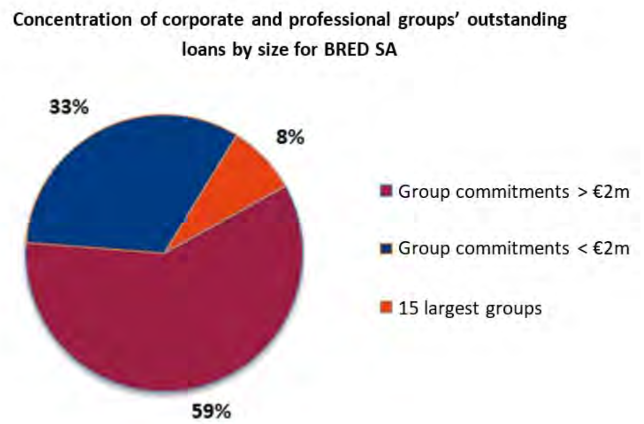
Credit risk - Exposures and RWAs

In millions of euros	31/12/2020		31/12/2019		Change	
	Gross exposure	RWA	Gross exposure	RWA	Gross exposure	RWA
National governments	15,112.3	604.7	16,773.7	435.7	- 1,661.4	169.1
Regional or local governments	229.0	26.3	229.6	18.0	- 0.6	8.3
Public sector entities	772.0	145.6	404.9	163.5	367.1	- 17.9
Institutions	14,132.7	995.5	9,710.6	973.0	4,422.1	22.6
Companies	15,995.9	10,039.8	14,294.0	10,032.1	1,701.9	7.7
Retail customers	19,741.9	2,958.0	17,227.3	3,061.3	2,514.7	- 103.4
MBS exposures	1,522.1	580.4	837.7	324.1	684.4	256.3
High-risk exposures	470.2	622.7	436.7	558.6	33.5	64.1
Exposures in default	298.6	124.5	286.9	114.4	11.8	10.1
Investments made in the form of units or shares of undertakings for collective investment (UCIs)	45.6	100.1	47.0	96.7	- 1.4	3.4
Shares	1,486.7	5,613.2	1,457.7	5,543.4	29.0	69.8
Securitisation	1,623.7	334.2	1,413.1	360.8	210.6	- 26.6
Other assets	1,910.4	656.0	2,587.0	494.1	- 676.6	161.8
Total	**73,341.1**	**22,801.0**	**65,705.9**	**22,175.7**	**7,635.1**	**625.3**

1.9.2 - Concentration risk



As concerns geographic distribution, employment has in general remained stable from one year to the next: Greater Paris Region network (35%), Head Office (28%), Overseas Departments network (19%), Subsidiaries (10%), Normandy network (8%).



The largest 15 groups represent 8% of commitments.

1.9.3 - Hedging of doubtful debt

Hedging of doubtful debt

In millions of euros	2020	2019
Gross outstanding customer credit and credit institutions	43.2	36.1
Of which outstandings S3	1.3	1.2
Rate of doubtful outstandings/gross outstandings	3.0%	3.4%
Total impairments recognised S3	0.7	0.7
Impairments recognised/doubtful outstandings	55.3%	59.1%

1.9.4 - Change in credit risk stock

Change in general and specific credit risk stock

In millions of euros	Cumulative amount of adjustments for specific credit risk	Aggregate amount of adjustments for general credit risk
Initial balance	**923**	-
Increases due to amounts provisioned for probable losses on loans during the financial year	50	-
Reductions due to amounts recovered for probable losses on loans during the financial year	- 11	-
Reductions in the stock of credit-risk adjustments	- 36	-
Transfers between credit-risk adjustments	57	-
Impact of exchange rate gains or losses	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	7	-
Closing balance	**988**	-
Recoveries on credit risk adjustments recorded directly in income statement 11	-	-
Adjustments for specific credit risk recorded directly in the income statement	-	-

1.9.5 - Performing and non-performing exposures

Quality of performing exposures by maturity at 31 December 2020

In millions of euros	Gross book value Performing exposures		
		Healthy or overdue <= 30 days	Overdue > 30 days <= 90 days
Loans and advances	**37,221**	**37,148**	**73**
Amounts due from central banks	-	-	-
Public authorities	1,697	1,697	-
Credit institutions	4,472	4,472	-
Other Financial Companies	513	513	-
Non-Financial Companies	15,758	15,722	36
Of which SMEs	6,984	6,961	23
Households	14,782	14,745	38
Debt securities	**16,151**	**16,151**	**-**
Amounts due from central banks	7	7	-
Public authorities	12,166	12,166	-
Credit institutions	710	710	-
Other Financial Companies	2,047	2,047	-
Non-Financial Companies	1,221	1,221	-
Off-balance Sheet Exposures	**15,213**	**-**	**-**
Amounts due from central banks	5,149	-	-
Public authorities	1,135	-	-
Credit institutions	2,116	-	-
Other Financial Companies	662	-	-
Non-Financial Companies	4,818	-	-
Households	1,333	-	-
Total	**68,585**	**53,299**	**73**

Quality of non-performing exposures by maturity at 31 December 2020

In millions of euros	Gross book value Non-performing exposures								
		Payment unlikely, not overdue or overdue ≤ 90 days	overdue > 90 days ≤ 180 days	overdue > 180 days ≤ 1 year	overdue > 1 year ≤ 2 years	overdue > 2 years ≤ 5 years	overdue > 5 years ≤ 7 years	Overdue > 7 years	Of which: in default
Loans and advances	**1,291**	**1,078**	**28**	**26**	**98**	**34**	**0**	**28**	**1,290**
Central banks	-	-	-	-	-	-	-		-
Public authorities	0	0	-	-	-	-	-		-
Credit institutions	4	-	-	-	-	4	-		4
Other Financial Companies	8	8	0	-	-	-	-	-	8
Non-Financial Companies	850	736	13	4	47	22	0	28	850
Of which SMEs	469	378	9	4	56	5	0	28	469
Households	429	334	15	21	51	8	0	0	428
Debt securities	**33**	**33**	-	-	-	-	-	-	**33**
Amounts due from central banks	-	-	-	-	-	-	-	-	-
Public authorities	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other Financial Companies	3	3	-	-	-	-	-	-	3
Non-Financial Companies	29	29	-	-	-	-	-	-	29
Off-balance Sheet Exposures	**76**								**76**
Amounts due from central banks	-								-
Public authorities	-								-
Credit institutions	10								10
Other Financial Companies	2								2
Non-Financial Companies	60								60
Households	4								4
Total	**1,400**	**1,111**	**28**	**26**	**98**	**34**	**0**	**28**	**1,398**

Performing and non-performing exposures and associated provisions

	Gross book value		Cumulative impairment or cumulative negative change in fair value attributable to credit risk and provisions		Cumulative partial losses	Collateral and guaranties received	
	Performing Exposures (PE)	Non-performing exposures (NPEs)	PEs – cumulative impairments & provisions	NPEs – Cumulative impairment or negative cumulative change in fair value attributable to credit risk and provisions		On PEs	On NPEs
Loans and advances	**37,221**	**1,291**	**-246**	**-719**		**18,771**	**477**
Amounts due from central banks	*0*	*0*	*0*	*0*		*0*	*0*
Public authorities	*1,697*	*0*	*-0*	*-0*		*8*	*0*
Credit institutions	*4,472*	*4*	*-2*	*-4*		*0*	*0*
Other Financial Companies	*513*	*8*	*-1*	*-8*		*30*	*0*
Non-Financial Companies	*15,758*	*850*	*-188*	*-498*		*7,574*	*256*
Of which SMEs	*6,984*	*469*	*-104*	*-278*		*4,836*	*193*
Households	*14,782*	*429*	*-55*	*-208*		*11,159*	*221*
Debt securities	**16,151**	**33**	**-2**	**-21**		**270**	**0**
Amounts due from central banks	*7*	*0*	*-0*	*0*		*0*	*0*
Public authorities	*12,166*	*0*	*-1*	*0*		*0*	*0*
Credit institutions	*710*	*0*	*-0*	*0*		*268*	*0*
Other Financial Companies	*2,047*	*3*	*-0*	*-1*		*2*	*0*
Non-Financial Companies	*1,221*	*29*	*-1*	*-20*		*0*	*0*
Off-balance Sheet Exposures	**15,213**	**76**	**26**	**33**		**894**	**9**
Amounts due from central banks	*5,149*	*0*	*0*	*0*		*0*	*0*
Public authorities	*1,135*	*0*	*0*	*0*		*0*	*0*
Credit institutions	*2,116*	*10*	*3*	*-0*		*0*	*0*
Other Financial Companies	*662*	*2*	*4*	*1*		*0*	*0*
Non-Financial Companies	*4,818*	*60*	*15*	*32*		*216*	*7*
Households	*1,333*	*4*	*4*	*0*		*678*	*2*
Total	**68,585**	**1,400**	**-222**	**-707**		**19,935**	**486**

1.9.6 - Restructured loans

Adjustments in light of financial difficulties

In millions of euros	31/12/2020			31/12/2019		
	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Impaired restructured loans	191		191	179		179
Performing restructured loans	281		281	108		108
Total restructured loans	**472**		**472**	**287**		**287**
Impairment	**(67)**		**(67)**	**(49)**	**0**	**(49)**
Guarantees received	**355**		**355**	**165**		**165**

Analysis of gross outstandings

In millions of euros	31/12/2020			31/12/2019		
	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Restructuring: amendments to terms and conditions	384		384	254	-1	253
Restructuring: refinancing	88		88	33		33
Total restructured loans	**472**		**472**	**287**		**287**

Geographical area of the counterparty

In millions of euros	31/12/2020			31/12/2019		
	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
France	441		441	247		247
Other countries	31		31	40		40
Total restructured loans	**472**		**472**	**287**		**287**

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, etc.

2.1 - Principles of market risk management

"Information provided under IFRS 7"

2.1.1 - General organisation

BRED's main market risks are linked to the activities of the Trading Desk and the Finance Department.

The organisation of Trading Desk activities is structured around five internal units at BRED Group's consolidated level:

- Network Solutions – the purpose of which is to connect the convergent needs of companies looking for financing and institutional customers looking to make investments by structuring operations, offering fixed-income, foreign exchange and investment products to customers in the retail network;
- Market solutions – Monetary intermediation, the purpose of which is to maintain a commercial relationship with market professionals who have standard interests in the money market;
- Market Solutions – Liquidity Department, the purpose of which is to offer liquidity services on BRED's authorisation (deposits, repos) to market professionals who have standard interests in the money market and management of the associated liquidity;
- Market Solutions – Investment Solutions, the purpose of which is to maintain a commercial relationship with market professionals who have standard investor interests (issue and distribution of securities, fixed income derivatives and equities);
- Organised markets – the purpose of which is making markets (quoting shares and interest-rate 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 paragraphs concerning balance sheet risk);
- Treasury, whose activities are described below (in the paragraphs concerning balance sheet risk);
- Consolidated Management of Investments (CMI), which manages a portfolio of assets with the intention of holding them over the medium and long term. The investment objective is to benefit from recurring revenues and build up unrealised capital gains. The CMI is linked to NJR, a BRED Group 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;
- production of the Trading Desk's combined Net Banking Income (NBI) and 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;
- regularly informs 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 and possible limits exceeded are submitted to the Council's Committee on Risk and to the Board of Directors.

Several committees are involved in defining the risk management framework for market activities:

- the Committee for Coordination of the Control Functions (CCFC), which has overall responsibility for BRED Group internal control by the 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, which decides on BRED Group's financial investments, excl. the Trading Desk;
- the Credit Committee, which sets the credit and counterparty risk limits for transactions with all third parties when these are not covered by the unitary 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 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 (BO) is responsible for controlling and validating transactions. Any trade carried out by a market trader is imported into the back-office information system. BO operational staff are then responsible for:

- validating the trade through the confirmation from the counterparty and/or broker;
- post-trade operations (settlement/delivery, verification of contracts or SWIFT messages depending on the product).

The audit trail of the back-office information 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, and the cancellation or re-entering.

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

2.1.3 - Compensation

In accordance with the latest regulatory requirements, based on proposals by General Management and after examination by the Compensation Committee, BRED's Board of Directors determines the principles governing variable compensation paid to employees performing activities that could have an impact on the Bank's risk profile, particularly market traders.

These principles are designed to ensure that such employees and the Bank have the same interests with regard to risk management.

2.2 - System for measuring and following up on market risk

"Information provided under IFRS 7"

BPCE monitors BRED's capital markets activity as part of consolidation by Groupe BPCE. BPCE and BRED work jointly together on this 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 VaR indicators are calculated for the scope of BRED's trade activities: one is calculated by BPCE using Groupe BPCE's methods and econometrics; the other is calculated by BRED using a parametric variance-covariance model 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. BRED calculates requirements for equity on the basis of market risk according to the standard method. Beyond the quarterly calculation carried out for regulatory reporting purposes, equity requirements for the capital markets activity are calculated 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. These scenarios are defined at Group level by BPCE.

Lastly, 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 loss alert thresholds. These indicators cover the various risk factors of market activities. They also include alerts for unusual transactions, making it possible to identify them based on their amounts or on their other characteristics, given the history of activity.

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 Modelling 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 as well as market value losses in the event of default by a counterparty. 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 - The permanent control system for market risk

"Information provided under IFRS 7"

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 Desk has a middle-office team dedicated to first level control. The hierarchy of the Floor calculates the daily result of transactions and ensures first level control.

For the back office, first level controls include:

- daily reconciliation of positions performed automatically between the front-office (FO) and back-office (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 FO business data with the BO 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. The warning system also comprises 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 internal unit and the appropriateness of their strategies. The model validation team validates the calculation methods (developed by the Modelling Department) and valuation methods as well as risk indicators.
The Financial Audit function, reporting to the Finance Department, is responsible for controlling the accounting risks associated with market transactions.

Permanent controllers ensure the control of FO and BO procedures. In particular, they report operational and technical risks linked to the validation, confirmation and execution processing chain. They report the audit 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	**31/12/2020**	31/12/2019
Interest-rate risk	703	1,095
Foreign-exchange risk	334	422
Ownership, commodities and gold risk	169	51
Total	**1,206**	**1,567**

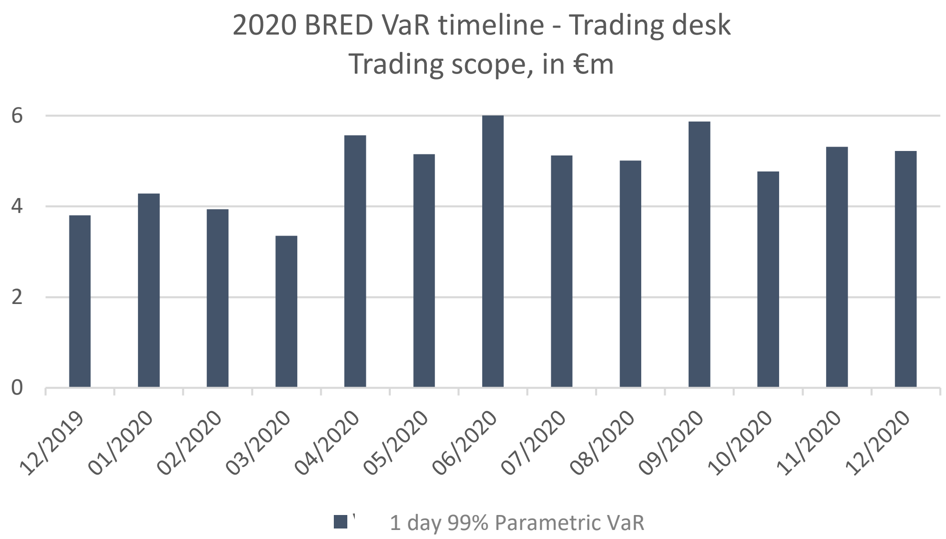
RISK WEIGHTED ASSETS BASED ON MARKET CREDIT RISK EXPOSURE

Trading Desk and CMI - in millions of euros	**31/12/2020**	31/12/2019
Counterparty risk	819	687
Credit risk	2,188	2,803
Total	**3,008**	**3,491**

2.4.2 - Value-at-Risk

"Information provided under IFRS 7"

The BRED VaR in question is a VaR of 99%, one day, determined based on a parametric variance-covariance model and calculated for the trading portfolio.



VaR was up slightly year-on-year, standing at €5.2m at 31/12/2020 (compared to €3.8m at 31/12/2019). This increase is primarily linked to the increase in the replacement of deposits with hedged equities recorded in the trading portfolio. Year-on-year changes mainly arise from fluctuation in market-making positions in equities.

2.4.3 - Issuer risk on market activities

"Information provided under IFRS 7"

Issuer risk on market activities

In millions of euros	**31/12/2020**	**31/12/2019**
Sovereign	**13,666**	11,129
Interbank	**2,665**	2,823
Secured bonds	**94**	135
Corporate	**1,737**	2,569
Securitisation	**2,417**	1,821
- o/w Trading Desk	***462***	*409*
- o/w Investment	***1,954***	*1,412*
TOTAL	**20,579**	**18,477**
o/w off-balance sheet	***1,927***	*1,619*

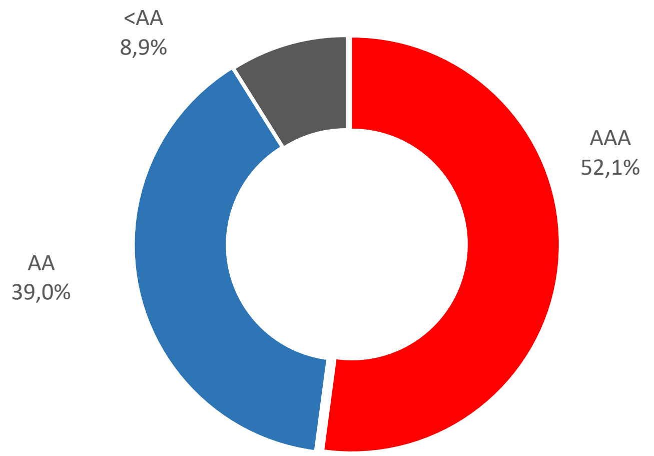
Total BRED scope, excluding securitisations of BRED receivables carried by BRED. The off-balance sheet counterparty risk is calculated based on the replacement value plus an add-on amount determined by reference to volatility and designed to cover any subsequent fluctuation in the replacement value.

The level of exposure to credit risk is up slightly, particularly on securitisations and sovereign debt.

2.4.4 - Rating risk on sovereign debt

More than 90% of the portfolio of sovereign securities has AA ratings or better as of 31 December 2020.

Breakdown according to ratings of exposure to sovereigns



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:

- the liquidity risk and the risk for the institution of being unable to meet its commitments or being unable to close out or offset a position due to the market situation or idiosyncratic factors, within a reasonable time period and at reasonable cost (Decree of 3 November 2014). 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 (Decree of 3 November 2014);
- 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 ALM Department (DALM) and the Treasury Department, and two second level control departments, the Balance Sheet Risk Department (DRB) and the Market Risk Department.

The Treasury Department (DTRE), created at the end of 2014 in application of the French law on segregation and regulation of banking activities (Law 2013-72) and the Decree 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 (DTRE). 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 Bank's ALM balances 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, reporting to the Finance Department, manages assets and liabilities as well as macroeconomic hedging for the Bank's risks in a financial crisis scenario. 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, as indicated below) and the management of liquidity reserves, equity and solvency.

In this regard, and as part of the ALM limits set for it, the ALM Department is responsible for entering into (with regard to BRED) and monitoring (with regard to BRED and its subsidiaries) the following categories of financial transactions:

- Liquidity management covering the refinancing operations of BRED, the loans to the subsidiaries, the management of cash reserves, for the ALM portion, in coordination with the Treasury Department (LCR or Banque de France); the latter include all the eligible collateral that could be used for the purpose of operational liquidity management, as well as its 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 business continuity plan (BCP) relating to liquidity;
- The management of 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 that are held by BRED Group will be maintained 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.

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, reporting to the Finance Department, defines the policy in terms of treasury operations accompanied by a supporting arrangement, approved by the General Management following advice from Risk Management. Its 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 Business Continuity Plan and implement first-line security measures, after having informed the Financial Director, the Risks Director and the ALM Department. It defines and maintains liquidity Business Continuity Plan;
- 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 competent committees in this respect or by the General Management;
- verify ex-post the proper application of the control, modelling and measurement standards and methods and the financial risk decisions approved by the relevant committees;
- define and implement a second-level control plan for BRED and BRED Group ALM risk; define and supervise the implementation of second level control plans for ALM risk at the subsidiaries;
- monitor changes in structural balance sheet risk for BRED Group and in compliance with ALM limits;
- verify the production of balance sheet risk monitoring reports;
- produce summary reports and notify the executive or decision-making bodies when necessary;
- monitor the implementation of corrective measures and the resolution of breached limits.

3.1.5 - Role of the Market Risk Department (MRD)

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 (in the paragraphs concerning Market Operations).

3.1.6 - Role of Groupe BPCE departments

These tasks are carried out in liaison with Groupe BPCE's Finance and Risk Departments, which are responsible for defining and approving:

- ALM agreements (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 ALM guidelines and BPCE risk guidelines. These set forth all the assumptions, modelling rules, conventions and scenarios for producing risk indicators and the controls that must be implemented. These standards are defined by the Groupe BPCE Asset/Liability Management Committee (for the ALM reporting protocol) and the Groupe BPCE Standards and Methods Committee (for the ALM risk reporting protocol). The framework defined at the Groupe BPCE level is added to according to BRED Group's specific needs, particularly with regard to the limits applicable to subsidiaries and the taking into account of the capital markets activity.

3.2 - System for measuring and monitoring balance sheet risk

3.2.1 - Tool and reporting

BRED's measurement of balance sheet risks is based on a Groupe BPCE tool. 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 winding down during run-off;
- static interest-rate gaps, which measure balance sheet run-off broken down by indexation rate. The interest-rate gap set enables the calculation of a regulatory indicator subject to a limit: the SOT (supervisory outlier test) indicator. It is used for financial communications (market benchmark). This indicator has not been adopted as a management indicator, although the regulatory limit of 20% applicable to it must be respected;
- Economic Value of Equity (EVE), which measures the sensitivity of the economic value of equity. Calibration of the limit on this indicator is based on the following two observations: the retail banking model cannot lead to a structural detransformation position (major risk on the replacement of demand deposits), or to a directional position generating gains in the event of a drop of 200 basis points in interest rates. The limit system must be independent of interest rate expectations so that the Bank can be resilient in the event of an unexpected and high-scale interest rate shock, which is a separate reflection of the hedges to be put in place;
- the sensitivity of the net interest margin (NIM) measured over the next four rolling years. Over a management horizon, in four rolling years, we measure the sensitivity of our results to interest rate fluctuations, business forecasts (new business and changes in customer behaviour) and sales margins.

3.2.2 - At subsidiary level

The risk measurements reported to Groupe BPCE are aggregated at BRED Group level. The ALM Department draws up measurement indicators by subsidiary based on the data entered into the Groupe BPCE management application. 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 with the agreements defined at Groupe BPCE level. They are the subject of dedicated reports sent 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 Groupe BPCE indicators defined above, BRED relies on the internal measurement of interest-rate risk. This makes it possible to break down the interest-rate risk by management entity within BRED Group. Liquidity gaps are also calculated on a monthly basis using a market-risk monitoring application. The regulatory liquidity indicators (notably the LCR ratio) 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.

3.2.5 - Outstanding financial instruments subject to index reform

The table below shows the financial instruments by index to be transitioned as part of the index reform. The data presented is derived from the asset management databases at 31 December 2020 and relates to financial instruments maturing after 31 December 2021 (excl. EURIBOR), taking into account the following agreements:

- financial assets and liabilities excluding derivatives are presented on the basis of their nominal value (outstanding capital, excl. provisions);
- repurchase agreements are broken down by EONIA, EURIBOR and LIBOR index before netting;
- for derivatives with a borrowing leg and a lending leg, each exposed to a benchmark rate, the two legs have been reported in the table below to effectively reflect BRED Group's exposure to benchmark rates on these two legs.

in millions of euros **Index**	Total financial assets excl. derivatives	Total financial liabilities excl. derivatives	Derivatives
EONIA	-	-	6,875.7
EURIBOR	3,403.4	1,947.1	21,160.9
USD LIBOR	761.2	-	6,569.5
GBP LIBOR	178.2	-	20.9
JPY LIBOR	-	-	1,841.1
CHF LIBOR	-	-	891.3

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 are identified and then either explained or restated. 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 the management application is also examined by the Balance Sheet Risk Department.

BRED’s Balance Sheet Risk Department also verifies the roll-out of methods defined by Groupe BPCE, the implementation of decisions taken by BRED’s committees and compliance with General Management’s guidelines. Lastly, BRED Risk Department verifies compliance with ALM limits and authorised products.

3.4 - Exposure to balance sheet risk

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) is a short-term stress ratio. It requires banks to hold a stock of assets assumed to be low risk and easily marketable in order to offset net flows to be disbursed in the event of a crisis over a period of 30 days.

As at 31/12/2020, BRED posted an LCR ratio of 152.5% for BRED’s scope and 157.2% for the consolidated BRED scope, i.e. values well above the regulatory limit of 100%.

Loan and deposit schedule

In millions 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	Undetermined, o/w deviation from standards	Total at 31/12/2020
Cash and amounts due from central banks	700.6	1.2	0.0	0.0	0.0	0.0	0.0	**701.8**
Financial assets at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	9,160.9	**9,160.9**
Financial assets at fair value in equity	3.5	975.4	5,641.5	5,450.3	773.8	1,053.5	0.0	**13,898.0**
Hedging derivatives	0.0	0.0	0.0	0.0	0.0	0.0	123.9	**123.9**
Securities at amortised cost	1,118.6	45.2	189.3	1,140.6	127.4	25.5	(0.0)	**2,646.7**
Loans and receivables due from credit institutions and assimilated at amortised cost	8,966.9	953.5	1,425.1	72.9	47.9	5.2	(1.4)	**11,470.0**
Loans and receivables due from customers at amortised cost	5,406.4	1,436.8	3,379.7	9,014.6	11,744.8	13.0	(624.4)	**30,371.0**
Revaluation adjustments on interest-rate risk hedged portfolio	0.0	0.0	0.0	0.0	0.0	0.0	3.5	**3.5**
FINANCIAL ASSETS BY MATURITY	**16,196.0**	**3,412.2**	**10,635.6**	**15,678.5**	**12,693.9**	**1,097.2**	**8,662.5**	**68,375.7**
Amounts due from central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial liabilities at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	3,903.7	**3,903.7**
Hedging derivatives	0.0	0.0	0.0	0.0	0.0	0.0	344.9	**344.9**
Debt securities	658.3	6,822.8	1,430.6	41.9	(0.0)	0.0	0.0	**8,953.6**
Amounts due to credit institutions and customers	6,297.5	2,658.7	3,027.0	2,168.7	158.1	0.0	0.0	**14,309.9**
Amounts due to customers	33,402.1	1,377.9	1,132.4	855.3	163.1	0.0	0.0	**36,930.8**
Subordinated debt	0.0	0.0	0.6	2.4	1.3	0.0	2.4	**6.6**
Revaluation adjustments on interest-rate risk hedged portfolio	0.0	0.0	0.0	0.0	0.0	0.0	14.4	**14.4**
FINANCIAL LIABILITIES BY MATURITY	**40,357.9**	**10,859.5**	**5,590.5**	**3,068.2**	**322.5**	**0.0**	**4,265.5**	**64,463.9**
Financing commitments given to credit institutions	168.4	0.0	0.0	0.0	0.0	0.0	0.0	**168.4**
Financing commitments given to customers	141.5	332.3	887.5	1,342.8	1,491.7	0.0	53.9	**4,249.7**
TOTAL FINANCING COMMITMENTS GIVEN	**309.9**	**332.3**	**887.5**	**1,342.8**	**1,491.7**	**0.0**	**53.9**	**4,418.2**
Guarantee commitments given to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**110.7**
Guarantee commitments given to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**2,057.3**
TOTAL GUARANTEE COMMITMENTS GIVEN	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,168.0**

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. They 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 above.

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 Groupe BPCE Risk Management Department. Within 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, as well as the results of work by second level permanent control staff from the Permanent Control Department and its subsidiaries.

4.2 - Measurement and monitoring of operational risks

The operational risk management system is part of the Risk Assessment Framework (RAF) defined by Groupe BPCE. These systems and indicators are set out across each institution and subsidiary of Groupe BPCE.

BRED's operational risk measurement and monitoring system is based on the application of Groupe BPCE standards and a dedicated tool for collecting operational risk incidents.

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 function 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.
As at 31 December 2020, the annual amount recognised for BRED Group's losses in respect of operational risk amounted to €6.81m.

4.2.1 - Operational risk mapping

The mapping of operational risk is integrated into the Groupe BPCE tool. It presents a view of all the risk situations with potential significant impacts. It makes it possible, 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, reveals at least the minimum, average, and maximum impacts and frequency of occurrence for each risk situation (RS) covered by the risk management system. These items are corroborated during the meetings of the business lines and, when available, through incident backtesting 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 Groupe BPCE.

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

In 2020, loss and incident data is gathered and input into the dedicated application 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 Groupe BPCE 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 BRED Group's system for combating internal and external fraud in coordination with Groupe BPCE systems. It takes into consideration incidences of fraud encountered by BRED, Groupe BPCE 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 the 2020 financial year, the second level permanent control plan was determined using the operational risk map, indicators resulting from gathering incidents with or without financial impact and considering risk assessments based on the results of second level controls in 2019. It was rolled out for all BRED Group operational and commercial activities, and for the operational management and compliance of outsourced services.

Second level permanent controllers reporting directly to the Permanent Control Department are responsible for:

- assessing the first level control systems inherent to each process controlled;
- performing second-level 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 report on an ongoing and a consolidated quarterly basis by issuing permanent control reports via the department dashboard. This is how they come to be involved in the assessment of the risk management system for 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 Groupe BPCE departments in the form of circulars, and by BRED Group's Compliance Department in the form of guidelines.

In addition, the international subsidiaries ensure their local regulatory watch, reporting regularly to the parent company and highlighting any amendments that may hinder compliance with BRED Group's requirements.

With the support of BRED Group Compliance and the Legal and Tax Department, the various capital markets departments take all the regulatory constraints into account when developing new products or when changing existing processes.

Within BRED, compliance risks are managed by two departments directly reporting to the Risk, Compliance and Permanent Control Department, the director of which is an Executive Committee member:
- Compliance Department;
- Investments Services Compliance Department.

Pursuant to articles 6 and 7 of the Decree of 3 November 2014, 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. Reports on the adequacy of the system with respect to the regulatory framework are regularly included in BRED Group macro risk map; these reports are periodically presented to the Control Functions Coordination Committee, the Board's Risk Committee and the Board of Directors.

5.1.1 - Compliance Department

The Department's role

The Compliance Department measures, monitors and manages non-compliance risks pursuant to Article 3 of the Decree of 3 November 2014. 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 BRED SA and all French and foreign subsidiaries reporting to it on a functional basis. It therefore manages a cross-company compliance function throughout 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:

- regulations relating to anti-money laundering and the counter financing of terrorism;
- the rights of customers under banking and insurance law, particularly customer protection (including vulnerable customers and right to an account) and the exclusion of the provisions applicable to investment services;
- the General Data Protection Regulation (GDPR);
- anti-corruption regulations.

Within the Compliance Department, the Data Protection Officer (DPO) is responsible for managing data protection compliance within BRED. She/he works with all of the Bank's departments, but especially in close synergy with the Information System Security Officer and the Legal Affairs Department.

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:

- in addition to the regulatory watch organised by the business lines, being a 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;
- carrying out a counter regulatory watch for foreign subsidiaries in addition to the regulatory watch carried out within these subsidiaries;
- defining the training plan on compliance topics, holding training for subjects requiring compliance expertise;
- coordinating 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);
- providing information and advice to business line correspondents in the context of product governance and management – excluding investment services;
- analysing and validating new products and processes;
- identifying and assessing compliance risks with operational departments and subsidiaries, as well as formal inclusion of those risks on the compliance risk map;
- providing information and advice to the various business lines on the protection of personal data;
- monitoring compliance with national data protection regulations and law;
- providing advice on the completion of a data protection impact assessment and verification of its implementation;
- acting as a contact point for the supervisory authorities for its areas of competence;
- processing complaints and requests from data subjects, in accordance with the exercise of the right of access, rectification and opposition provided for by the GDPR;
- maintaining the automated processing register and verifying compliance with legislation and CNIL instructions;
- leading and coordinating the network of Personal Data Protection Officers (PDPOs) in the business lines;
- determining second level permanent controls and 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;
- using findings of first and second level controls, including assisting permanent controllers regarding the issuance of recommendations in the event of any anomalies or, where applicable, by modifying the current systems and monitoring and assisting the implementation of any necessary corrective action;
- using the findings of periodic controls to coordinate the Compliance function, process mapping and action and control plans;
- carrying out the information escalation procedure for any anomalies with the effective implementation of compliance obligations and the conditions for triggering alerts;
- producing internal, external and regulatory reports within its scope of responsibilities and reporting findings and any corrective action to the accountable managers, Board of Directors and prudential authorities;
- adapting tools and systems in light of regulatory and operational developments. In collaboration with the operational departments concerned, it contributes to IT project management concerning the Compliance function;
- performing enhanced analyses in relation to anti-money laundering and the counter financing of terrorism (AML-CFT);
- acting as guarantor for the system in order to comply with embargoes, sanction mechanisms and asset freezing;
- coordinating the New Customer Relationship Committee, particularly with regard to politically exposed persons and sensitive activities, etc.

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 BRED Group. Where applicable, the Head of Compliance will forward a documented counter-analysis of the facts to General Management. The Head of Compliance may participate in Executive Committee meetings whenever necessary.

The Head of the Compliance Department is responsible for setting up and monitoring the anti-corruption programme within BRED Group. She/he specifically oversees the following:

- deploying and updating the corruption risk map;
- drafting the code of conduct and associated disciplinary rules;
- implementing the ethics alert system and protecting whistle-blowers;
- raising employee awareness of the risk of corruption and training those most exposed;

- implementing third party assessment systems;
- monitoring accounting controls performed by the audit function;
- establishing a global assessment and control system.

Along with the Head of Risk, Compliance and Permanent Controls and the Head of Investment Services Compliance, she/he receives reports issued in the framework of the whistle-blower procedure.

As part of regulatory monitoring or to assess the risk associated with a given legal framework, the Compliance Department may call on BRED's Legal Department. In addition, it has a dedicated budget to ensure that legal analyses are carried out by external experts.

Organisation of the Department

The Compliance Department consists of:

- the Anti-Money Laundering & the Counter Financing of Terrorism Unit, whose role is to classify AML-CFT risks and to implement control systems throughout BRED Group which must be based on a risk approach as set out in the third and fourth European Directives and specified in the fourth European AML-CFT Directive transposed into French law. This unit has the skilled personnel it requires to implement upgrades to the systems it uses;
- the Banking-Insurance Compliance Unit, which ensures compliance with French regulations applicable to the parent company and its French subsidiaries. In particular, it is responsible for the deployment of all necessary systems in terms of customer protection and product governance. This department works in support of the subsidiary compliance department for all matters relating to its specialist area;
- the Subsidiary Compliance Unit, which ensures compliance by subsidiaries with the framework imposed by the parent company (based on the French regulatory framework) while respecting local regulations. To achieve this, this department maintains a close relationship with all BRED Group subsidiaries in order to coordinate and monitor compliance issues. In particular, it is responsible for drafting and checking the proper application of the guidelines defining BRED Group's compliance policy within the subsidiaries;
- the Personal Data Protection Unit is responsible for implementation and compliance with the General Data Protection Regulation (GDPR). Its role in this respect is particularly to raise awareness of GDPR issues among all employees, advise business lines and support them in the implementation of projects, particularly when performance of a Data Protection Impact Assessment (DPIA) is necessary. It is also responsible for ensuring the proper mapping of personal data processing and checking the compliance of that processing with the GDPR;
- the Internal Fraud Unit, responsible for preventing and controlling the risk of internal fraud which may jeopardise the interests of customers and/or the Bank. The controls are conducted in line with permanent requirements or following alerts issued or alerts 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 Business Expertise Unit, made up of project managers and business experts, dedicated to monitoring and supporting regulatory topics requiring developments or changes, in connection with the above services.

The Head of Compliance reports to the DRCCP Director (who is designated by the French Prudential Supervisory and Resolution Authority (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 is also responsible for setting up and monitoring the anti-corruption programme.
The Head of the Personal Data Protection Unit is designated by the CNIL as Data Protection Officer.

5.1.2 - Investment Services Compliance Department

The Department's role

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 (ISP) of BRED Group and respect customer assets.

Accordingly, it ensures compliance with the Bank's obligations applicable to investment service providers as set out in the General Regulation of the AMF (notably Volume III) and in the French Monetary and Financial Code, and with the obligations specific to custodians and issuers. 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 reporting any market abuse;
- informs employees and participates in training, notably for those involved in the marketing of investment services: training plans for branch network and capital markets personnel;
- produces annual and special reports for the AMF and informs the accountable managers and the Board of Directors;
- participates in the bank's bodies and committees associated with investment services and follows or performs investigations and monitoring initiated by the AMF;
- implements and runs a comprehensive assessment and control system in line with the AMF General Regulation and the French Monetary and Financial Code.

In its role as coordinator, the Investment Services Compliance Department collaborates with other BRED Group investment services providers (PROMEPAR Asset Management, SBE and Adaxtra Capital) and directly with Heads of Investment Services Compliance (HISCs) and the Heads of Compliance and Internal Control (HCICs), which each have personal professional accreditation from the AMF to ensure that control systems are consistent and effective at accredited subsidiaries.

Each year, it prepares an Annual Compliance Report (ACR) for the AMF on behalf of BRED and its subsidiary BRED Gestion. This general report presents a precise map of BRED's compliance. To account for the health situation, the deadline for submission, which is usually 30 April, has been postponed to 30 June 2020.

BRED Group's HISC is responsible for client assets. In this context, the HISC ensures the custody of the client's assets. Within the context of private equity activities, it performs the role of RCCI (Head of Compliance and Internal Control) for the management company Perspectives et Participations. On 10 August 2016, the AMF authorised Adaxtra Capital as a portfolio management company, in accordance with its business plan. As such, in order to meet regulatory requirements, each year it draws up the annual compliance report (ACR) and annual information form.

Organisation of the Department

The Investment Services Compliance Department consists of three areas of activity corresponding to the largest commercial sectors of the bank, namely branch network customers (Operations and Corporate & International Accounts), customers and counterparties of the Capital Markets Department, and private equity customers of the subsidiary Adaxtra Capital.

5.2 - Organisation of control

5.2.1 - Compliance Department

Non-compliance risks, in accordance with the decree of 3 November 2014, are analysed, measured, monitored and controlled by:

- constantly having an overview of those risks and the system in place to prevent or reduce them, including updating their identification as part of the mapping of non-compliance risks;
- ensuring that the most important risks are subject to controls and action plans aimed at improving their management, where necessary.

The control of non-compliance risk within BRED is based on mapping non-compliance risks and implementing mandatory first and second level permanent compliance controls. These are carried out either by the Compliance Department itself or by the Permanent Control Department, which reports the results of its controls to the Compliance Department and follows the resulting recommendations.

Client protection and compliance with banking regulations

The compliance of products and services marketed by BRED and the quality of the information provided reinforces customer confidence and contributes to the Bank's reputation. To maintain this trust, the compliance function places the concept of customer protection at the heart of its activities.
To this end, BRED employees are regularly trained on topics relating to customer protection in order to maintain the required standards in terms of quality of service. The first objective of the training is to communicate a culture of compliance and customer protection to new and/or existing sales force employees. In addition, ethics training has been put in place for all employees entitled “The essentials of professional ethics”.

Since 2020, product governance has been enhanced in accordance with regulations in this area. It is based on two mechanisms:

- historically, supervision and guidance take place prior to the implementation of new processes or the launch of new products, with final validation (unconditional or subject to prior conditions) issued by the New Products & Processes Committee, chaired by the Head of Risk, Compliance & Permanent Control. This Committee consists of the Head of Investment Services Security, the Head of Credit Risk, the Head of Permanent Control, the Head of Commitments, the Chief Legal Officer, the Data Protection Officer, the Chief Operating Risk Officer, the Chief Financial Officer and the Head of Compliance. Its remit covers BRED and subsidiaries that have delegated authority to BRED's Compliance Department;
- throughout the life of the product, through the roll-out of governance and oversight committees dedicated to each product range, enabling BRED to continuously monitor their entire life cycle to ensure that the interests, objectives and characteristics of the customer continue to be duly taken into account.
  The oversight mechanism for each product is proportional to the associated level of risk.

The Banking and Insurance Compliance Department produces an annual second level control and action plan for all the main themes associated with customer protection. These second level controls are performed directly by unit personnel or are entrusted to controllers from the Permanent Control Department on the basis of standards published by the Compliance Department.

The Banking and Insurance Compliance Department also manages the system for critical or major outsourced services (PECIs). It is responsible for determining the PECI criterion and identifying them. Like customer protection mechanisms, the Compliance Department is responsible for controlling the mechanism for identifying and monitoring PECIs.

Financial security

The prevention of money laundering and terrorist financing within BRED is based on a corporate culture, adapted processing, and the structure and supervision of activity.

- A corporate culture.

This culture, which is disseminated at all hierarchical levels, is based on:
  - KYC and customer relations principles for risk prevention which are formalised and are regularly relayed to staff;
  - a harmonised employee training system every two years and training specific to the financial security function.

- Adapted processing.

In accordance with the regulations relating to the organisation of internal control within credit institutions and investment firms, BRED has implemented means to detect unusual transactions adapted to its risk classification, making it possible to carry out any in-depth reviews necessary and reporting requirements to Tracfin (agency within the French Ministry of the Economy and Finance responsible for combating fraud, money laundering and terrorist financing) as quickly as possible. The risk classification incorporates the issue of “at-risk” countries (listed by the FATF, the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, Transparency International, the French Treasury for regions controlled by terrorist organisations, etc.).

With regard to compliance with restrictive measures relating to international sanctions, BRED has filtering tools that generate alerts on customers (freezing of the assets of certain persons or entities) and international flows (freezing of assets and countries subject to a European and/or US embargo). These mechanisms are deployed across all BRED Group subsidiaries.

- Structure.

BRED has a unit dedicated to financial security within the Compliance Department. This unit is made up of experts, trained specifically and regularly to fulfil its AML-CFT obligations. It is particularly responsible for reporting to Tracfin.

Based on applicable regulations and Groupe BPCE standards adapted to its specific needs, BRED defines its financial security policy and coordinates the AML-CFT function for the entire BRED Group.

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

  - First channel: 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. These analyses give rise to second-level controls carried out by the Permanent Control Department according to a methodology drawn up by the AML-CFT unit. These processes are also monitored by the AML-CFT unit, which conducts thematic analysis by sampling. If necessary, these controls lead to training and awareness-raising actions for the employees concerned;
  - Second channel: the financial crime unit carries out analyses on pre-determined themes (based on the identification of risk criteria, according to the activity, the geographic location of customers and/or counterparties, for instance), to supplement the control system.

- Supervision of activity.

The supervision of the financial crime unit's activity is based, as with other compliance areas, on regular internal reporting to senior managers, decision-making bodies and the central body. Additionally the Head of Compliance has 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 BRED Group. Where applicable, the Head of Compliance will forward a documented counter-analysis of the facts to General Management. The Head of Compliance may participate in Executive Committee meetings whenever necessary.

Anti-corruption

According to the IMF, corruption is defined as the “abuse of public office for private gain”. Any act of corruption is considered fraudulent, unethical and subject to major criminal and administrative sanctions.

BRED condemns corruption in all its forms and under all circumstances. In this context, it is a signatory of the UN Global Compact, the 10th principle of which concerns action “against corruption in all its forms, including extortion and bribery”.

Like Groupe BPCE, BRED has a Code of Conduct and Ethics and each employee must complete mandatory training to adopt the values and rules of that Code.

With the entry into force in 2016 of the Sapin II law on transparency, the fight against corruption and the modernisation of economic life, BRED Group committed to reviewing and supplementing its system in order to comply with the eight regulatory measures required.

Based on a corruption risk map which highlights areas requiring specific management procedures, corruption within BRED Group is prevented and detected in several ways:

- through mechanisms such as AML-CFT, fraud prevention, the monitoring of “politically exposed persons” and compliance with embargoes. In addition, BRED Group rolled out another KYC mechanism incorporating due diligence and tailored monitoring of its customers;

- by promoting employee compliance with professional ethics rules such as conflict of interest prevention policies; policies in relation to gifts, benefits and invitations; and the principles of confidentiality and professional secrecy. Disciplinary sanctions are in place for failure to comply with professional rules governing BRED Group’s activities;
- through the care accorded to political contributions or contributions to public officials, donations, sponsorship and patronage, as well as lobbying;
- by defining the boundaries of relations with intermediaries and business introducers;
- through regulatory training in the form of e-learning on the rules of professional ethics and anti-corruption.

To supplement its anti-corruption system, BRED Group provides its employees with the option to receive professional alerts and reports. This mechanism is incorporated into the internal rules of each BRED Group entity.

BRED also has accounting standards and procedures that comply with professional standards, with the aim of verifying the conditions for assessing, recording and storing information and the availability thereof, in particular by ensuring audit trails within the meaning of the Decree of 3 November 2014.
As part of the internal control structure, the effective implementation of first and second level control plans contributes to securing BRED Group’s plan to prevent and detect fraud, corruption and influence peddling. This use of control plans helps manage BRED Group's risks in general.

These mechanisms are formalised and detailed in the umbrella charter relating to the organisation of internal control and the risk, compliance and permanent control charter.

Management of BRED subsidiaries

For compliance issues, the Subsidiary Compliance Unit oversees BRED Group’s French and international subsidiaries by implementing a strong functional link with local compliance officers.
Supervision involves the definition of standards and the evaluation of all current and planned compliance mechanisms and is accompanied by close and regular monitoring.

5.2.2 - Investment Services Compliance Department

The Investment Services Compliance Department contributes to the mapping of non-compliance risks for BRED using Groupe BPCE’s repository.
In 2020, all second level PRISCOP control sheets from the RCSI repository were implemented, particularly to take into account the impacts of new regulations.
These sheets are linked to the mapping of investment services’ non-compliance risks. The reference system is common to all BRED Group institutions, except for specific controls relating to activities specific to BRED.

In this context, the RCSI carries out additional controls in the following areas:

- customer assets (in accordance with the Markets in Financial Instruments Directive II – MiFID II);
- monitoring of market transactions and customer transactions;
- origination activity;
- professional accreditation of traders and clearers.

The RCSI supervises the activities of Promepar Asset Management, BRED Gestion and the SBE on a functional basis in order to ensure that the control mechanisms at accredited subsidiaries are consistent and effective. The RCSI also carries out controls delegated by those subsidiaries in connection with service agreements.

For private equity activities, the Investment Services Compliance Department develops and provides the management company and subsidiary, Adaxtra Capital, with the second level control plan in accordance with its business plan.

5.3 - Highlights of 2020

5.3.1 - Compliance Department

As detailed at the beginning of the report, 2020 was marked by the COVID-19 health crisis. Like the whole BRED Group, the Compliance Department demonstrated resilience and adapted its intervention procedures in accordance with health rules while performing its duties, be they controls on mechanisms for customer protection, expertise or reporting to the ACPR or Tracfin, among others.

Like Groupe BPCE, BRED Group's Compliance Department continued to reinforce measures to improve the comprehensiveness and compliance of regulatory KYC dossiers in 2020. In particular, the IT tools were adapted to protect against initiating any relationship with an incomplete client regulatory dossier or without tax self-certification or with certain serious types of non-compliance. Corrective measures were also carried out in order to reduce the remaining number of incomplete dossiers (client targeting, communication kits, reporting). Lastly, work is underway to implement a system for updating regulatory KYC dossiers.

In response to stricter legislation for banks that is constantly changing, BRED Group continued its work to bring all areas into compliance in 2020. In particular:

- in terms of banking inclusion, BRED reinforced its support system for financially vulnerable customers in accordance with the Decree of 20 July 2020;
- in accordance with European regulations, BRED improved the management of its critical or major outsourced services;
- BRED Group launched a programme to update its KYC based on the risk of money laundering and terrorist financing;
- in terms of anti-money laundering:
    - BRED reinforced its monitoring system with the sales teams. With the support of the Sales Department, the processing of alerts has improved in due diligence and relevance;
    - the AML-CFT Department was reinforced in 2020 in order to better meet its due diligence requirements for Tracfin and to cope with the expansion of this activity;
    - new processes were put in place to boost protection against attempted fraud, particularly in the context of the health crisis (verification that no government-backed loans were previously granted in the event of a high suspicion of tax fraud, and combating fraudulent claims to short-time work benefits);
- in terms of the counter financing of terrorism, BRED continued to roll out its dedicated solution.

In terms of data protection and compliance with the European GDPR regulation, BRED continued its remediation work. As a risk-based approach, applications identified as critical from a data protection standpoint were fixed as part of this work to delete data at the end of defined retention periods. As for continuity, BRED established an action plan to process the remaining applications. The remediation programme to validate the Data Protection Impact Assessment (DPIA) was put in place, with an initial validation session at the highest level by the Chief Executive Officer.
Through the creation of a network of ad-hoc contacts within the ISD and the business functions, as well as the coordination of this network and the implementation of special training, BRED is fully in line with a sound and respectful approach to personal data protection for its customers, employees and all types of third parties with whom it is in contact.

Permanently linked to the ISD, the processes of setting up or upgrading our applications incorporate the concepts of privacy by design and privacy by default (protection of data from its design and the use of data reduced to that which is strictly necessary for processing purposes) as prerequisites to validate projects.

Compliance governance for subsidiaries continued to be reinforced both in terms of how subsidiary monitoring is organised and by steering group compliance projects:

- update of BRED Group AML-CFT risk mapping;
- launch of group AML-CFT projects (broad intra-group exchanges, AML-CFT permanent controls);
- definition and launch of the roll-out of new AML-CFT alert solutions based on 32 post-trade monitoring rules tailored to subsidiaries (target end of roll-out in 2021).

5.3.2 - Investment Services Compliance Department

The Investment Services Compliance Officer (ISCO) submitted 59 reports as a result of the regulatory watch in 2020.

The Investment Services Compliance Department established standards, policies and procedures and issued 337 opinions, particularly concerning supervision of new activities and new products or services involving financial instruments.

It organised several classroom-based and e-learning courses for employees in liaison with the Human Resources Department.
The entire corpus of RCSI procedures was reviewed in 2020 (44 procedures).
After its entry into force on 3 January 2018, the latest projects related to MiFID II, particularly the ability to suffer losses as part of the Savings programme, were implemented.

To deal with the problems related to the 2020 health crisis and to comply with the rules in this context, the DCSI followed the measures to adapt existing rules, particularly concerning business continuity for the capital markets activity, the reporting schedule, the application of the ban on creating and increasing net short positions and AMF certification.

In particular, the AMF highlighted the importance of maintaining the audit trail and recording conversations, handling suspicious transactions entailing possible market abuse and EMIR and MiFID II reports, particularly in times of crisis.

With regard to audit trail and conversation recording requirements, the second level control carried out in this area was sent to the AMF. This control was not subject to any comments from the regulator.

With regard to reporting transactions subject to EMIR (European Market Infrastructure Regulation) and RDT2 (Direct Transaction Reporting), the Investment Services Compliance Department also monitored and contributed to the reporting remediation. These were the core concerns of 2020.
Remediation will have to continue in the first half of 2021, particularly for the RDT2 and periodic assessment interview (APA) scope.

The system for handling complaints about financial instruments provides customers with transparent information regarding the complaint-handling procedure and implementation of corrective actions for problems identified. In 2020, 89 complaints, of which 21 concerning BRED shares, were dealt with effectively in liaison with the HISC.

As every year, the department established and implemented a second-level permanent control system to ensure the application of procedures within business lines and the control of non-compliance risks in relation to financial instruments. The control reports produced in this respect did not reveal any significant non-compliance risks beyond the reporting of areas for improvement that were the subject of recommendations.
In 2020, it corrected 73 anomalies identified during implementation of its second-level permanent control system to ensure the application of procedures within business lines and the control of non-compliance risks.

For the management company Adaxtra Capital, the body of procedures specific to the private equity business was reinforced and new procedures introduced, particularly concerning the marketing of products and services and investment advice. In relation to these procedures, the Investment Services Compliance Department has updated the dedicated control plan for Adaxtra Capital.

The Investment Services Compliance Directorate is equipped with a procedure for detecting transactions that may potentially constitute market abuse. The processing of alerts and the analysis of potential cases of market abuse are carried out using dedicated monitoring tools. In 2020, 19,604 alerts were analysed vs. 13,281 in 2019. The number of alerts generated by the systems has increased significantly in connection with the health crisis, resulting in a significant increase in the analyses carried out by the Investment Services Compliance Department. However, there was no impact on the time taken to process alerts and on the time limit for reporting suspicious activity to the AMF.

The Investment Services Compliance Department informed the Risk Committee and the Board of Directors of the main risks identified and the implementation and effectiveness of the risk management systems. It was also involved in establishing various reports for regulators.

6 – BUSINESS CONTINUITY

6.1 - Organisation and management of business continuity

Groupe BPCE's Business Continuity Plan or Emergency and Business Continuity Plan is organised by function and coordinated by Groupe BPCE's Business Continuity function, within BPCE's Compliance and Security Department.
Groupe BPCE's Business Continuity Manager oversees the Business Continuity function, which includes Business Continuity Plan Managers from Banques Populaires and Caisses d'Epargne, IT structures, BPCE SA, Natixis and other BPCE subsidiaries.
The Group entities' Business Continuity Managers report to the Groupe BPCE Business Continuity Manager, who is notified of Business Continuity Manager appointments.

BRED's business continuity reference framework was developed and validated by BRED's Business Continuity Plan Steering Committee on 31 December 2020.

The Groupe BPCE business continuity framework sets out the function's governance structure, which has three levels, which are called upon according to the nature of the decisions or validations required:

- the decision-making and management bodies of Groupe BPCE, in which Groupe BPCE's Business Continuity Manager participates to validate major strategic decisions and obtain rulings on key points as required;
- the business continuity function committee, an operational coordination body;
- the Group business continuity plenary forum, a national body for sharing information and identifying needs.

Groupe BPCE's Business Continuity Department defines, implements and, insofar as necessary, changes Groupe BPCE's business continuity policy.

The continuity measures, developed by BRED Group, meet the continuity requirements for fiduciary activities, market activities, securities activities and all activities falling within the regulatory obligations of banks and financial institutions.

BRED's Business Continuity Management System is a set of measures allowing the company to continue its activity if unforeseen events occur, in order to protect its customers, its directors, its shareholders, its employees, its assets and its image.

BRED's business continuity is based on:

- a strategy, a governance, resources, control systems and information reporting procedures;
- incorporation of continuity needs expressed by business lines when carrying out the Business Impact Assessment (BIA);
- support function skills;
- regular initiatives to raise employee awareness;
- regular training to improve behaviour and optimise the system.

The various data centres provide a high level of uptime and, for some services, offer functioning in active/active mode. Outsourcing of data to a remote data centre ensures data is preserved in the event of a major disaster.

The testing policy takes into account both the IT Disaster Recovery Plan and the fall-back plan for sensitive activities. A testing plan defines the exercises to be carried out and each exercise is prepared for and the subject of a detailed report followed up by corrective actions, if necessary.

6.2 - Work completed in 2020

The entire BRED Group BCP system was reviewed and updated in 2020 through the BIA campaign (Business Impact Assessment). The governance text relating to the BCP was also updated. Business recovery plan tests were conducted by the ISD teams.

The crisis management system was activated during the health crisis and the decision-making crisis unit was mobilised.

The solutions deployed to manage the COVID-19 crisis validated BRED's BCP. All business lines were able to continue working remotely during the health crisis.
A new e-learning course was rolled out by the Group and made available to all employees on the “click and learn” platform.

7 - INFORMATION SYSTEM SECURITY

7.1 - Organisation and management of information system security

Within the information technology and communication risk management system, the Group Security Department (GSD) is in charge of Information System Security (ISS) and the fight against cybercrime. The Group Security Department reports to the Group General Secretariat.
Groupe BPCE's information system security is organised by function, managed by the Group Security Department. The department defines, implements and develops the Group ISS policy.

The GSD:

- coordinates the ISS function, bringing together the Information System Security Officers (ISSOs) of parent company affiliates, subsidiaries and IT EIGs;
- oversees the second level permanent control system and the consolidated control of the ISS function;
- initiates and coordinates Groupe BPCE's risk reduction projects;
- represents Groupe BPCE in relation to interbank market institutions and public authorities within its field.

Since March 2020, BPCE-IT's Governance, Risk and Second Level Controls activity has been transferred to DSG:

- the BPCE-IT ISS governance activity is now the responsibility of Group ISS;
- the Risk and Security Controls activity is carried out within a new entity reporting to the GSD.

BRED Group's ISSOs and, more broadly, all parent company affiliates, direct subsidiaries and IT EIGs report functionally to the Group ISSO. This functional link means that:

- any appointment of an ISSO is notified to the Group ISSO;
- Groupe BPCE's ISS policy is adopted within the institutions and each local ISS policy is submitted to Groupe BPCE's ISSO prior to implementation within the institution;
- reporting on institutions' level of compliance with Groupe BPCE's ISS policy, ISS permanent control, ISS risk level, the main ISS incidents and actions taken are sent to Groupe BPCE's ISSO.

At BRED Group level, all entities have an Information System Security function. All of these parties report to BRED Group's ISSO. She/he is in charge of the ISS and Business Continuity Department under the responsibility of the General Secretariat. The responsibilities of the main players involved in the ISS policy, their rights and duties are defined in ISS roles and responsibilities sheets.

7.2 - Monitoring risks relating to Information System Security

Groupe BPCE has developed a Group ISS Policy, associated with Groupe BPCE's risk, compliance and permanent control charter. This policy defines the guiding principles for the protection of Information Systems (ISs) and sets out rules to be complied with by all Groupe BPCE institutions in France and abroad, and, by means of agreements, by any third party entity that accesses the ISs of one or more Groupe BPCE institutions.

The Group ISS Policy contains the Group's security requirements. It consists of an ISS framework based on Groupe BPCE's risk, compliance and permanent control charter—391 rules divided into 19 themes and three organisational instruction documents. The latest review of the Group ISS Policy took place in 2019 and takes into account, among other things, the results of the work to assess compliance and estimate the importance of each of the Group ISS Policy rules, carried out during the year with all institutions, as well as changes to BRED Group's organisation and governance. The Group ISS Policy is a Groupe BPCE framework with which each institution must comply. As such, BRED Group approved this policy at the Control Functions Coordination Committee in the second quarter of 2019.

Each BRED Group entity has undertaken an assessment of its compliance with this security policy with a deadline set at the end of 2020. Groupe BPCE's policy is applied in full by all BRED Group entities (excluding scopes not affected).

As part of the Group's programme to comply with the requirements of the European General Data Protection Regulation (GDPR), a GDPR project support mechanism (including digital projects) has been launched, designed to be compatible with an "agile" development cycle.

Groupe BPCE is also particularly vigilant in combating cybercrime. A 24/7 unified Group Security Operation Center (SOC) including a level 1 is open. Several measures were continued in this respect in 2020 in order to strengthen procedures for combating cybercrime:

- security work on websites hosted externally;
- security testing capabilities for websites and improved applications;
- implementation of a responsible flaw disclosure programme by Groupe BPCE CERT.

7.3 – Raising employee awareness of cybersecurity

In addition to maintaining the Group's shared foundation for raising awareness of ISS, 2020 was marked by the implementation of a new ISS training and awareness plan and participation in the "European Cybersecurity Month".
Within the scope of BPCE SA, as part of the work on authorisations, 168 applications are now included in the scope of review of authorisation management rights and procedures. In addition to these application reviews, rights to information system resources (mailing lists, shared mailboxes, shared files, etc.) are also reviewed.

New employee awareness and training campaigns were also carried out:

- GDPR training course for project managers and supply managers;
- phishing test and phishing awareness campaign;
- participation in induction meetings for new employees.

7.4 - Work completed in 2020

At Groupe BPCE level, the project continued to develop an exhaustive ISS map of the Group's information systems, including the private information systems of the institutions.

Two major projects were initiated:

- development of a Group security framework based on the NIST framework to regularly assess the maturity of the group on the five pillars (Detect, Identify, Protect , Respond, Recover), set concrete targets and steer actions;
- Group Identity and Access Management (IAM) program with the following objectives:
    - have Group standards for people, applications and organisations;
    - implement Group IAM governance;
    - integrate, if possible, all Group applications in the IAM with automatic data population and an overall view of authorisations.

BRED Group and its subsidiaries are also particularly vigilant in the fight against cybercrime. Several actions were continued in this respect in 2020, in order to strengthen procedures for combating cybercrime:

- implementation of a three-year action plan on IS security and business continuity for BRED Group;
- continued reinforcement of BRED's Security Operation Center (SOC) initiated in 2019 (which will continue over the next three years) and improved detection of atypical flows and events within information systems (detection of cyberattacks);
- interaction between Groupe BPCE's CERT (Computer Emergency Response Team) and the InterCERT-FR community supervised by ANSSI and the European TF-CSIRT community;
- active involvement by BRED in the VIGIE community, the group's collective vigilance system for Banques Populaires and Caisses d'Epargne in order to improve exchanges and monitoring concerning those institutions' private information systems;
- intensification of supervision and protection measures related to external fraud in response to increased phishing fraud;
- strengthening the control environment, with:
    - continued implementation of a classification of information assets according to the Groupe BPCE methodology (DICP and INFOJR);
    - roll-out of the first level control procedure with the aim of finishing the roll-out in 2021;

- o implementation of the second level permanent control procedure despite the crisis (COVID-19).

In addition, special communications are made based on the occurrence of security events, in addition to the procedures presented by Groupe BPCE (particularly during lockdown periods related to COVID-19). In the event of an IS Security incident categorised as “major”, the alert and crisis management process is activated, as defined by the Emergency and Business Continuity Plan Manager.

8 - EMERGING MARKET RISK

Groupe BPCE pays particular attention to anticipating and managing emerging risks in light of the constantly changing environment. As such, a forward-looking analysis identifying the risks that may impact Groupe BPCE is carried out every six months by the central body.

The global COVID-19 pandemic and lockdowns in most countries led to a sharp and sudden contraction of economies. This crisis, the duration and intensity of which remains uncertain, has profoundly altered the environment in which Groupe BPCE's activities are carried out. It greatly increased the intensity of shocks caused by the various types of risks affecting our business lines. The risk of future deterioration in the Group's credit portfolios currently appears to be significant. The impact of the health crisis, which has been particularly serious for certain sectors, the increase in corporate debt to overcome it, particularly through government-backed loans, as well as the expected rise in unemployment despite short-time work measures, appear to indicate the future deterioration of Groupe BPCE's exposures and an inevitable and potentially significant rise in the cost of risk.

The low interest-rate environment continues to impact the profitability of commercial banking activities, given the preponderance of fixed-rate housing loans, as well as the life insurance business.

The international geopolitical environment remains under close observation, with geopolitical tensions continuing to weigh on the global economic environment and fuelling uncertainties.

The continued digitisation of the economy and financial services goes hand-in-hand with non-stop vigilance from banks facing cyber risks. The sophistication of attacks and any vulnerabilities in the banks' information systems are two major challenges for Groupe BPCE in relation to the regulator's expectations.

Groupe BPCE is very attentive to changes in the regulatory environment and the supervisory body's requests, particularly on new provisioning standards, guidelines on NPLs, and in particular the new definition of default and the finalisation of Basel III.

Climate change and social responsibility play an ever-growing role in the risk management policy.

Operational risks are closely monitored, with the application of crisis management procedures when necessary.

9 - CLIMATE RISK

Aware of its major role in supporting the energy and ecological transition to a low-carbon economy, BRED is continuing the actions undertaken to address and reduce climate risk. BRED's approach falls within the scope of Article V of Article 173 of the Energy Transition Law for Green Growth.

9.1. - Organisation and governance

In June 2020, BRED appointed a Climate Risk Correspondent within its Risk Department, as part of the creation by BPCE of the Climate Correspondents function, in accordance with the ACPR's recommendation in its report entitled "*Governance and management of climate-related risks by French banking institutions: some good practices*" of May 2020. Its missions are as follows:

- monitoring the latest developments in the work of the Climate Risk Department in order to be able to report them to the Head of Risk, Compliance and Permanent Control at BRED, and even to the management bodies;
- being the local point of contact for the Group's work with the teams involved in order to raise awareness, implement this work and enable internal discussions on these topics;
- being informed of regulatory changes and market exchanges that could impact the activities of institutions;
- responding to requests from dedicated working groups on certain projects.

The bank's policy and actions in this area are notably formalised as part of BRED's annual Declaration of Extra-Financial Performance. This report is based on extra-financial risk mapping, updated annually in consultation with the General Management, and is presented to the Executive Risk Committee and the extended Executive Committee.

Finally, BRED's Corporate Social Responsibility (CSR) function plans to gather a network of CSR correspondents representing each business line at BRED four times a year to address CSR issues and actions, incorporating climate risk.

9.2. - Integration of Environmental, Social and Governance criteria

Since June 2018, BRED's general credit risk policy has incorporated the consideration of extra-financial analysis criteria in the credit decision process. In 2020, 66.4% of loan applications in excess of €1m submitted to BRED's Credit Committee were subject to an analysis of Environmental, Social and Governance (ESG) risks.

BRED's key indicators for managing the Corporate Social Responsibility (CSR) policy incorporate the reduction of its direct and indirect environmental impacts. Measures have been taken to reduce these risks in all areas of its business.

The indirect impacts are:

- the integration into BRED's credit policy of the systematic analysis of ESG risks linked to the financing granted by BRED to corporate customers employing more than 500 employees;
- the integration of ESG criteria into Groupe BPCE's sector profiles;
- the financing of renewable energies through direct funding for projects and BRED's participation in dedicated investment funds; the financing of thermal renovation;
- the integration of a range of socially responsible investment (SRI) UCITS, accessible to our customers in the form of unit-linked life insurance, securities housed in a share plan or an ordinary securities account. In view of the success of this form of savings, BRED has developed its own SRI management service, entrusted to BRED's management company, PREPAR.

The direct impacts are:

- the annual updating of BRED's carbon footprint, based on scopes 1, 2 and 3 as defined by the ADEME, which measures carbon emissions relating to energy, travel, real estate and purchasing;
- the implementation of action plans aimed, for example, at the energy efficiency of buildings and reducing the impact of employee travel;
- that since 2019, BRED's greenhouse gas emissions balance sheet has been published on the ADEME website.

Since 2019, BRED's macro-level risk mapping has included climate risks in the “Strategic, Business and Ecosystem Risk” category.
In addition, the physical impact of climate risk is taken into account by BRED, particularly in terms of business continuity.

9.3. Raising awareness and training

In July 2020, Groupe BPCE rolled out Climate Risk Pursuit, an interactive climate risk training tool developed by BPCE's Risk Department in conjunction with BPCE's CSR/Sustainable Development Department. It aims to raise all Group employees’ awareness of climate risks, their impacts and ESG issues. This interactive training module, which is accessible on Groupe BPCE's “click and learn” training platform, teaches via fun games. This launch was relayed on BRED's intranet.

10 - OTHER RISK FACTORS

The risk factors presented below concern Groupe BPCE as a whole, including BRED Group, and are described in full in the Groupe BPCE annual universal registration document.
The banking and financial environment in which BRED Group and, more widely, Groupe BPCE 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 BRED Group is exposed are identified below. It is not an exhaustive list for either BRED Group or Groupe BPCE (please refer to the annual universal registration 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 Groupe BPCE to be insignificant, the risks presented below could have a major negative impact on its business, financial situation and/or results.

10.1 - Credit and counterparty risk

Default and counterparty risk

Groupe BPCE is exposed to credit and counterparty risks likely to have a material adverse effect on the Group's activity, financial position and income.

Groupe BPCE is significantly exposed to credit and counterparty risk due to its financing and capital markets activities. The group could therefore suffer losses in the event of a default by one or more counterparties, particularly if the group encounters legal or other difficulties in taking possession of its collateral or if the value of the collateral does not fully cover the exposure in the event of default. Despite the due diligence carried out by the Group aimed at limiting the concentration of its credit portfolio, it is possible that counterparty defaults may be amplified within the same economic sector or region of the world due to the interdependence of these counterparties. Thus, the default of one or more major counterparties could have a significant adverse effect on the Group's cost of risk, income and financial position.

A substantial increase in impairments or provisions for expected credit losses recognised for Groupe BPCE's loan and receivables portfolio could have a material adverse effect on its income and financial position.

Within the context of its lending activities, Groupe BPCE, including BRED Group, regularly records provisions for asset impairment in order to reflect as needed 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 Groupe BPCE’s asset impairment provisions 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 Groupe BPCE entities, including BRED Group, aim to record sufficient provisions for asset impairment, 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 or factors affecting certain countries. Any significant increase in provisions for losses on loans or a significant change in Groupe BPCE’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 Groupe BPCE’s income and financial position.

A deterioration in the financial solidity and performance of other financial institutions and market players may have an unfavourable impact on Groupe BPCE.

Groupe BPCE’s ability to execute transactions may be affected by a deterioration in 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.

Groupe BPCE 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 customers with which it enters into transactions on a regular basis, which in turn exposes it to a potential insolvency risk if one or more Groupe BPCE counterparties or customers were to default on their commitments. In addition, Groupe BPCE could be exposed to the risk associated with the growing involvement in its business sector of players subject to little or no regulations and the emergence of new products subject to little or no regulations (particularly collaborative financing or trading platforms). This risk would be exacerbated if the assets held as collateral by Groupe BPCE could not be sold, or if their selling price would not cover all Groupe BPCE's exposure to loans or derivatives in default, or in the event of default of a major market player such as a central counterparty.

10.2 - Financial risk

Liquidity risk

Groupe BPCE is dependent on its access to financing and other sources of liquidity. This access may be limited for reasons beyond its control, which could have a significant adverse effect on its results.

Interest-rate risk

Significant variations in interest rates may negatively impact Groupe BPCE's net banking income and profitability.

The amount of net interest income received by BRED 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 Groupe BPCE's income. Interest rates are highly sensitive to various factors that may be outside the control of Groupe BPCE. Over the past decade, interest rates have generally been low, but they could rise and Groupe BPCE may not be able to immediately pass on this change. Changes in market interest rates may affect interest rates on interest-bearing assets differently from interest rates paid on interest-bearing liabilities. Any unfavourable trends in the yield curve may trigger a decline in net interest income from lending and associated refinancing activities.

Liquidity Risk in trading portfolios and bank portfolios

Prolonged market downturns may reduce market liquidity, undermining the ability to sell certain assets and, consequently, give rise to losses.

Credit spread risks

The downward trend in credit ratings could have a negative impact on refinancing costs, profitability and continuation of BPCE's activities.

Credit ratings have a major impact on the liquidity of BPCE and that of its affiliated parent companies and subsidiaries, including BRED Group, which operate in the financial markets. Lower ratings could affect the liquidity and competitive position of Groupe BPCE, increase its financing costs, restrict its access to capital markets and trigger clauses in certain bilateral contracts covering trading, derivatives and collateralised refinancing transactions.

Foreign-exchange risk

Changes in exchange rates may have a material impact on Groupe BPCE's results.

Groupe BPCE 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.

10.3 - Non-financial risks

Non-compliance risk

In the event of non-compliance with applicable laws and regulations, Groupe BPCE may be exposed to significant fines and other administrative and criminal penalties likely to have a material adverse impact on its financial position, business and reputation.

The banking and insurance sectors are subject to strict regulatory supervision, both in France and abroad. In recent years, there has been a material increase in the volume of new regulations that have introduced significant changes affecting both the financial markets and the relationship between investment service providers and customers or investors (such as MiFID II, PRIIPS, the Insurance Distribution Directive, the fifth Anti-Money Laundering and Counter-Terrorist Financing Directive, and GDPR). These new regulations have a major impact on the company's operations.

The manifestation of the risk of non-compliance could result in, for example, the use of inadequate means to promote and market the bank's products and services, inadequate management of potential conflicts of interest, disclosure of confidential or inside information, non-compliance with the due diligence procedures for entering into a relationship with suppliers and customers, particularly in terms of financial security (notably anti-money laundering and the counter financing of terrorism, compliance with embargoes, and combating fraud or corruption).

BRED Group has a system for preventing and controlling non-compliance risks. Despite this system, it remains exposed to the risk of fines or other significant penalties by regulatory and supervisory authorities, as well as to civil or criminal legal proceedings that could have a material adverse impact on its financial situation, business and reputation.

Legal and reputational risks

Reputational risk could unfavourably impact Groupe BPCE’s profitability and business outlook.

The reputation of Groupe BPCE is fundamental in order to be able to attract and retain its customers. The use of inappropriate means to promote and market its products and services, or the inadequate management of potential conflicts of interest, legal and regulatory requirements, ethical issues, anti-money laundering laws, combating terrorism, requirements under economic sanctions, information security policies and sales and trading practices, or any other improper behaviour, may harm the reputation of Groupe BPCE. 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 Groupe BPCE’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 Groupe BPCE could also increase, in addition to the number of lawsuits and the amount of damages claimed from Groupe BPCE, and expose the Group to sanctions from the authorities.

Security and information system risks

Any interruption or failure of Groupe BPCE's or third parties' IT systems may result in losses, particularly commercial losses, and could have a significant adverse impact on Groupe BPCE's income.

As is the case for the majority of its competitors, Groupe BPCE 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 Groupe BPCE'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 Groupe BPCE'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 Groupe BPCE's systems to adapt to an increasing number of transactions may also limit its ability to develop its activities.

Groupe BPCE 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, Groupe BPCE may also become increasingly exposed to the risk of the operational malfunction of its customers' information systems. Groupe BPCE's communication and information systems and those of its customers, service providers and counterparties may also be subject to malfunctions or interruptions resulting from the actions of cybercriminals or cyberterrorists. Groupe BPCE 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 Groupe BPCE's activities and trigger material losses and additional costs.

Performance, delivery and process management risks

The failure or inadequacies of Groupe BPCE's policies, procedures and risk management and hedging strategies may expose it to unidentified or unexpected risks which may trigger material losses.

Groupe BPCE's risk management and hedging policies, strategies and procedures may not be effective enough to limit its exposure to all types of market environments or all kinds of risks, or may not even apply for risks that the group was unable to identify or anticipate. The risk management techniques and strategies adopted by the Group do not guarantee an actual lowering of overall risk.

10.4 - Strategic, business and ecosystem risk

Pandemic risks

The ongoing coronavirus (COVID-19) pandemic and its economic consequences could negatively affect Groupe BPCE's business, income and financial position.

The emergence of COVID-19 at the end of 2019 and the rapid spread of the pandemic throughout the whole world led to a deterioration in the economic situation in many business sectors, financial damage to economic players and a heavy disruption of the financial markets, while the countries affected were also incited to take health measures to respond to the pandemic (closing of borders, lockdown measures, restrictions on certain economic activities, etc.). In particular, the severe recession suffered by affected countries and the reduction in global trade have had and will continue to have a negative impact on the global economic climate for as long as global production, investment, supply chains and consumer spending are affected, thereby impacting the group's business and its customers and counterparties.

The resurgence of the virus in the autumn of 2020 led to further restrictions (another lockdown in France and in a number of European countries) and, despite a rebound during the summer, the economic environment could continue to deteriorate. A virus that remains active could lead to the extension or repetition of restrictive measures for several months, thereby negatively affecting Groupe BPCE's business, financial performance and income.

In response, massive fiscal and monetary policy measures to support business were set up by the French government (government-backed loans for businesses, professionals and individuals, short-time work measures as well as other tax, social and bill payment measures) and by the European Central Bank (more abundant and less expensive access to substantial refinancing budgets). In this context, Groupe BPCE, and in particular BRED Group, actively participated in the French government-backed loan programme and has taken special measures to provide financial support to its customers and help them overcome the effects of this crisis on their businesses and revenues (for example, the automatic postponement of six-month loan maturities for certain professionals and VSEs/SMEs). However, there is no guarantee that such measures will be sufficient to offset the negative effects of the pandemic on the economy or stabilise the financial markets fully and sustainably.

This should lead to a significant increase in Groupe BPCE's cost of risk and the amount of provisions for credit risk. However, the impact in 2020 is mitigated by government support measures for businesses and individuals.

More generally, this epidemic poses a risk to Groupe BPCE, to the extent that (i) it causes organisational changes (such as remote work) that may lead to operational risk; (ii) it slows money market exchanges and could have an impact on liquidity provisions; (iii) it increases the liquidity needs of customers and thus the amounts loaned to these customers in order to enable them to withstand the crisis; (iv) it could lead to an increase in corporate defaults, particularly among the most vulnerable companies or in the most exposed sectors; and (v) it causes sharp movements in the valuations of market assets, which could have an impact on the capital markets activity or on institutional investments.

The progression of the COVID-19 situation (uncertainty as to the duration, scale and future trajectory of the pandemic, the implementation of new lockdown measures or restrictions in the event of additional epidemic waves) is a significant cause of uncertainty and makes it difficult to predict the overall impact on the Group's main markets and more generally on the global economy. At the date of filing this document, taking into account the support measures mentioned above, the impact of this situation on Groupe BPCE's business lines, its results (NBI and cost of risk in particular) and its financial position (liquidity and solvency) remains difficult to quantify.

Climate risks

Physical and transition climate risks and their consequences on economic players could negatively affect Groupe BPCE's business, income and financial position.

Risks associated with climate change are factors exacerbating existing risks, including credit risk, operational risk and market risk. BPCE is particularly exposed to physical climate risk and transition climate risk.

Physical risk results in an increase in economic costs and financial losses due to the severity and frequency of extreme weather events related to climate change (such as heat waves, landslides, floods, fires and storms) as well as long-term climate changes (such as changes in precipitation, extreme weather variability, and the rise in sea levels and average temperatures). It may have an impact of considerable scope and magnitude likely to affect a wide variety of geographical areas and economic sectors in which Groupe BPCE is involved.

Transition risk is linked to the process of adjusting to a low-carbon economy. The process of reducing emissions is likely to have a significant impact on all sectors of the economy by affecting the value of financial assets and corporate profitability. The increase in costs associated with this energy transition for economic players, both businesses and individuals, could lead to an increase in defaults and thus significantly increase Groupe BPCE's losses.

Macroeconomic risk

Groupe BPCE may be vulnerable to political, macroeconomic and financial environments or to specific circumstances in countries in which it operates.

A significant change in the political or macroeconomic environment of these countries or regions could result in additional expenses or reduce the profits generated by Groupe BPCE.

A serious economic disruption such as the 2008 financial crisis, the sovereign debt crisis in Europe in 2011 or the development of a real epidemic such as coronavirus (of which we still do not know the scale and the final duration) could have a significant negative impact on all Groupe BPCE's activities, particularly if the disruption is characterised by a lack of market liquidity making financing difficult for Groupe BPCE. Some risks do not fall under the spontaneous cycle due to their external nature, including the consequences of Brexit, the deterioration in the quality of corporate debt worldwide (i.e. the leveraged loan market) and the threat of an even worse spread of the epidemic, all in the very short term, or even the climate issue in the longer term. During the last two financial crises of 2008 and 2011, the financial markets were subject to high volatility in response to various events, including, inter alia, the drop in oil and commodity prices, the slowdown and turbulence on the economic and financial markets, which directly or indirectly impacted several Groupe BPCE activities, and particularly securities transactions and financial services.

BRED Group's business is particularly sensitive to the domestic economic environment and that of the regions in which it operates abroad.

Strategic and business risk

The performance posted by Groupe BPCE is likely to differ from the objectives in the 2018-2020 strategic plan for a variety of reasons, including the appearance of one or more of the risk factors described in this section. If Groupe BPCE does not achieve its objectives defined in the 2018-2020 strategic plan, its financial position and the value of its financial instruments could be adversely affected.

Groupe BPCE implemented a strategic plan over the 2018-2020 period which focused on: (i) the digital transformation, in order to seize the opportunities created by the technological revolution underway; (ii) its commitment to customers, employees and members; and (iii) growth in all Groupe BPCE’s core businesses. This document contains forward-looking information that is inherently subject to uncertainty.

In particular, as part of the 2018-2020 strategic plan, Groupe BPCE announced several financial targets, including revenue synergies between the Banque Populaire and Caisse d'Epargne networks and Natixis’ business lines, as well as cost-cutting targets. In addition, Groupe BPCE also published targets relating to capital and TLAC (Total Loss Absorbing Capacity) ratios, strategic initiatives and priorities, and the management of the cost of risk relative to outstanding loans. 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 performance posted by Groupe BPCE is likely to differ from these objectives for a variety of reasons, including the appearance of one or more of the risk factors described in this section. If Groupe BPCE does not achieve its objectives, its financial position and the value of its financial instruments could be adversely affected.

The completion of the strategic plan is part of the very specific context of the coronavirus crisis, which affects all of the Group's business lines. In a weakened economic environment, particularly due to the nation-wide lockdown in France, the commercial activity of our business lines has been resilient and has returned to a more normal or even very dynamic level since June, with active support for all our customers during this period. The economic crisis will be deep and will continue to materialise with a higher cost of risk than normal in the coming quarters. The group is preparing for this by seeking to support all its individual, professional and corporate customers who will be hit hard by the effects of the recession. It will continue to rely on solid fundamentals: its financial solidity, the strength of its brands, its regional roots, the momentum of its business lines, and the effectiveness of its Digital Inside strategy.

Some of the 2020 financial objectives of the TEC 2020 strategic plan were undermined by the deterioration of the economic and financial outlook in connection with the spread of this health crisis and related uncertainties (e.g. macroeconomic scenarios that could impact credit risk estimates, market levels impacting valuations, etc.). A new medium-term strategic plan will be presented in June 2021.

The actual values posted may differ from the accounting estimates used to prepare Groupe BPCE's financial statements, which could expose it to unexpected losses.

In accordance with IFRS standards and interpretations currently in force, Groupe BPCE, including BRED Group, must use certain estimates when preparing its financial statements, i.e. accounting estimates to determine provisions for non-performing loans and receivables, provisions relating to potential disputes, and the fair value of certain assets and liabilities, etc. If the values used for these estimates by Groupe BPCE prove to be materially inaccurate, particularly in the event of significant and/or unexpected market trends, or if the methods for determining them are modified under future IFRS standards or interpretations, Groupe BPCE may be exposed, where applicable, to unexpected losses.

Increased competition both in France, its largest market, and abroad may weigh on net banking income and profitability.

Groupe BPCE'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. Consolidation has created a number of companies which, like Groupe BPCE, have the ability to offer a wide range of products and services, ranging from insurance, loans and deposits to brokerage, investment banking and asset management. Groupe BPCE, including BRED Group, competes with other entities on the basis of a number of factors, including the performance of the products and services offered, innovation, reputation and price. If Groupe BPCE, including BRED 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 Groupe BPCE's main markets is likely to enhance competitive pressure, in particular through greater pricing pressure and a slowdown in business volume for Groupe BPCE 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 Groupe BPCE's products and services or affect the Groupe BPCE's market share. Technological advances may give rise to rapid and unforeseen change in the markets in which Groupe BPCE operates.

The capacity of BRED and, more generally, of Groupe BPCE to attract and retain skilled employees is paramount to the success of its business and failing to do so may materially affect its performance.

10.5 - Regulatory risk

Groupe BPCE is subject to heavy 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 income of Groupe BPCE.

The business and results of Group BPCE entities, including BRED Group, may be materially impacted by the policies and actions of various regulatory authorities in France, other European Union countries, the United States, foreign governments and international organisations.

Such constraints may limit the ability of Groupe BPCE 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 beyond the control of Groupe BPCE. In addition, the general political environment has changed adversely for banks and the financial sector, resulting in additional pressures on legislative and regulatory bodies to adopt enhanced regulatory measures, although they may penalise credit and other financial activities, as well as the economy. Given the continuing uncertainty related to new legislative and regulatory measures, it is impossible to predict their impact on Groupe BPCE, but it could be significantly adverse.

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 Groupe BPCE operates;
- a general change in regulatory requirements, including prudential rules relating to the capital adequacy framework;
- 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 Groupe BPCE.

Tax legislation and its application in France and in countries where Groupe BPCE operates are likely to have a significant impact on Groupe BPCE's income

As an international banking group that carries out large and complex international transactions, Groupe BPCE, including BRED 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 Groupe BPCE's results. Groupe BPCE has established management methods with the aim of creating value based on the synergies and commercial capacities of its various entities. Groupe BPCE also seeks to structure the financial products sold to its customers with the aim of maximising their tax benefits. The structures of intra-group transactions and financial products sold by Groupe BPCE entities are based on its own interpretations of applicable tax laws and regulations, generally on the basis of opinions from independent tax advisers and, where necessary, specific decisions or interpretations by the relevant tax authorities. 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.

Holders of Groupe BPCE securities could incur losses if BPCE were subject to resolution procedures.

Resolution proceedings may be initiated against Groupe BPCE 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 customer 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 are vested with broader powers to be able to implement other resolution measures with regard to defaulting institutions or, in certain circumstances, their groups, which may include: 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 debtor 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.

6

Declaration of extra-financial performance

1 - OUR CSR POLICY

1.1 - A CSR approach inspired by cooperative values

Faithful to its cooperative values, BRED aligns its activities with society's expectations by always developing an approach based on Corporate Social Responsibility, promoting proximity and a close attachment to wider society and respecting human values. Through our CSR approach, BRED seeks to develop a differentiating cooperative model around the triptych of customers/staff/members. This strategy was confirmed by the definition of the purpose or "*raison d'être*", within the meaning of the Pacte law in 2019: "resolutely cooperative and innovative, BRED provides a sustainable and close relationship to support all those who live and work in each region".

Diversity and independence of governance

BRED was created in 1919 and has always preferred a medium to long-term approach facilitated by capital and reserve management rules, as set out in the table below.

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 return.**
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.**

Our member, who are the only holders of BRED's share capital, are also all customers. They ensure BRED's independence from the financial markets. Thus, the bank's activity remains solely focused on serving its customers and its territories.

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 2020, BRED had 20 directors, two of which were employee representatives.

The National Federation of Banques Populaires (FNBP) is responsible for creating and instilling a common culture among the directors of the various Banques Populaires banks. FNBP's mission is to contribute to the individual and collective skills of members of the Boards of Directors, by offering tailored training.

Finally, to meet regulatory requirements concerning the annual assessment of the Board of Directors' operations, BRED also set up an assessment system in the form of a questionnaire.

The law of 10 September 1947 defining co-operative status enshrines the principle by which cooperatives submit themselves to a cooperative review procedure every five years. This obligation, previously applied to agricultural cooperatives, was extended by the ESS law of 31 July 2014 to all cooperatives, regardless of their business sector.

The purpose of this review, carried out by an independent auditor, is to verify their organisation's compliance and operation according to cooperative principles and rules. The cooperative review is a positive act of cooperative governance. In 2018, BRED appointed its cooperative auditor, which presented its report at the annual general meeting of BRED members in May 2019. In May 2020, the auditor presented an update to the report at the annual general meeting.

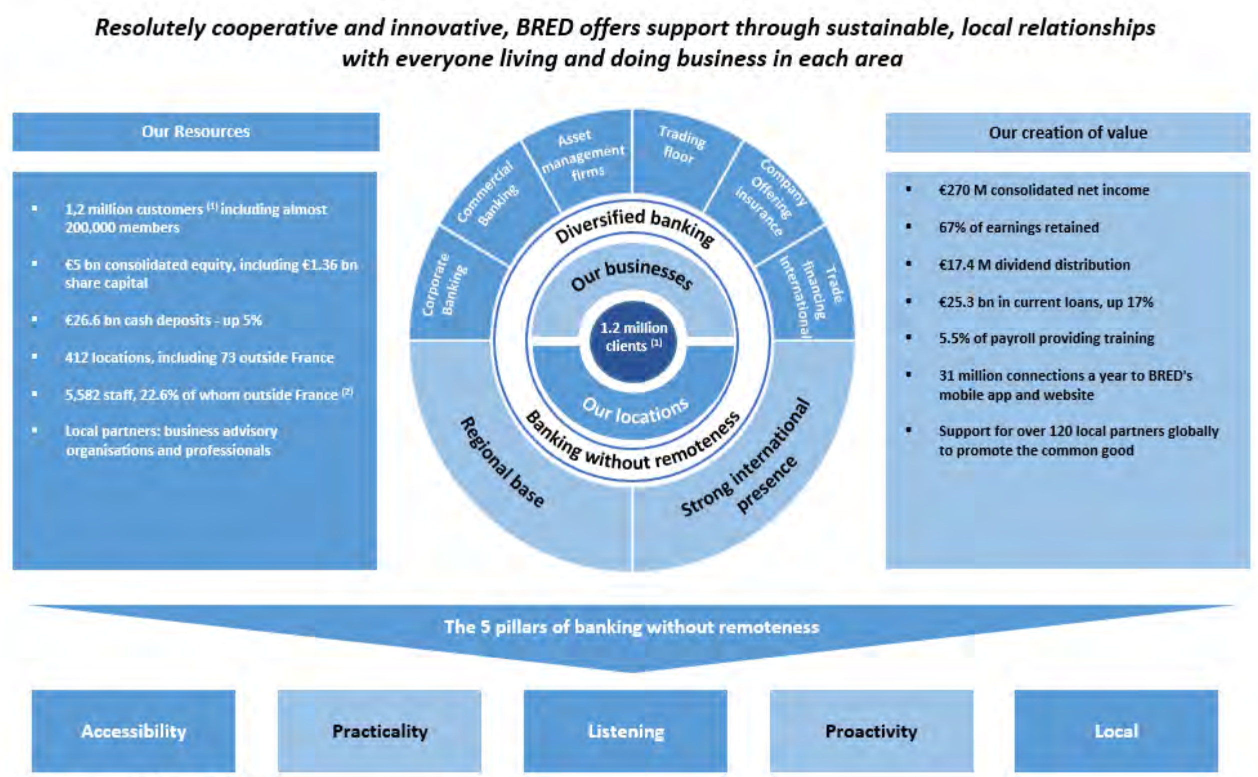
Mobilisation, coordination and promotion of cooperative life

At December 31, 2020, BRED had 191,978 cooperative members, down slightly due to the postponement of the capital increase initially planned in 2020 to 2021. Cooperative members are regularly invited to local information meetings and exchanges. In 2020, the COVID-19 health crisis led us to postpone most of these meetings.

BRED COOPERATIVE			
MEMBERSHIP	2020	2019	2018
Number of cooperative members at 31/12	191 978	194,869	189,367
Annual increase in the number of cooperative members	- 1.5%	2.9%	4.3%
Average capital held per member	€7,166	€6,988	€6,211

Members have a dedicated section on BRED's website, giving them access to specific information as well as banking and other benefits. They also receive a quarterly newsletter. The University of Banques Populaires Directors, which brings together the bank's directors and senior executives every two years, is a real highlight of cooperative life.

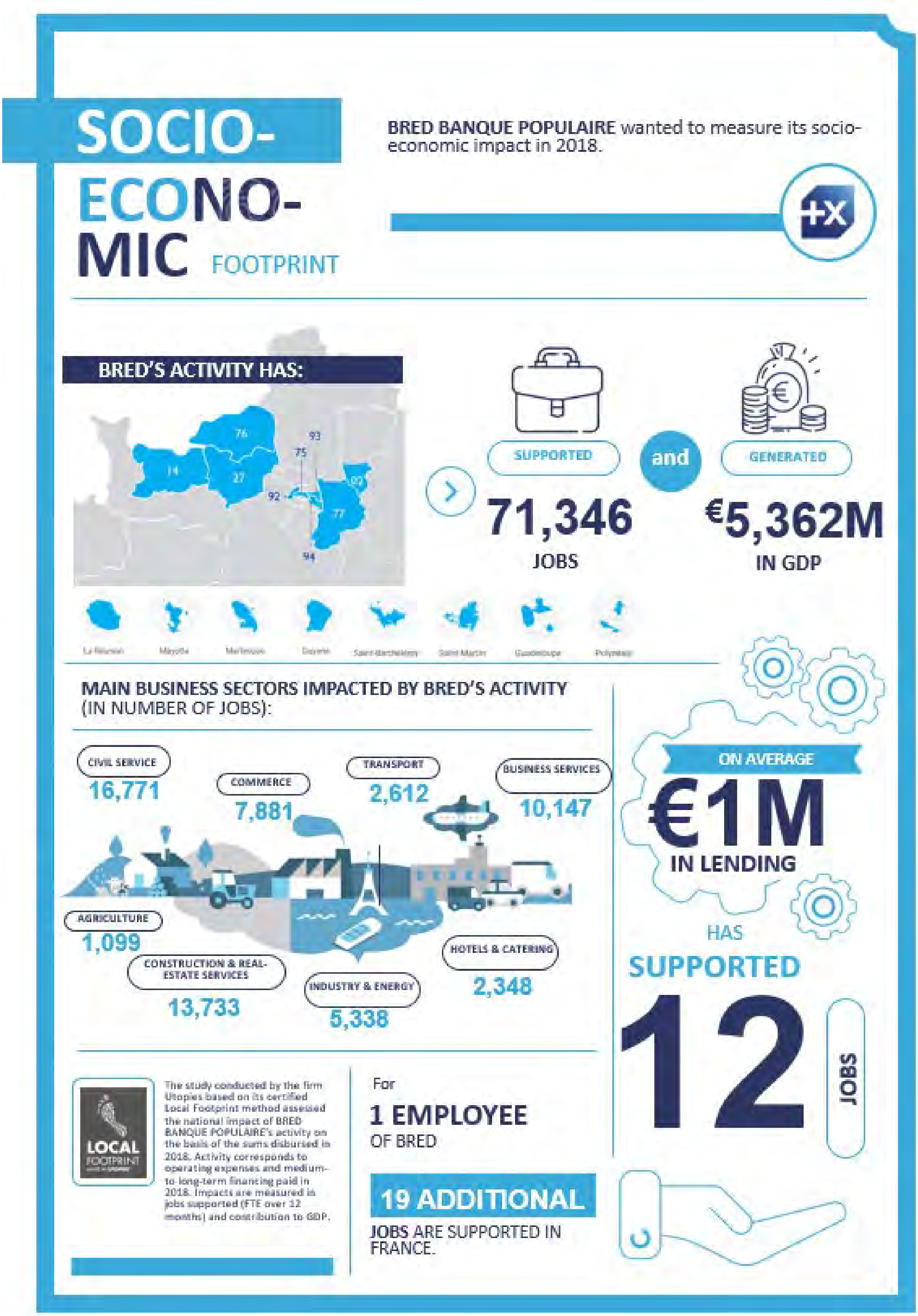
1.2 - A business model proven to be effective every year



(1) Number of customers in France
(2) Does not include staff in equity-accounted subsidiaries: BCI New Caledonia and SOCREDO

Community banking with a strong impact on the real economy of its regions

With the support of Utopie, BRED was able measured the local economic impact of its business. Each €1m in credit granted by BRED within its BRED parent company and French subsidiaries business scope supports 12 regional jobs.



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1.3 - Clearly defined priorities in line with our strategy

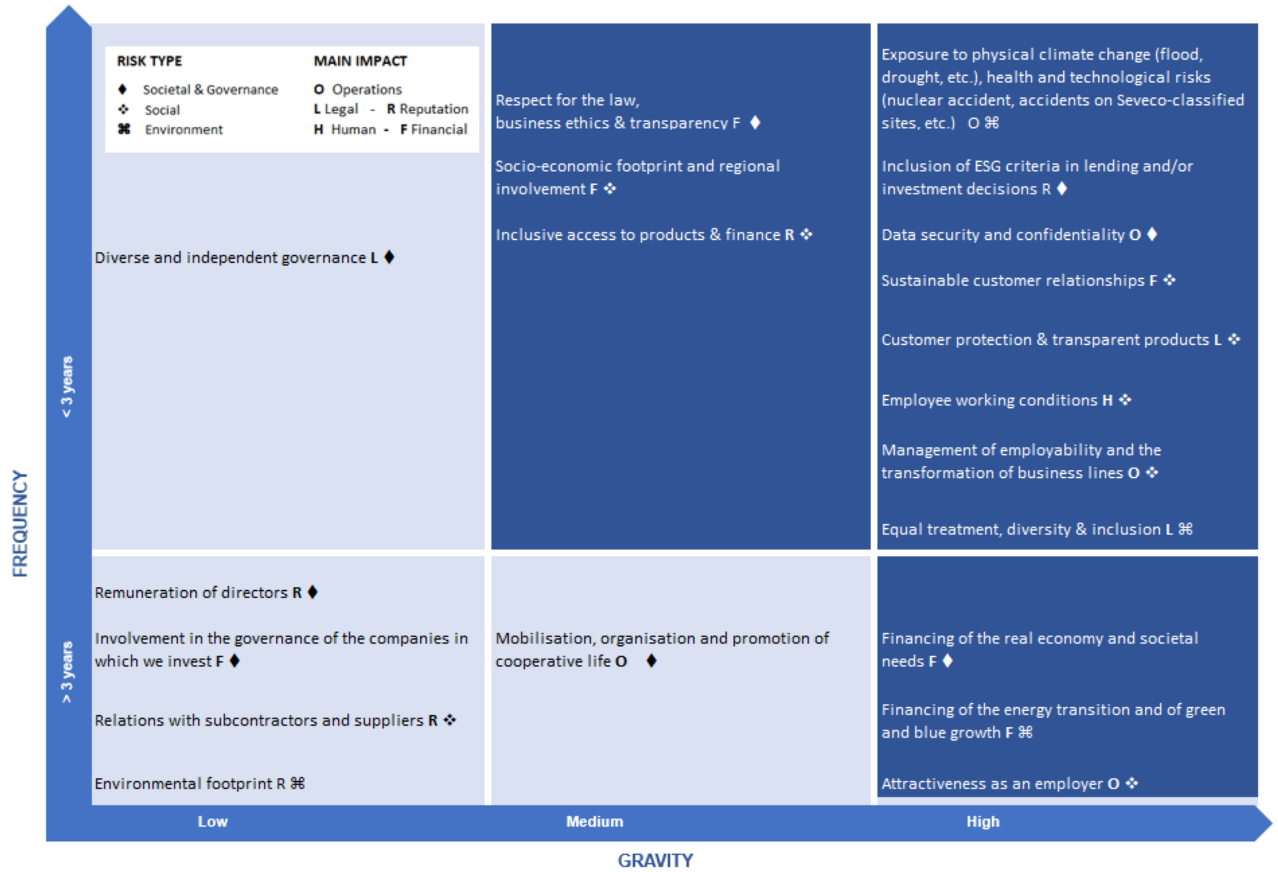
BRED'S CSR AMBITIONS	
Economic responsibility	
Be a community bank by developing business that benefits the local population.	**1-Support the real regional economy** Promote local development, fully acting as a source of financing for local investments and contributing to the creation of wealth. **2-Foster customer relationships based on transparency and mutual benefit** BRED develops solutions adapted to its customers' needs by acting in their interests while promoting innovation and accessibility to banking services.
Social responsibility	
Develop fair practices and promote equal human resources opportunities.	**3-Value all talents and promote employee loyalty** Talents are promoted at all levels of responsibility within 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-Increase diversity and equal 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.
Social responsibility	
Promote initiatives for social cohesion in the regions	**6-Ensure that money is a source of social utility** Support the economic and social integration of people in situations of difficulty, promote solidarity and protect vulnerable customers. **7-Support and develop local actions and initiatives carried out by our customers and cooperative members** Encourage and take part in local initiatives and innovative action, promote social cohesion.
Environmental responsibility	
Reduce our environmental footprint.	**8-Recycle, reduce, reuse.** BRED's four main direct environmental challenges are: the reduction of greenhouse gases (GHGs) caused by energy consumption in its buildings and during business travel; the responsible consumption of paper; the proper management of waste, notably electronic waste; and the implementation of a responsible purchasing and credit policy.

1.4 - The major challenges that underpin our actions

By updating the extra-financial risk mapping for our activities, we identified priority areas in which to take action, in relation to the business lines concerned and the Bank's governance.

This approach identified 14 major risks out of 20 risks identified. Each of them is the subject of a specific action plan, described in the following pages of this report and a follow-up using key performance indicators. BRED's direct environmental footprint is also included in the key CSR management indicators, although it is not identified among the major risks.

BRED RISK MATRIX



	RISKS	KEY PERFORMANCE INDICATORS	Scope	2020	2019	2018	Objective
Social	Employees' working conditions	**Absenteeism rate for illness** Change from previous year in pts	Parent company and French subsidiaries	4.09% -0.09	4.18% -0.17	4.35% -0.10	< 5%
		Absenteeism rate for illness	International subsidiaries	2.8%	-	-	
	Employer attractiveness	**Turnover rate** Change from previous year in pts	Consolidation	9.6% -3.2	12.8% 1.9	10.9% -0.7	<15%
	Employability management and professional conversion	**Proportion of employees who have received at least one training course in the year** Change from previous year in pts	Parent company and French subsidiaries	94.8% 5.8	89% -10	99% 2	80%
	Equality of treatment, diversity and inclusion	**% of female executives** Change from previous year in pts	Consolidation	47.8% 0.2	47.6% =	47.6% -0.2	50%

	RISKS	KEY PERFORMANCE INDICATORS	Scope	2020	2019	2018	Objective
Environmental	Exposure to physical, health- and technology-related climate risks	**Proportion of critical activities that took part in back-tests and fall-back exercises**	Parent company and French subsidiaries	(1)	100%	100%	100%
	Direct environmental footprint	**Tonnes of CO_2 equiv./FTE** Change from previous year as a %	Parent company	6.3 -17.2%	7.7 -7.1%	8.2 -	-5%/year
	Financing the environmental transition	**Amount of renewable energy project financing (€m)**	Parent company and French subsidiaries	12	74	-	-

(1) Stress tests for critical activities not carried out this year due to the health crisis

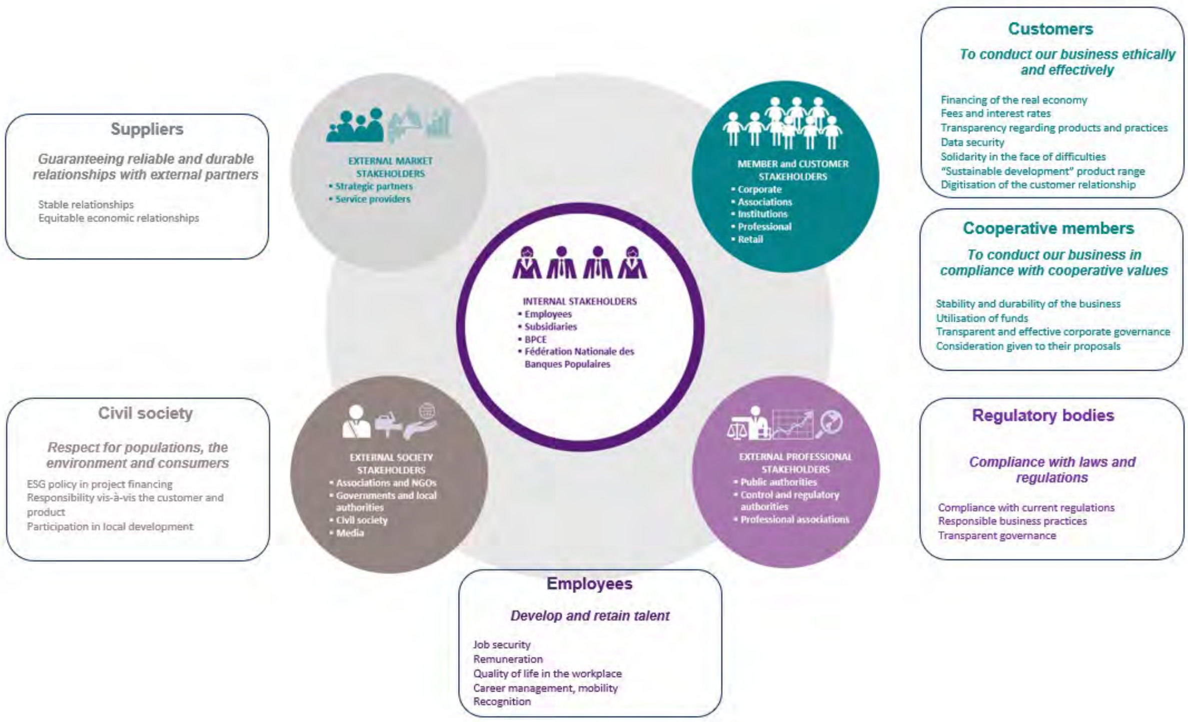
	RISKS	KEY PERFORMANCE INDICATORS	Scope	2020	2019	2018	Objective
Societal & Economic	Financing of the real economy and societal needs	**Increase in outstanding loans** Change from previous year in pts	Parent company	17% 3	14% 2	12% -	-
	Socio-economic footprint and regional involvement	**Percentage of local suppliers**	Parent company	83%	83%	83%	>80%
	Sustainability of the customer relationship	**Attrition rate (retail and professional market)** Change from previous year in pts	Parent company	9.7%	-	-	-
	Accessibility of services and inclusive finance	**Annual production of ADIE micro-loans and change (€m)** Change from previous year in €m	Parent company	1.5 0	1.5 0.25	1.25 0.5	> €1m
	Customer protection and service transparency	**% of complaints about "information - advisory" out of total complaints**	Parent company	0.40%	1.13%	0.66%	-

	RISKS	KEY PERFORMANCE INDICATORS	Scope	2020	2019	2018	Objective
Governance	Integration of ESG criteria into credit and/or investment decisions	**Proportion of corporate loan applications including an ESG risk analysis**	Parent company	66.5%	-	-	100%
		AuM of SRI funds marketed (€m) Change from previous year	Parent company and French subsidiaries	2,125 x5	439 11.7%	393 2.6%	-
	Respect for laws, business ethics and transparency	**Proportion of employees trained in anti-money laundering during the past two years**	Parent company and French subsidiaries	91.6%	96%	107%	100%
	Data security and confidentiality	**Proportion of GDPR-trained employees (training valid for three years)**	Parent company and French subsidiaries	96%	101.5%	–	100%

1.5 - A map of stakeholders' expectations

BRED conducts a constructive ongoing dialogue with its various stakeholders, including cooperation with many of them (government, local communities, NGOs, etc.) on societal, social and environmental projects. Dialogue with internal or market stakeholders takes the form of discussions or information meetings such as those held with cooperative members. As part of this policy of committed dialogue with stakeholders, BRED has mapped them.

OVERVIEW OF BRED'S MAIN STAKEHOLDERS AND THEIR EXPECTATIONS



The arrangement for hearing customers was strengthened, 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 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.
Internally, the Consultation Management has increased each employee's ability to impact their direct environment in order to work better at all levels of the company.
Actions taken with associations and members of civil society and regular dialogue with professional and trade organisations also constitute opportunities to speak to stakeholders.

1.6 - 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. CSR initiatives are also based on the work of the United Nations (UN), the OECD (Organisation for Economic Cooperation and Development) and the ILO (International Labour Organization) at international level.
Since 2019, Groupe BPCE has adhered to UNEP-FI's Principles for Responsible Banking (PRB), which consists in aligning its strategy with the United Nations Sustainable Development Goals and the Paris Climate Agreement, directing its activities towards more inclusive finance and a sustainable economy, and being committed to transparency regarding its positive and negative impacts on people and the planet.

2 - OUR ACTIONS TO PROMOTE SUSTAINABLE DEVELOPMENT

2.1 - Our socio-economic footprint and regional involvement

Challenge: the bank's commitment to the support it can provide not as a funder but as a company that is active in its region (as a buyer, top employer and patron/sponsor in the regional society, culture and sport).

KPI: local suppliers represented 83% of all BRED suppliers in 2020. BRED is very sensitive to the positive impact of its activity on regional economies.
This percentage is based on an analysis by BRED's Information Systems Department based on the geographical location of our suppliers' head offices.

LOCAL SUPPLIERS			
KPI	**2020**	**2019**	**2018**
Percentage of local suppliers	83%	83%	83%

Responsible purchasing policy benefiting local suppliers and companies in the appropriate sector

BRED is part of the process of Groupe BPCE (PHARE project), which has been a signatory of the responsible supplier relations charter since December 2010. Since the end of 2019, a clause to agree to the BPCE Responsible Purchasing Charter has been included in new contracts with suppliers. In line with this Charter, BRED's purchasing policy favours purchases from the sheltered employment sector (STPA), contributing to a more inclusive economy by supporting the employment of persons with limited access to the job market.

HIRINGS FROM THE SHELTERED EMPLOYMENT SECTOR			
	2020	**2019**	**2018**
Number of full-time equivalent jobs developed with the sheltered employment sector.	NA	41.6	27.37
Amount of purchases from the sheltered employment sector (in €k excl. tax)	NA	921	670

NA: not available. The results for 2020 will be validated by the URSSAF, the new official body replacing the AGEFIPH, and will be available in June 2021 after the nominative social declaration (Déclaration Sociale Nominative - DSN).

In addition, our goal is to develop relationships between customers and suppliers in order to build a lasting and balanced relationship based on mutual trust by favouring local suppliers. BRED is contractually committed to its suppliers and

subcontractors to ensure compliance with employment law. This policy is implemented by including a clause on illegal employment in contracts and addenda signed this year. The sub-contracting contracts cover ancillary activities outside of BRED's sensitive employment areas.
A CSR clause is incorporated into the BRED Purchasing Department's internal charter relating to the consideration of extra-financial criteria when choosing suppliers.

A top local employer

BRED is a company that continues to recruit at a sustained pace, with 1,049 recruitments carried out in 2020 (permanent, fixed-term and work-study contracts within the scope of BRED's parent company and international subsidiaries) with the aim of promoting the professional integration of young people. As evidence, BRED maintains a high level of recruitment under work-study contracts (254 in 2020).

BREAKDOWN OF HIRES (*)						
	2020		2019		2018	
	Number	%	Number	%	Number	%
Contract	BREAKDOWN OF NEW HIRES BY CATEGORY AND TYPE (*)	BREAKDOWN OF NEW HIRES BY CATEGORY AND TYPE (*)				
Staff on permanent contracts, excluding	497	47.4%	736	64.9%	601	70.3%
Staff on fixed-term contracts, excluding	298	28.4%	138	12.2%	101	11.8%
Work-study contracts; professional training contracts**	254	24.2%	260	22.9%	153	17.9%
Total	**1049**		**1,134**		**855**	
(*) BRED parent company and international subsidiaries						
(**) BRED parent company and French subsidiaries						

Sponsorship policy focused primarily on equal opportunity, knowledge transfer, art and culture

BRED supports the economic and social integration of persons experiencing hardship in order to contribute to local social cohesion. BRED is also very close to the teaching world and in this context it supports several educational initiatives aimed at promoting access to knowledge.

The cooperative and societal footprint based on ISO 26000 promotes BRED's social commitment. In 2020, it amounted to €1.4m. This budget includes BRED's contribution to finance the Banque Populaire Enterprise Foundation, which supports life projects in the fields of disability, fine crafts and classical music. BRED's sponsorship and partnership initiatives are located on an open-access map application over the internet. They are described briefly and a web link enables users to access the partner's website or see a video related to the initiative. This tool is available at bred.fr.

BRED is involved in the fight against poverty and supports ADIE (Association pour le Droit à l'Initiative Economique), a French association which supports entrepreneurs, in all its regions in mainland France and in the overseas territories. ADIE is a non-profit association whose purpose is to support and assist people who have been excluded from the labour market and mainstream banking system through supported micro-loans. BRED Bank Vanuatu offers a personal loan specifically to help the unemployed find local work. BRED Bank Cambodia supports the Shine initiative, a networking programme designed to help women start and manage businesses.
BRED is a founding partner of the Fondation de la 2ème Chance (the second chance foundation) which aims to support people who have struggled with difficult challenges in their lives and now live in great hardship.

BRED also fosters access to employment for the first time by providing support to Café de l'Avenir and access to housing through its partnership with Habitat et Humanisme Ile-de-France.

Access to knowledge is also an important component of BRED's sponsorship policy. It is a founding member of Écoles de la 2ème Chance (second chance schools). These institutions educate young people who prematurely interrupted their studies. Since 2018, BRED has also partnered with the HEC Foundation's “Prepa HEC pour Tous” (‘HEC prep for all’) programme, which offers 25 scholarships and support to students in preparatory classes for the competitive exams of top business schools and selected based on their academic merit and on social criteria, as well as the "HEC Stand UP" programme, which trains women in hardship to be entrepreneurs. This is another area which the bank highly encourages. To that end, it supports the Reunion-based Foundation Fond'Ker, which works towards the economic development of Reunionese companies for social cohesion and mutual assistance. In Martinique, BRED is a partner of the Internat de la Réussite Condorcet (‘Condorcet boarding school for success’), which promotes access to individual housing and supports students in preparatory classes for the competitive exams of top universities. The BCI Mer Rouge finances books in Braille for each school level, under the patronage of the French Ministry of National Education.

BRED, a partner of the Collège de France, supports the “Campus pour l’Innovation des Lycées” (‘campus for secondary school innovation’) programme, which aims to disseminate advanced knowledge in the field of economic sciences to secondary schools in disadvantaged urban and rural areas. It is also the exclusive partner of Journées du Patrimoine (Heritage Days) organised by the Collège de France.

In terms of health, disability and sport, BRED employees mobilise and participate in solidarity races – which were sometimes virtual in 2020 – such as Odysséa, the Telethon and the half marathon in Angkor, Cambodia. BRED is involved in diabetes screenings for children, Kessel secondary school and SOS Village d'Enfants, an educational centre for children in Balbala. In Vanuatu, BRED supports programmes for locals to learn to swim as well as for health care and fitness. In Thailand, BRED IT contributes to the disability employment fund to support disabled professional activities.

Locally in Val-de-Marne, for example, BRED is near the US Créteil Voile, which finances programmes to learn to sail for young people who do not leave on holiday, and it invests a great deal in Normandy by supporting rugby and football clubs. Note that many initiatives related to the COVID-19 pandemic have been carried out in all of the regions where BRED operates.

Lastly, our solidarity-based sponsorship system allows you to transfer €5 to one of the following associations when opening an account sponsored by a client: Doctors Without Borders, the Alzheimer’s Research Foundation and Jeunesse au Plein Air.

BRED provides active support to the social and solidarity economy

BRED participates in the governance of several regional chambers for the social and solidarity economy (CRESS) in the regions in which it operates. BRED Bank Vanuatu sponsors Yumiwor, who works for community projects in the field of social entrepreneurship in Vanuatu. 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 des Métiers et de l’Artisanat. BRED Bank Cambodia supports professional associations and Chambers of Commerce.

2.2 - Sustainability of the customer relationship

Challenge: fiduciary responsibility, quality of customer service, complaint management, customer satisfaction.

KPI: the intensity of the banking relationship decreased with 9.7% of our individual and professional customers in 2020. This indicator tells us if our retail and professional clients go from “Active, insured & equipped”, “Active & equipped” or “Active” statuses to “Active & equipped”, “Active” or “Inactive”.
This is a leading indicator of attrition, which is one of the priorities of the marketing policy. It is included in the criteria for the annual coordination of the sales teams, which determines the amount of their variable compensation.

ATTRITION				
KPI	**2020**	**2019**	**2018**	**Objective**
Attrition rate (Retail and professional markets)	9.7%	-	-	-

BRED is particularly dedicated to its customers’ satisfaction and has set up a comprehensive feedback and survey system. The customer relations process, notably the welcome they are given and the service provided, is regularly

assessed throughout our network, in all BRED territories, by “mystery customers” making unannounced visits and phone calls.
Our customers’ perception of services remains very good, as confirmed by the annual quality survey conducted with “Corporate” customers. In fact, 92% of customers of the Business Centres are satisfied with BRED as a corporate bank (source: 2020 CAF survey). Retail customers, meanwhile, are satisfied with both the quality of their interviews with their branch advisers (88%, source: QHD) and the digital tools made available to them: 92% were satisfied with the website and 94% with the mobile app (source: SAE 2020).

In 2020, the customer satisfaction measurement tools which already existed in previous years were renewed. The QHD (High Definition Quality) survey, which measures customer satisfaction following a sale or a branch appointment, was improved by including calls lasting over three minutes.

2.3 - Accessibility of services & inclusive finance

Challenge: fight against all forms of discrimination against customers on the basis of religion or ethnicity, gender, age, sexual orientation, etc. Territorial mapping of physical branches, offers or channels adapted to the most susceptible, vulnerable or elderly customers, accessibility of offers via several distribution channels (internet, branch, telephone).

KPI: BRED granted ADIE a €1.5m refinancing credit line in 2020 to finance its annual micro-loan production.

ADIE MICRO-LOANS				
KPI	**2020**	**2019**	**2018**	**Objective**
Annual production of ADIE micro-loans and change (€m)	1.5	1.5	1.25	> €1m
Change from previous year in €m	0	0.25	0.5	

Microfinance

BRED, a partner of ADIE for more than 20 years, granted it a credit line of €1.5m in 2020 and an exceptional donation of €276,000 to cope with the COVID-19 health crisis. The Banques Populaires are the first network to finance ADIE’s micro-loans.

Regional network

BRED has begun a vast project to renovate its branches as part of its “banking without distance” strategy, focusing on both human and digital interaction, to strengthen the physical and relational proximity to its customers. This year, there was an especially large-scale project in Reunion, where the new headquarters of BRED Réunion Mayotte was opened in Saint-Denis.

Accessibility of our banking services for people with disabilities

As part of its non-discriminatory, “banking for all” policy, over the years BRED has consistently launched initiatives to facilitate access to banking services for people with disabilities to meet a maximum of the requirements set out in the Decree of 2005 covering access for the disabled:

- ATMs and cash distributors are equipped with Braille keypads and are accessible to wheelchair-users,
- In 2020, 211 branches were accessible to persons with reduced mobility and were HAND certified for handicap access as well as Véritas certified,
- 46 branches were included in the renovation programme in 2021 and 17 branches in 2022.

In accordance with decree 2017-431 of 28 March 2017, BRED has an accessibility register for its business premises.

Access to banking services

Alongside all Groupe BPCE entities, in 2016 BRED adopted the AFECEI* 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 18 years, BRED has been committed to a method 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 2020, more than 80% of outstanding loans and credits held by retail and professional customers covered by the SRA were resolved, making it possible to reassign those customers to their original manager in branch. The Hauban branch retains management of more vulnerable customers or customers who have undergone a major restructuring plan. This branch continues to support those customers for a few months in order to provide them with best management practices before they go back to their local branch. The Hauban branch is also responsible for managing customers covered by the "right to banking services" programme.

In total, over 10,000 customers were handled by the SRA in 2020, including 5,200 individuals in mainland France, by a team of around 24 employees.

In 2020, BRED confirmed its commitment to providing practical answers to the current issues of banking inclusion and prevention of over-indebtedness by capping the costs of payment incidents and transaction irregularities on the accounts of all financially vulnerable customers at €25 per month.
Like Groupe BPCE, BRED has confirmed its socially-responsible attitude by going further and proposing a cap of €16.50 per month for customers who have registered for the specific scheme – and from 1 January 2020, by expanding its criteria for identifying vulnerable customers eligible for that scheme.

Turnaround Division

BRED supports companies in difficulty via the Turnaround Division dedicated to these customers.
As part of the Corporate Banking Division within the Industrial Companies, this team of experts monitors around 800 companies from all business sectors. It offers various short-, medium- and long-term financing solutions adapted to every situation, in collaboration with prevention procedure professionals and advisory for its customers or prospects. This offer enables companies seeking to turn around their business, including those in the most difficult situations, to benefit from the full range of services and advice offered by BRED.

**AFECEI: the Association Française des Etablissements de Crédit et des Entreprises d'Investissement developed a professional charter that has regulatory value.*

Protected adults

BRED has had a special Protected Adults unit to offer services to this special category of customer for over 20 years. 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.

2.4 - Customer protection & service transparency

Challenge: protect people in vulnerable situations, respect ethics in sales and advisory, help customers exercise their right of withdrawal, make offers transparent and engage in responsible marketing.

KPI: in 2020, complaints about "Information - advisory" represented 0.4% of all complaints.

CUSTOMER COMPLAINTS				
KPI	**2020**	**2019**	**2018**	**Objective**
% of complaints about "information - advisory" out of total complaints	0.40%	1.13%	0.66%	-

The marketing department is particularly responsible for the relevance and quality of the products and services offered to BRED's customers. A Marketing Committee, drawing on skills and expertise throughout the company (marketing, commercial, legal, financial, risk management, information systems and compliance), meets regularly to validate new banking and financial products and services intended for customers.

Additionally, the New Process and New Product Committee (NPNPC), which meets monthly, aims to adequately control 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 all banking processes, particularly sales processes, concerning the scope of BRED's parent company and French subsidiaries. This also enables us to guarantee that the processes and tools for customer protection ensure the confidentiality of personal data and on-line banking, particularly the methods for combating fraud due to phishing and cyber-fraud.

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 II Act on measures to ensure consumer health and safety. These measures are in addition to 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.

Furthermore, in 2020 BRED was not the subject of any sanctions for anti-competitive conduct or breach of antitrust or anti-monopoly laws.

Aside from the various committees, BRED is attentive to our customers' perception of the information and advice given.

2.5 - Employees' working conditions

Challenge: ensure the health and safety of employees; develop their quality of life in the workplace; prevent psycho-social risks, psychological and/or sexual harassment and accidents; guarantee the adequacy of disciplinary measures, promote the work-life balance, and provide a suitable work environment.

Key indicators: For BRED and its French subsidiaries, the rate of absenteeism due to illness was 4.09% in 2020, down slightly compared to the previous year. It remains well below the 5% maximum threshold defined on our extra-financial indicator dashboard.
For international subsidiaries, the rate is 2.8%.

Absenteeism due to illness				
KPIs	**2020**	**2019**	**2018**	**Objective**
Rate of absenteeism due to illness - BRED parent company and French subsidiaries	4.09%	4.18%	4.35%	< 5%
Change from previous year in pts	-0.09	-0.17	-0.10	
Rate of absenteeism due to illness - International subsidiaries	2.8%	-	-	-

The overall absenteeism rate of illness excluding maternity, paternity and other absences for leave has fallen for three consecutive years for BRED's parent company and French subsidiaries.

Organisation of work

BRED's management is aware of the importance of work-life balance for its employees. For nearly 20 years, employees have had the possibility of working part-time: in 2020, 7.1% of permanent staff, of whom 86.3% are women, opted for part-time work.

BREAKDOWN OF PART-TIME PERMANENT CONTRACTS BY CATEGORY AND GENDER									
		2020			**2019**			**2018**	
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-executive	166	14	180	175	12	187	182	10	192
Executive	143	35	178	131	30	161	130	24	154
Total	**309**	**49**	**358**	**306**	**42**	**348**	**312**	**34**	**346**
BREAKDOWN OF PART-TIME PERMANENT CONTRACTS ACCORDING TO TIME WORKED									
Less than 50%	19	0	19	15	2	17	14	2	16
50%	25	11	36	31	12	43	29	9	38
50% to 79%	66	8	74	69	6	75	70	7	77
80%	88	12	100	82	11	93	88	8	96
Over 80%	111	18	129	109	11	120	111	8	119
Total	**309**	**49**	**358**	**306**	**42**	**348**	**312**	**34**	**346**

BRED parent company and French subsidiaries

Telecommuting

BRED entered into a company-specific agreement in 2016 enabling employees whose positions are compatible with telecommuting to work from home for one or two days a week. Under normal circumstances, nearly 500 employees telecommute. However, due to the health crisis, the majority of employees in the support functions worked remotely from March to December 2020.

Health and safety

Bred established a workplace stress action plan. In November 2020, BRED also established a dedicated, effective, external phone line for assistance and psychological, independent support, guaranteeing anonymity and the confidentiality of "Qualisocial" exchanges. A mandatory medical check-up is scheduled every five years for each employee. The severity and frequency of accidents resulting in absence is monitored as part of the aforementioned stress action plan. Occupational doctors employed at BRED conduct more regular visits.

ACCIDENTS IN THE WORKPLACE						
	2020		2019		2018	
	Number	Number of days' absence	Number	Number of days' absence	Number	Number of days' absence
Number of accidents reported with resulting absence	**57**	**2,190**	**65**	**2,607**	**80**	**1,772**
Accidents in the workplace	32	1,717	40	1,666	27	857
Accidents when travelling to and from work	25	473	25	941	53	915
Days lost in terms of business days - BRED and French subsidiaries						

A special section of BRED's intranet site has been reserved for use by the occupational health department to prevent a number of potential health risks such as repetitive strain injuries, mental health issues and addiction to smoking.

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. In this regard, a quarterly review is carried out with the staff representatives as part of the CSSCT (Health, Safety and Working Conditions Committee).
Aware of the important role of sports and cultural activities in job satisfaction, BRED fully supports these activities by awarding a grant to its four Social and Economic Committees which equals 2.25% of payroll. 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 cafés and rest areas.

COVID-19 health crisis

2020 was a special year in terms of occupational health. BRED provided its employees with masks to ensure their protection very early. Antibacterial gel was delivered to the branch network as well as the head offices.
Branch operations were modified by receiving customers only by appointment throughout the day, allowing employees to organise the arrival of customers themselves and thus avoiding customer crowding at reception. Branch working hours were relaxed during the first lockdown.

For head office employees, BRED's IT Services Department managed to mobilise to equip employees with the tools necessary for remote working. Our bandwidth was expanded at the end of March to make this change possible, avoiding the need for back and middle office employees to travel. Cleaning and disinfection were increased at the head offices and branches. Company restaurants were closed for the first time as well as cafeterias, and were reopened while abiding by a strict social distancing protocol.

Employee relations

BRED and its subsidiaries offer their employees a dynamic working environment and interesting career opportunities. All employees working in France are covered by the collective agreement of the Banque Populaire branch, a mutualist personal protection and supplementary health insurance institution (Malakoff Médéric). BRED's employee representative bodies in France and the overseas territories consist of a central CSE, four local CSEs and four CSSCTs (health, safety and working conditions committees).

In 2020, the central CSE met twice for ordinary meetings. The CSSCT for mainland France met seven times. Twenty-two CSE meetings were held in mainland France instead of the nine provided for in the agreement in order to maintain dialogue with the staff representatives and present our work organisation changes in response to the health crisis.

Compliance with ILO conventions

As part of its activities in France and abroad, BRED is committed to complying with the provisions of the International Labour Organization's agreements: respect for freedom of association and collective bargaining, elimination of discrimination in employment and occupation. 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 contracts with suppliers and service providers.

2.6 - Employer attractiveness

Challenge: manage and develop attractive careers, have an attractive compensation policy, achieve positive employer brand assessments, and attract talent easily in a competitive market.

KPI: employee turnover was 9.6%. It was calculated for the scope of BRED's parent company and French and international subsidiaries. It fell by 3.2 points compared to 2019 and is below the maximum threshold set at 15% per year.

TURNOVER				
KPI	**2020**	**2019**	**2018**	**Objective**
Turnover rate	9.6%	12.8%	10.9%	< 15%
Change from previous year in pts	-3.2	1.9	-0.7	

Recruitment

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, in line with its desire to be a socially responsible employer.
Convinced that a broad-ranging employment pattern in firms constitutes a factor of complementarity, social cohesion and strength, BRED strives to balance recruitment of men and women.

BREAKDOWN OF HIRES BY CATEGORIE AND GENDER (*)				
		2020	**2019**	**2018**
Non-management/management				
	Non-executive staff	78.5%	75.6%	82.5%
	Executive	21.5%	24.1%	17.5%
Men/Women				
	Women	53.3%	52.9%	54.4%
	Men	46.7%	46.6%	45.6%
(*) BRED parent company and international subsidiaries				

Advancement of talents, development of skills and employee retention

A formalised annual periodic assessment interview (APA) is carried out by each employee's line manager. This is an essential management act to motivate, assess achievement of objectives, monitor skills development in relation to the activity, and recommend and monitor the improvements to be made.
In addition, a career development interview is conducted every two years to identify training needs, anticipate potential changes and offer career guidance to employees under the manager's responsibility.

2.7 - Employability management and professional conversion

Challenge: effective career planning, adapted training, alignment of skills with the organisation's strategy, rendering key expertise sustainable for business continuity, particularly in the case of reorganisations.

KPI: nearly 95% of employees took at least one training course over the year. This figure is up by nearly six points compared to last year and exceeds the target set at 80%.

EMPLOYEES WHO HAVE RECEIVED AT LEAST ONE TRAINING COURSE OVER THE YEAR				
KPI	**2020**	**2019**	**2018**	**Objective**
Proportion of employees who have received at least one training course over the year	94.8%	89%	99%	80%
Change from previous year in pts	+ 5.8	-10	+ 2	

Skills development plan

The development plan is for all employees throughout their careers in accordance with the legal provisions concerning vocational training, employment and social democracy (Law no. 2014-288 of 5 March 2014).

BRED confirms a strong desire to strengthen the integration of new employees by means of a day dedicated to them, the BRED Advisors Academy and the career paths proposed. Training which leads to a diploma also supports employee development, including a new banking and insurance degree launched in 2019 in partnership with the Université Paris Est Créteil (UPEC). Managers' skills are developed through the EMB (BRED Management School). BRED relies on collective intelligence, with the practice of collaborative management.
By maintaining its investment in training at nearly 5.5% of the payroll and with all its employees having received training on at least one occasion in the past year, BRED's performance in this area places it well above both the sector average and the statutory minimum requirement (1%). The number of hours allocated to training in 2020, i.e. 225,741 hours, compared to 268,772 in 2019, is indicative of BRED Group's sustained efforts to provide training for its employees in a demanding and ever-changing environment. BRED trained 4,097 employees in 2020, compared to 3,843 employees in 2019.
In 2020, 94.8% of salaried employees (permanent, fixed-term and work-study contracts) at BRED's parent company and French subsidiaries completed at least one training course over the year.
In addition, BRED is particularly committed to the professional insertion of youths through its involvement in education, with its long-standing participation at the CFA Sup 2000 office, of which it is a founding member, and with the recruitment of 254 work-study participants in 2020.

BREAKDOWN OF THE NUMBER OF STAFF HAVING UNDERGONE AT LEAST ONE TRAINING COURSE, BY GENDER AND BY CATEGORY (*)									
		2020			**2019**			**2018**	
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-executive	1,154	549	1,703	1,336	685	2,021	1,441	723	2,164
Executive	1,152	1,242	2,394	848	974	1,822	929	1,030	1,959
Total	**2,306**	**1,791**	**4,097**	**2,184**	**1,659**	**3,843**	**2,370**	**1,753**	**4,123**

(*) BRED parent company and French subsidiaries

Support for seniors

BRED assists seniors in their professional development and helps them both before and during their retirement as part of Groupe BPCE's employment and expertise management planning agreement signed on 22 December 2017.

Groupe BPCE'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 programmes and development of their skills, particularly through work-study placements,
- The proper transmission of knowledge and skills.

2.8 - Equal treatment, diversity & inclusion

Challenge: equal treatment of candidates and employees (wages, career development and/or treatment), no discrimination whatsoever based on gender, ethnicity, religion or beliefs, disability, HIV/AIDS infection, migratory status, nationality, sexual orientation or sex change and/or any reason not related to the requirements of the tasks that an individual is responsible for carrying out.

KPI: 47.8% of executives are women. This proportion increased slightly compared to last year, moving closer to the 50% target.

FEMALE EXECUTIVES				
KPI	**2020**	**2019**	**2018**	**Objective**
% of female executives	47.8%	47.6%	47.6%	50%
Change from previous year in pts	0.2	=	-0.2	

Gender equality

Gender equality is a contributing factor to economic performance and is also a catalyst for innovation and societal 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.

In 2020, BRED's Equality label was renewed for four years.

An initial company-wide agreement was signed with the trade union organisations in January 2008. BRED subsequently confirmed in 2020 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 focuses on seven priority areas: effective compensation, recruitment, vocational training, career development, working conditions, work-life balance, awareness-raising and communication.

Women account for over half of the workforce, at a stable level over the past three years.
In 2020, women accounted for 55.6% of employees on permanent and fixed-term contracts, excluding work-study placements, within the scope of BRED's parent company and international subsidiaries.

BREAKDOWN OF EMPLOYEES BY GENDER (*)									
	2020			**2019**			**2018**		
	Non-executive	**Executive**	**Total**	**Non-executive**	**Executive**	**Total**	**Non-executive**	**Executive**	**Total**
Women	62.6%	47.8%	**55.6%**	63.1%	47.6%	**55.7%**	64.1%	47.6%	**55.6%**
Men	37.4%	52.2%	**44.4%**	36.9%	52.4%	**44.3%**	35.9%	52.4%	**43.5%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(*): All regions - excluding work-study placements

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 executive staff, men's average salaries are 16% higher than women's.
The AFNOR "Workplace Gender Equality" certification obtained by BRED is still in force.
For the international entities studied, there is a difference for non-executive staff between men and women; the difference between executive and non-executive staff is mainly associated with the preponderance of expatriate executives.

AVERAGE ANNUAL SALARY OF PERMANENT STAFF BY GENDER						
	2020		2019		2018	
	Non-executive	Executive	Non-executive	Executive	Non-executive	Executive
Average annual salary excluding profit-sharing and bonuses, BRED and French subsidiaries						
Women	€32,408	€53,219	€30,147	€52,319	€31,525	€52,126
Men	€32,511	€61,915	€29,231	€62,372	€31,490	€61,682
Average annual salary excluding profit-sharing and bonuses, international entities						
Women	€11,543	€38,302	€13,896	€39,779	€9,808	€20,725
Men	€16,353	€51,647	€18,671	€50,559	€13,831	€39,757

Promotions

Every year BRED analyses and reviews individual pay levels and changes based on performance targets assigned to employees. In addition, in the framework of the gender equality agreement, BRED improved the legal measures for increasing remuneration after each maternity leave (enhancement of the non-penalisation guarantee following maternity). 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 women and men.

PROMOTIONS/PAY INCREASES (*)						
	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
Change of level	122	103	299	211	160	162
Change of category	17	13	33	21	17	28
No. of individual pay increases	**425**	**352**	**944**	**702**	**509**	**472**
Changes made to overall staff levels	18.2%	20.6%	34.4%	31.4%	22.0%	28.6%
(*) BRED parent company and French subsidiaries						

Diversity

Diversity is one of BRED's strengths. It is encouraged by ensuring gender equality and social diversity in both recruitment and promotions.

TOTAL STAFF BY REGION AND GENDER *(Scope of the DPEF report)*									
		2020			2019			2018	
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Mainland	1,582	1,930	3,512	1618	2039	3,657	1,498	1,876	3,374
Overseas territc	255	564	819	218	465	683	241	554	795
International	641	610	1,251	585	550	1,135	530	504	1,034
Total	**2,478**	**3,104**	**5,582**	**2421**	**3054**	**5,475**	**2,269**	**2,934**	**5,203**

BRED's HR policy generally prohibits any form of discrimination. BRED facilitates 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.

BRED's solidarity and diversity approach is structured around two agreements: an agreement on gender equality and an agreement on disabilities. The provisions of these agreements prohibit discrimination, particularly on the basis of gender, family circumstances, maternity, physical appearance, health, disability, genetic characteristics or age.
Created at the beginning of 2013, the BRED Pluri'elles network is an active social network of the BRED Group promoting diversity-based values and reducing barriers linked to stereotypes in terms of gender diversity and age, across all business lines and regions.

Disability

The signing of a fifth Banque Populaire branch agreement to increase the employment of persons with disabilities from 2020-2022 reinforces BRED's committed, responsible and sustainable policy on the subject. This agreement was concluded in line with Law No. 2018-771 of 5 September 2018 on the freedom to choose one's professional future, which entered into force on 1 January 2020 and which reforms the obligation to employ disabled workers (OETH). Its purpose is to expand disability awareness initiatives, recruitment and retention of persons with disabilities.

BRED's "Mission Handicap" programme was created in 2008 to increase awareness throughout the company and support initiatives to integrate and retain employees with disabilities in BRED's various business lines.
In 2020, Mission Handicap carried out initiatives both internally and externally and developed its partnerships.

Recruitment initiatives:
- Participation in the European Disability Employment Week in November 2020.
- IN'2 JOB sports event for recruitment and raising awareness in September at the Jean Bouin stadium.
- Participation in the Pôle Emploi (French unemployment agency) forums in Nogent-sur-Marne and job/internship forums at ICP Paris.
- Partnership with "HandiFormaBanques", an association which promotes employment in the banking sector for persons with disabilities, for the 2020 work-study campaign.
- Participation in a one-week "Talents Handicap" ('disabled talents') virtual forum in September 2020.
- BPCE partnership with the disability-friendly company AKTISEA for our recruitment campaigns in 2020.
- New BRED partnership with the recruitment firm DEFI RH and Handicap.fr

Communication campaigns and awareness-raising initiatives:
- The monthly newsletter *La minute du handicap* and the quarterly newsletter '*DIV'INBRED*.
- Participation in the breakfasts for work-study participants, presentation of Mission Handicap.
- Two workshops to raise awareness about French Sign Language.
- Launch of the Cancer@work survey for all employees and results communicated to all employees in addition to a questionnaire to set up workshops. This operational action plan for the inclusion of the disease will begin in 2021 with the help of employees.
- Participation in the Cancer@work symposium.
- Participation in the October Rose event for the fight against breast cancer.
- Signature of the partnership agreement with Handisup for 2020.

EMPLOYEES WITH REGISTERED DISABILITIES				
		2020	**2019**	**2018**
Direct employment	Number of new hires	6	16	19
	Number of workstations adapted	16	14	12
Employment rate *(within the meaning of the DOETH regulations)*	Direct employment rate	NA	2.85%	2.81%
	Indirect employment rate	NA	1.09%	0.70%
Overall employment rate		**NA**	**3.94%**	**3.51%**

NA: not available. The results for 2020 will be validated by the URSSAF, the new official body replacing the AGEFIPH, and will be available in June 2021 after the nominative social declaration (Déclaration Sociale Nominative - DSN).

2.9 - Exposure to physical climate change risk and health and technological risks

Challenge: ensure business continuity despite the consequences of physical climate risks and health and technological risks that reduce or prevent the use of operating methods, impact employee activity and lead to asset losses.

KPI: in 2020, no back-testing could be performed due to the health crisis (lockdown, telecommuting, social distancing during periods at the office making it impossible to gather people, etc.).

BACK-TESTING				
KPI	**2020**	**2019**	**2018**	**Objective**
Proportion of critical activities that took part in back-tests and fall-back exercises	(1)	100%	100%	100%

(1) Back-tests for critical activities not carried out this year due to the health crisis

The physical risks related to climate change (river flooding, storms, typhoons, heat waves, etc.) are identified for BRED SA's scope as well as the scope of each BRED Group subsidiary and entity (France and abroad). The occurrence of this type of event may have operational and technical consequences on the proper functioning of activities, such as making workplaces inaccessible or compromising the functioning of IT infrastructure.

In order to address these risks, solutions are put in place at BRED Group level – including user fallback to backup sites, remote working, back-up of data centres – under the umbrella of the Business Continuity Plan (BCP).
BRED Group's entire BCP was reviewed and updated in 2020 through the BIA (Business Impact Assessment) campaign, as well as by updating documentation relating to the BCP. In addition, Business Recovery Plan tests were conducted in 2020.

The management of the COVID-19 health crisis has made it possible to validate the business continuity systems in real conditions, with the activation of crisis units and the deployment of remote working solutions.

2.10 - Financing the environmental transition

Challenge: provide active support to help finance the energy transition and green and blue growth.

KPI: the amount of financing for renewable energy production projects amounts to €12m.

FINANCING FOR RENEWABLE ENERGY PROJECTS				
KPI	**2020**	**2019**	**2018**	**Objective**
Amount of project financing (€m)	12	74	-	-

Renewable energy

BRED is the only bank to join the Eiffel Energy Transition fund for the financing of energy transition projects in Europe. In Reunion and Mayotte, BRED finances solar energy projects. In 2019, BRED participated as a secondary bank contributing €11m out of a total of €110m to refinance a portfolio of 504 solar power plants in the overseas territories. BRED also contributed to financing the installation of solar power plants on 97 buildings for agricultural use in mainland France for an overall amount of €11.4m (BRED share €4.7m), with a total capacity of 9.7 MW. It also contributed €50m to the first Green Bonds issue initiated by BPCE for a total amount of €500m, the funds of which will be allocated to financing renewable energy projects. In 2020, the AGROGAZ, SUN POWER 2 and ALBIOMA SOLAIRE REUNION projects were financed by BRED. This financing for renewable energy production amounted to €11.868bn within BRED's corporate scope.

Financing of energy-saving work

FINANCING SUSTAINABLE DEVELOPMENT						
(as a number and in thousands of euros)	**2020**		**2019**		**2018**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Loans financed via inflows from the *Livret de Developpement Durable et Solidaire* (LDDS – sustainable development and solidarity savings account)	240	20,840	278	27,633	266	25,080
Financing residential energy renovation works. Eco-PTZ (Zero-interest ecological loan)	210	2616	157	1486	66	742

Starting on 1 October 2020, Solidarity Savings Account holders can now make donations to the Social and Solidarity Economy (SSE). At BRED, any holder of an LDDS (sustainable development and solidarity savings account) may make a donation to the following associations: ADIE, APF France handicap, Apprentis d'Auteuil, Entreprendre Pour Apprendre, Fondation Tara Océan, France Active, Doctors Without Borders, Réseau Entreprendre, Les Sauveteurs en Mer (SNSM) and Surf Insertion.

2.11 - Direct environmental footprint

Challenge: contribute to the fight against climate change by reducing greenhouse gas (GHG) emissions resulting from the bank’s operations (carbon footprint) and by reducing waste (paper, WEEE, office supplies).

KPI: BRED's carbon emissions from its workforce amount to 6.3 tonnes of CO_2 equivalent per registered employee.

CARBON EMISSIONS PER STAFF MEMBER				
KPI	**2020**	**2019**	**2018**	**Objective**
tonnes of CO_2 equivalent/registered BRED parent-company employee	6.3	7.7	8.2	-5%/year
Change from previous year as a%	17.2%	-7.1%	-	

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. Depending on the sector, these indirect emissions may be three or four times larger than direct emissions. 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 progress can be identified. On the other hand, the Paris Agreement encourages companies to agree on an average reduction in GHG emissions of 5% per year through 2050. In this context, BRED identifies items in its carbon footprint which it can significantly improve.

Carbon footprint

BRED has calculated its carbon footprint annually since 2011. To do this, it uses the sector-based carbon footprint® tool dedicated to the network banking activity, developed by BPCE and the ADEME, which focuses on 50 central questions.

BRED's CARBON FOOTPRINT (1)			
In tonnes of CO_2 equivalent	**2020**	**2019**	**2018**
Direct emissions of greenhouse gases (Scope 1 - Direct combustion of fossil fuels and refrigeration gas leaks)	486	616	705
Indirect emissions of greenhouse gases (Scope 2 – Electricity consumed and heat network)	2928	3,121	4,122
Direct and indirect greenhouse gas emissions (Scopes 1 and 2)	**3414**	**3,737**	**4,827**
Total other indirect greenhouse gas emissions (Scope 3 – other emissions excluding utilisation)	24,197	29,465	29,503

(1) The SPIDER tool developed by BPCE on behalf of Group entities, based on the ADEME methodology used to assess the GHG footprint, does not take into account emissions resulting from financing and investments by banks. There is currently no methodology for quantifying this kind of indirect emission.

SOURCES OF GREENHOUSE GAS EMISSIONS						
In tonnes of CO_2 equivalent	**2020**		**2019**		**2018**	
Energy	3,530	12%	3,876	12%	5,002	15%
Purchases	11,781	43%	13,043	39%	14,060	41%
Business travel	3,566	13%	5,592	17%	5,192	15%
Non-current assets	3,981	15%	5,585	17%	4,760	14%
Other items (waste + freight + excluding energy)	4,755	17%	5,106	15%	5,316	15%
TOTAL	27,613	100%	33,202	100%	34,330	100%

Energy consumption

Actions put in place to ensure a steady reduction in energy consumption:

- Improved energy efficiency (optimisation of lighting, regulation of temperature and air conditioning with automatic night-time reduction, improved insulation at the 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, removal of printers);
- Roll-out of a videoconferencing system across all French and international subsidiaries; refrigerant fluid pipes emitting GHGs brought to standard; Low-Consumption and High Environmental Quality Buildings in Bougainvillea-le-Pont and La Défense on PREPAR's premises;
- Recovery, reuse and ecological disposal of ink cartridges;
- The contract entered into between Groupe BPCE and ENGIE for the invoicing of BRED's energy consumption is designed to optimise the traceability of energy consumption to better manage and reduce consumption;

- BRED owns two Zoé Renault electric service vehicles in its vehicle fleet.

Business transport

For business travel, BRED has produced a dashboard indicating the mileage by type of transport. The business travel policy defined by BRED encourages using trains for appropriate journey distances rather than flying. Reflection is underway, in accordance with the Mobility Law, to convert BRED's fleet into low GHG-emitting vehicles.
In 2020, 492 BRED employees worked remotely, thus limiting business travel.

ENERGY CONSUMPTION						
	2020		2019		2018	
	kWh	€K (*)	kWh	€K (*)	kWh	€K (*)
Total final energy consumption (excluding fuel oil)	**20,622,528**	**2,880.2**	**22,916,681**	**3,209.2**	**23,752,898**	**2,900.1**
Total electricity consumption	19,174,851	2,733.9	20,940,950	3,028.7	21,808,265	2,742.9
Total gas consumption *(KWh HHV) (**)*	678,886	44	1,174,878	75	1,168,872	51.51
Total consumption of steam-heat network	768,791	102.3	800,853	105.5	775,761	105.74
Annual fuel oil purchases *(based on 9.86 kWh per litre)*	354,132	27.6	412,720	38	407,948	37
Total energy consumption per m² (excl. fuel oil)	181.9 kWh/*m²*		208.5 kWh/*m²*		211 kWh/*m²*	
Total surface area	113,427 m²		111,874 m²		112,618 m²	
o/w branches and business centres	64,269 m²		64,343 m²		65,087 m²	

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.)

TRANSPORT-RELATED ENERGY CONSUMPTION			
	2020	**2019**	**2018**
Total petrol consumption by company cars *(litres)* (*)	94,809	89,348	56153
Total diesel consumption by company cars *(litres)* (*)	23,810	41,130	37296
Business travel in personal cars *(km)* (**)	1,144, 346	1,747,428	1,658,938
Business travel by train (*km*) (***)	122,122	377,171	377,171
Business travel by short and long-haul air travel *(km)*	1,915, 178	6,712,302	5,958,449

(*) Consumption by BRED employees in France.
(**) Based on mileage allowances.
(***) Data not available in 2019, 2018 data was used to calculate the 2019 GHG footprint.

Transport and shuttles

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. This approach intensified in 2020, and there were no more than three weekly trips instead of five, representing a 40% drop in travel. BRED favours maritime transport from mainland France to the overseas departments. As for air transport, there has been a sharp decrease in the weights shipped since the beginning of the year, due in particular to the paperless programme.

Paper consumption

BRED is increasingly digitising documents and is mainly using Imprim'vert-label (eco-certified) printers.

PAPER CONSUMPTION			
	2020	2019	2018
Total consumption of unrecycled, unlabelled A4 paper *(tonnes)*	181	242	246
Total consumption of paper for entire workforce *(kg/FTE)*	41	59	59

Water management

Strictly speaking, BRED does not have a significant impact on water consumption and waste water, except for domestic use in its offices and branches, and is not affected by any local restrictions on water supply or use.

Biodiversity management

The protection of biodiversity is a component of the environmental policy in the same way as the other measures (reduction of the carbon footprint, green products, etc.). However, contrary to factors such as greenhouse gas (GHG) emissions, the work to integrate the notion of biodiversity in banking practices is less advanced.

In 2019, BRED committed to restoring degraded land by joining the investor pool of the Land Degradation Neutrality (LDN) fund managed by Mirova, Groupe BPCE's asset management company dedicated to responsible investment, for €9m. The fund's objective, supported by the United Nations, is to restore 500,000 hectares of degraded land around the world, create 100,000 local jobs and save 35 million tonnes of CO_2 through agricultural projects, reforestation and eco-tourism. Through this transaction, BRED supported three degraded land restoration projects in Peru, Indonesia, and Kenya.

In 2020, BRED chose an eco-grazing solution to maintain its green spaces at its archiving site. Greensheep is responsible for maintaining a sheep flock in compliance with health and veterinary requirements.

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.
In terms of light pollution, BRED has applied the regulations that have limited light pollution, energy consumption and nocturnal lighting in non-residential buildings since 1 July 2013.

Waste management and recycling – circular economy

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.);
- removal of plastic cups.

RECYCLING WASTE			
	2020	2019	2018
Volume of WEEE waste produced by the entity *(in tonnes)*	16	19	17

Managing environmental and societal risks

Environmental risk mainly arises 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 2020, BRED recorded no provisions or guarantees in its financial statements to cover environmental risk.

2.12 - Financing the real economy and societal needs

Challenge: provide active support to help finance the real economy, local development of the regions and their inhabitants and/or societal transitions.

KPI: loan outstandings rose 17% in 2020.

LOAN OUTSTANDINGS				
KPI	2020	2019	2018	Objective
Increase in outstanding loans	17%	14%	12%	-
Change from previous year in pts	3	2	0	-

BRED's ability to finance its customers' personal and business projects is growing thanks to the steady increase in its equity (comprising the share capital and the carrying over of profits) and to the dynamic performance of savings inflows. All savings inflows are redistributed at a local level in the form of financing.
Outstanding loans rose 17% over the year to €25.3bn, driven in particular by the introduction of government-backed loans for professionals and businesses (€2.0bn in loans disbursed). Outstanding loans to individuals increased by €1.0bn, with an increase in home loans and consumer loans.
To promote access to credit for small businesses, tradespeople and liberal professions, BRED relies on SOCAMA, the leading mutual guarantee company in France. Created by and for entrepreneurs, SOCAMA guarantees the loans of these customers, thereby limiting recourse to their personal guarantee.
SOCAMA assists them in achieving their plans to create, grow and/or takeover businesses. SOCAMA is administered by business line experts familiar with the business lines and the regions.
This approach encourages a human approach to consideration of applications, a local business-oriented perspective on all activities and, finally, a local decision-making power allowing a high level of responsiveness.

2.13 - Integration of ESG (environmental, social and governance) criteria into investment and/or credit decisions

Challenge: boost integration of environmental, social and governance (ESG) criteria into financing and investment decisions.

KPIs: the assets under management of SRI funds held by BRED clients totalled €2.1bn in 2020, an amount that nearly quintupled compared to 2019.
A total of 66.5% of loan applications in excess of €1m were presented to the Credit Committee and incorporated an ESG risk analysis in 2020.

INTEGRATION OF ESG CRITERIA				
KPIs	**2020**	**2019**	**2018**	**Objective**
AuM of SRI funds marketed (€m) Change from previous year	2,125 x5	439 11.7%	393 2.6%	-
Proportion of corporate loan applications including an ESG risk analysis	66.5%	-	-	100%

Pursuant to Article 173 of the law on the energy transition for green growth adopted by France in 2015, French banks are making public their integration of Environmental, Social and Governance (ESG) criteria and their consideration of climate risk in their financing and investment decisions. This approach applies to BRED in the areas of proprietary management and management on behalf of third parties, as well as in the area of financing granted to customers.

Alignment of the loan portfolio with the 2° trajectory

This year, BPCE launched a new initiative to measure the alignment of its portfolio with the objectives set by COP21 aimed at limiting the increase in temperature to 2 degrees by 2050. This work was carried out in collaboration with the think tank 2 Degrees Investing Initiative (https://2degrees-investing.org/), which developed the PACTA (Paris Agreement Capital Transition) calculator already used today by 1,500 financial institutions. The methodology applies to the following six sectors: electricity generation, car manufacturing, mining, steel production and cement production.

The PACTA tool relies on the database built by 2 Degrees Investing Initiative which contains production plans through 2024 and the technological mixes of more than 40,000 companies. Matching the lines in our loan portfolio to this database makes it possible to calculate the technology mix of our portfolio in 2019 for each of the activities analysed.

The change in the technology mix, driven by our counterparties' switch to technologies with lower emissions, is also calculated through 2024. This technological mix is then compared to the scenarios defined by the IEA (B2DS, SDS, NPS and CPS) which can be used as proxies for temperature increases through 2050. The calculation engine also makes it possible to compare the alignment of relative trends in our portfolio with the market and the IEA scenarios by technology.

The PACTA calculator was installed at BPCE and integrated into a visualisation tool that calculates the alignment and the current technological mix as well as through 2024, within the limits of each Group institution. The exercise was conducted by BPCE on electricity generation, which represents total outstandings of €14.9bn, excluding structured financing, of which 83% was matched with the PACTA database. This sector is analysed on the following underlying technologies: coal, oil, nuclear energy, hydropower, renewable energy (solar and wind power).

In 2019, after weighting by the technology mix from the PACTA database, 53% of Groupe BPCE's outstandings involved renewable technologies. This percentage, with a constant portfolio, remains stable in 2024 and makes our portfolio aligned with the IEA's B2DS scenario.

ESG criteria in financing decisions

The analysis of environmental and social risks relating to a client's activity has been carried out for information purposes since 2018, when a financing request is received for more than €1m, with particular attention to sensitive sectors. This approach is formalised in the rating defining BRED's credit policy and is applied using a specific section and analysis grid, integrated into each credit file.

Third-party asset management

The Socially Responsible Investment (SRI) approach consists of investing in companies that take into account in their development model the environmental, social, societal and governance impacts linked to their activity. This is the aim of BRED's third-party asset management and life insurance teams, which carry out their activities within the dedicated subsidiaries PROMEPAR Asset Management et PREPAR. These subsidiaries comply with the disclosure requirements of Article 173 (paragraph VI) of the Law on the Energy Transition for Green Growth of 17 August 2015 by preparing an annual report on the inclusion of ESG criteria in their investment and risk management policy.

PROMEPAR Asset Management, a BRED asset management company, developed an SRI multi-management service for BRED customers integrated into dedicated or profiled mandates, and in 2019 launched BRED Sélection ISR, a fund eligible for PEAs (French share plans). BRED is therefore able to offer its customers a range of SRI investment vehicles, supplemented by the range from Mirova, a subsidiary of Natixis Asset Management and pioneer of SRI in France, which manages thematic and socially-responsible funds, some of which bear the Novethic label. In total, in 2020, the capital invested by BRED customers in SRI funds amounted to €1.9bn, within BRED's parent company and French subsidiaries scope.
Since 2019, PROMEPAR AM has signed the Principles for Responsible Investment (PRI). Launched by the United Nations in 2006 for institutional investors and management companies, the PRIs aim to create a unifying framework through an international network of signatories to take account of environmental, social and governance (ESG) criteria in investments.

Proprietary investments

BRED takes into account the environmental and social impact of its investment policy when investing its own funds.
The share of investments in SRI funds has been growing steadily for several years, standing at 7.50% of total investments in 2020, compared to 6.3% in 2019 and 5.22% in 2018. Total investment in SRI funds amounted to more than €172m in 2020, up 10% compared to the previous year. They include investments particularly supporting the energy and ecological transition and contributing to climate risk mitigation, which increased by 14% year-on-year. Details of certain investment operations are described in various sections of this report (2.11-Environmental footprint/Biodiversity management and 2.10-Financing the energy transition/Renewable energies).

2.14 - Compliance with laws, business ethics and transparency

Challenge: comply with regulations; prevent corruption, fraud and unethical practices; and ensure that financial and extra-financial information is transparent.
KPI: nearly 92% of employees within the scope of BRED's parent company and French subsidiaries have been trained in anti-money laundering over the past two years, with a target of 100%.

AML-CFT TRAINED EMPLOYEES				
KPI	**2020**	**2019**	**2018**	**Objective**
Proportion of employees trained in anti-money laundering during the past two years	91.6%	96%	107%	100%

Internal control mechanism

In accordance with the legal compliance charter and in line with the anti-corruption policies put in place within Groupe BPCE's policy, BRED has introduced a number of internal control systems.

These systems relate to:

Financial security: combating money laundering, the financing of terrorism and internal and external fraud. With regard to preventing and tackling internal fraud, a framework procedure was strengthened in early 2019 and implemented in the course of 2019, in compliance with the GDPR (General Data Protection Regulation).
Professional ethics: a whistleblowing procedure and a procedure for reporting gifts and benefits received by staff relative to BRED's internal regulations.
Transaction security regarding sensitive persons able to access sensitive inside and confidential information.
Selection of service providers and suppliers: inclusion in the selection process of criteria and obligations to be followed in the fight against corruption.

Within BRED, several business divisions, reporting to the bank's Risk, Compliance and Permanent Control 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 (AML) unit intervenes in any customer transaction likely to be subject to the reporting requirement of the fifth AML/CTF Directive, with a particular focus on Politically Exposed Persons (whether French or non-residents).
Ethics and investment services compliance: prevents the risk of conflicts of interest between the bank's various activities and those carried out on behalf of customers. The Compliance Officer has a set of "good conduct" rules and practices to be followed by staff, particularly customer relations teams.

Combating corruption and anti-money laundering

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 combating 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.

In accordance with the legal requirements, BRED also maps potential corruption risk related to its organisation. This exercise, which is the foundation of its system, enables BRED to implement control measures and/or specific controls to ensure optimal control of the potential risks identified when necessary, using a risk-based approach. BRED also provides its employees with specific training sessions relating to ethics and the fight against corruption.
Lastly, BRED rounds out its system by building up a base of controls of various types.

With regard to AML-CFT, employee training in anti-money laundering is a necessity. The objective is that all employees will receive training over a two-year period.

In addition to the biannual training cycle, a general training cycle was completed for the first time in 2018 and was carried out again in 2020.
Nearly 92% of employees from the scope of BRED's parent company and French subsidiaries (permanent, fixed-term and work-study contracts excluding interns) were trained.
In addition, BRED stepped up its AML-CFT training by adding a classroom-based module covering the retail bank's sales functions to its e-learning training for new recruits.

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.

Combating tax evasion

BRED participates in tax optimisation transactions as part of asset financing that allow a portion of the corporate tax gain to be transferred back to the operating company. Known to the tax authorities, these asset-lease financing schemes concern two types of investments.

Investments in overseas departments and collectivities (LODEOM scheme, Article 217 *undecies* of the French General Tax Code) – hotels, ships, aircraft, renewable energy projects, industrial equipment (etc.) – invoking derogations from common law. These operations require tax approval from the competent departments of the Ministry of the Economy and Finance, ensuring in particular that the supported investment meets strict criteria in combating money laundering, maintenance or creation of jobs, regional development policy and environment and sustainable development policy.

Vessels acquired by shipping companies subject to the tonnage tax in France, a tax aid scheme promoted in France to maintain a French trade fleet under the French flag. The tax leasing scheme in question is known to the French tax authorities, having been the subject of a scoping letter between the Directorate of Tax Legislation and the French Shipowners' Association. These operations are exempted from a specific authorisation because they are covered by common law provisions: tonnage tax, declining balance method of depreciation, transparency or tax consolidation.

BRED also benefits from a tax credit for its research and innovation expenditure, while adopting a cautious approach to determining eligible projects (IT and modelling projects).

Finally, pursuant to L561-2 *et seq* of the French Monetary and Financial Code, BRED has set up a vigilance system relating to the fight against money laundering and financing of terrorism. This system also incorporates constant vigilance regarding the suspicion of tax evasion.

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 financing activities and investment activities 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.).

2.15 - Data security and confidentiality

Challenge: protect the IT systems and personal data of customers and employees.

KPI: 96% of employees within the scope of BRED's parent company and French subsidiaries have been trained in European data protection regulations over the last three years, with a target of 100%.

GDPR-TRAINED EMPLOYEES				
KPI	**2020**	**2019**	**2018**	**Objective**
Proportion of GDPR-trained employees (training valid for three years)	96%	101.5%	-	100%

Data protection

Having relevant and up-to-date data about BRED customers is therefore essential to building a quality relationship, in compliance with the General Data Protection Regulation (GDPR).

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 banking practices and tools, BRED has put a data quality improvement policy in place as part of a plan initiated by Groupe BPCE. 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 General Data Protection Regulation.

BRED's Account Life and Data Governance teams 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 Groupe BPCE.

BRED applies (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 (GDPR). To this end, BRED has appointed a Data Protection Officer (DPO) to the French supervisory authority (CNIL). The DPO, in accordance with the tasks conferred on him by the GDPR, is responsible for the proper application of this regulation within the company. He is supported by a team of four dedicated experts and a network of roughly 50 Personal Data Protection Officers (PDPOs) appointed within each business line and forming a data protection function. All BRED employees have been trained in the basic principles of the GDPR and PDPOs and project managers receive advanced training.

BRED published its personal data protection policy, established its personal data processing map and analysed the risks associated with its processing. Processing that poses a significant risk is subject to a Data Protection Impact Assessment (DPIA). The project method has been adapted to allow privacy principles to be taken into account from the design phase.

Lastly, a large project to update existing applications has been launched to make the necessary changes to those applications in accordance with GDPR requirements.

Information system security

Committed to ensuring a high level of security in the banking relationship with its customers, BRED implements systems for securing access to banking transactions and data, both on its BRED Connect web application and on its mobile applications.

To do this, BRED has a procedure for protecting its information system that is organised around two lines of defence. The first line of defence is the operational defence response based on a Security Operation Centre (SOC), an authorisation management system, and teams in charge of implementing the security rules necessary to protect BRED's information assets. The second line of defence is provided by the “ISSOs” (Information System Security Officers), who carry out due diligence for ISS governance, risk and compliance.

In this regard, BRED has an IT asset classification system that identifies the most sensitive information assets and implements adequate security and continuity due diligence to address the cyber threat. In order to strengthen these aspects, annual stress tests are carried out on all BRED Group IT infrastructures in order to make sure they are efficient. In addition to these procedures, information campaigns about information system security are regularly carried out with BRED staff.

Finally, due to the health crisis, the business continuity plan (BCP) was activated in 2020 by General Management. The measures associated with the crisis and requested by the government were implemented, including the use of telecommuting for the business lines that allowed it. In terms of IT system security, exceptional measures to boost the security level were carried out in addition to the usual operational due diligence.

3 - 2020 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).

3.1 - Indicators used

BRED’s declaration of extra-financial performance refers to a common set of core indicators used by all Groupe BPCE entities. These indicators are completed by BRED as a separate entity and then consolidated at Group level. At the end of 2020, the update to the extra-financial risk mapping relating to activity allowed us to identify 14 major risks out of the 20 risks analysed. Each of them is the subject of an action plan and a follow-up using key performance indicators.

The reporting protocol also takes into consideration:

- recommendations made by Groupe BPCE’s ad hoc working group;
- remarks made by the Independent Third Party Bodies in the framework of their auditing work for previous periods for the CSR items, in the management report from Groupe BPCE;
- harmonisation of carbon indicators used in the greenhouse gas inventory.

A CSR reporting user guide has been produced, and was followed by BRED when preparing the declaration of extra-financial performance chapter of this report. BRED also referred to the BPCE methodological guide for environmental data and an information gathering system (SPIDER) provided by BPCE.

3.2 - Exclusions

In view of its risks, BRED does not consider to be relevant information relating to the amendments to Article L 225-102-1 of the French Commercial Code, introduced by Law no. 2018-938 of 30 October 2018 regarding combating food insecurity, respect for animal welfare and responsible, fair and sustainable food. Measures to combat food waste (Ordinance no. 2019-1069 of 21 October 2019 on the fight against waste) are excluded from the report.

3.3 - Reporting period

Published information concerns the period from 1 January 2020 to 31 December 2020.
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 2020.

3.4 - Reporting scope

In the spirit of the declaration of extra-financial performance, for the majority of indicators the reporting scope focuses on BRED's core business, corresponding to the parent company scope expanded to French subsidiaries.
However, BRED has expanded the reporting scope to the subsidiary Fipromer as well as to foreign subsidiaries: Banque Franco-Lao, BCI Mer Rouge, BRED Bank Vanuatu, BIC BRED Suisse, BRED IT, BRED Bank Cambodia, BRED Bank Fidji Ltd, BRED Bank Salomon Islands.

For information, the subsidiaries that have yet to be incorporated as at 31 December 2020 are as follows: EPBF Brussels, NJR Invest- Brussels, BRED China Ltd Chongquing – China, IRR Invest – Brussels.
Subsidiaries consolidated using the equity method are not including in this scope. The 2020 scope covers 99.9% of BRED Group's workforce.

3.5 - Clarifications regarding corporate data

The workforce data concerns employees on the payroll as at 31 December 2020. 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 2020 from the outside or from within another BPCE entity. Any move from a fixed-term contract or work experience contract to a permanent contract within BRED is subject to a new employment contract. When a person has several fixed-term contracts during the year, this will be counted under new hires with each new contract (if that person was still present at 31 December 2020). Similarly, a person employed under a fixed-term contract in a given year moving to a permanent contract during the year will be recorded as a fixed-term contract recruitment then as a permanent contract recruitment.

As BRED is part of Groupe BPCE, when the term "transfer" is used in connection with recruitments or departures it means that the employee moved to or came from a Groupe BPCE entity.

The data on training covers all training undergone by staff, including that performed within the framework of the Personnel Training Account (CPF) which replaced the DIF (right to training) as of 1 January 2015, and the time spent under professional training 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 does not take into account the absences of supplementary staff and trainees. For BRED and all its French subsidiaries, it corresponds to the number of days' absence on a calendar basis to the nearest year. For international subsidiaries, the rate of absenteeism is established on a reported basis and calculated according to the number of business days.

Employee turnover is calculated as follows: ((Number of permanent contract hires in year N + Number of permanent contract departures in year N)/2) / total permanent contract workforce in year N-1, within the scope of BRED's parent company and French and international subsidiaries. The various limitations of scope and other specific points were highlighted in the relevant sections of the declaration of extra-financial performance. BRED's parent company and French subsidiaries cover 77% of the workforce, with 23% covered by the international subsidiary scope.

3.6 - Clarifications regarding environmental data

The environmental data covers BRED headquarters, including the main buildings located in Paris and Joinville-le-Pont in 2020 and consumption by branches in France and in French overseas territories. In addition, the energy consumption reported is based on invoices. The SPIDER tool developed by BPCE on behalf of Group entities, based on the ADEME methodology used to assess the GHG footprint, does not take into account emissions resulting from financing and investments by banks. There is currently no methodology for quantifying this kind of indirect emission.

3.7 - 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. The NPS assessment, monitoring of purchases from local SMEs, annual production of micro-loans by ADIE and the amount of renewable energy project financing are communicated on a scope excluding the activity of international subsidiaries.
Three new indicators were added in 2020.
One involves the sustainability of the customer relationship. This is the attrition rate. The other involves customer protection and the transparency of the offer. This is the complaint rate for “information-advisory” reasons. The last one involves the integration of ESG criteria into credit decisions. This is the share of corporate loan applications incorporating an analysis of ESG risk.

3.8 - Specific information on the cooperative model

The Global Reporting Initiative (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 account for 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.

4 - REPORT BY THE INDEPENDENT THIRD-PARTY

BRED Banque Populaire
Registered office: 18, Quai de la Rapée, 75012 Paris

Report by the statutory auditor, designated as an independent third-party body, on the consolidated declaration of extra-financial performance

Financial year ended 31 December 2020

To the General Meeting,

In our capacity as the statutory auditor for your company (hereinafter "the Entity"), designated as an independent third-party body, accredited by COFRAC under number 3-1049[1], we present you with our report on the consolidated declaration of extra-financial performance for the financial year ended 31 December 2020 (hereinafter the "Declaration"), presented in the Group's management report pursuant to Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Entity's responsibility

The Board of Directors is responsible for drawing up a Declaration in compliance with the legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies applied with regard to those risks along with the results of those policies, including key performance indicators.

The Declaration has been established by applying the Entity's procedures (hereinafter referred to as the "Reporting Protocol"), the material elements of which are presented in the Declaration and available on request at the Entity's registered office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the profession's code of ethics. Furthermore, we have set up a quality control system that includes documented policies and procedures designed to ensure compliance with the applicable laws and regulations, rules of ethics and professional standards.

Responsibility of the statutory auditor designated as an independent third-party body

It is our responsibility, on the basis of our work, to formulate a reasoned opinion expressing a conclusion of moderate assurance on:

- compliance of the Declaration with the provisions of Article R. 225-105 of the French Commercial Code;
- the accuracy of the information provided pursuant to paragraph 3 of I and II of Article R. 225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks, hereinafter the "Information".

However, it is not our responsibility to express an opinion on the entity's compliance with other applicable legal and regulatory provisions, particularly with regard to the fight against corruption and tax evasion, or the compliance of products and services with applicable regulations.

Nature and scope of the work

[1] COFRAC Accreditation Inspection, no. 3-1049, available at www.cofrac.fr

Our work described below has been carried out in accordance with the provisions of Articles A. 225-1 *et seq*. of the French Commercial Code, the professional standards of the French Statutory Auditors' Association relating to this assignment and international standard ISAE 3000[2]:

- We reviewed the activity of all the entities included in the scope of consolidation and the statement of the main risks;
- We have assessed 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;
- We have verified that the Declaration covers each category of social and environmental information provided for in Article L. 225-102-1 as well as information provided for in Article L. 22-10-36 concerning respect for human rights and combating corruption and tax evasion;
- We have verified that the Declaration presents the information provided for in point II of Article R. 225-105 when relevant to the main risks and includes, where applicable, an explanation of the reasons for the absence of the information required by paragraph 2 of point III of Article L. 225-102-1;
- We have verified that the Declaration presents the business model and a description of the main risks relating to the activity of all entities included in the scope of consolidation, including, where relevant and proportionate, the risks created by their business relations, their products or services, as well as the policies, actions and results, including key performance indicators relating to the main risks;
- We have consulted the documentary sources and conducted interviews to:
  - assess the process for selecting and validating the main risks as well as the consistency of the results, including the key performance indicators chosen, with regard to the main risks and policies presented;
  - corroborate the qualitative information (actions and results) that we considered to be the most important[3]. Our work was carried out at the head office of the consolidating entity.
- We have verified that the Declaration covers the consolidated scope, namely all the entities included in the scope of consolidation in accordance with Article L. 233-16 [with the limits specified in the Declaration];
- We have taken note of the internal control and risk management procedures put in place by the entity and have assessed the collection process ensuring the completeness and accuracy of the Information;
- For the key performance indicators and other quantitative results that we considered the most important[4], we have implemented:
  - analytical procedures involving verifying the correct consolidation of the data collected and the consistency of their movements;
  - detailed tests on the basis of surveys, involving checking the correct application of definitions and procedures and reconciling the data with the supporting documents. This work was carried out at the entity's head office and covers between 77% and 100% of the consolidated data selected for these tests;
- We have assessed the overall consistency of the Declaration in relation to our knowledge of all the entities included in the consolidation scope.

We believe that the work we have carried out 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.

Means and resources

For our work we used the skills of five people; this took place between October 2020 and April 2021, for a total period of about fifteen weeks.

To assist us in carrying out this work we called on our sustainable development and social responsibility specialists to help. We conducted interviews with the persons responsible for the preparation of the Declaration, including the CSR, risk management, compliance, human resources, environment and purchasing departments.

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[2] *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information*

[3] *Employee skills development policy; Employee health and well-being policy; Measures taken to promote gender equality; Initiatives implemented to promote the integration of disabled persons; Financing mechanisms for green growth and the energy transition; Policy and actions to reduce the direct carbon footprint; Proper business conduct and anti-corruption procedures implemented; Measures to prevent tax evasion; Customer satisfaction assessment; Partnership and sponsorship initiatives; and Personal Data Protection measures taken.*

Conclusion

Based on our work, we did not observe any material misstatement likely to call into question the fact that the consolidated declaration of extra-financial performance complies with the applicable regulations and that the Information, taken as a whole, is presented in a fair manner, in accordance with the Reporting Protocol.

Paris-La Défense, le 22 avril 2021

KPMG S.A.

Anne Garans
Associée
Sustainability Services

Ulrich Sarfati
Associé

7

General meeting

ORDINARY GENERAL MEETING OF 27 May 2021

AGENDA

1. Management report by the Board of Directors on the 2020 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 2020. Discharge to the Board of Directors.

3. Approval of the consolidated financial statements for FY 2020. Discharge to the Board of Directors.

4. Appropriation of FY 2020 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 2020 financial year to the directors and categories of persons 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. Ratification of the appointment of a director.

9. Appointment of a new director.

10. Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares.

11. 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 2020 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 2020 financial period.

Appropriation of income and determination of interest to be paid on the cooperative shares (3rd resolution)

Concerning the allocation of the company's income for the financial period, which came out to €155,021,545.65, you are first asked, taking account of the capital increases in 2018, to allocate 5% of the income for the year, i.e. €7,751,077.28, to the legal reserve.

Given that the retained earnings account shows a positive balance of €110,000,000, the distributable profit stands at €257,270,468.37. We propose that you proceed as follows:

- pay interest on cooperative shares at a rate of 1.34% of the average par value of cooperative shares in 2020, i.e. €0.14 on each of the shares with rights accruing from 1 January 2020, i.e. a total amount of €17,568,680.23;
- allocate € 129,701,788.14 to the other reserves;
- and carry forward the balance, i.e. €110,000,000.

In accordance with the provisions of Article 200A of the French General Tax Code, the interest received by natural persons residing in France for tax purposes is automatically subject to a single flat-rate levy of 12.8% plus social security contributions of 17.2%, representing an overall tax rate of 30%.

By way of exception and subject to an explicit and comprehensive option, this interest is subject to income tax at the progressive rate after a reduction of 40% under the conditions provided for in Article 158-3. 2 of the French General Tax Code. The interest paid on the shares is also subject to social security contributions at a rate of 17.2%.

A waiver of the flat-rate non-discharging levy of 12.8% (Article 117 *quater*, I.-1 of the French General Tax Code) is provided for taxpayers whose "reference tax income" does not exceed a certain threshold, provided that they have made the explicit request when filing the relevant income declaration.

Subject to the favourable opinion of the French and European banking authorities, the payment of interest on cooperative shares will be made in cash as from 1 June 2021.

It is recalled that the amount of distributions made for the previous three years is as follows:

Financial year	Number of members' cooperative shares	Total interest paid out on shares	Amounts eligible for rebate of 40% (1)
2017	96,269,300	€ 13,230,586.81	€ 13,230,586.81
2018	113,301,560	€ 15,770,034.29	€ 15,770,034.29
2019(2)	130,674, 465	€ 17,378,599.30	€ 17,378,599.30

(1) For natural persons

(2) In accordance with the recommendation issued on 27 March 2020 by the European Central Bank (ECB) in the context of the global health crisis not to pay dividends in cash on shares or interest on shares, the Board of Directors decided, on an exceptional basis, to compensate cooperative shareholders with new shares instead of a full payment in cash.

Regulated agreements and commitments (4th resolution)

We also ask you to take note of the following:

- That two new agreements referred to in Article L.225-38 of the French Commercial Code have been concluded;
- That agreements entered into and authorised prior to the 2020 financial year continued to be effective;
- That one agreement entered into and authorised prior to fiscal year 2020 ended on 28 May 2020.

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 persons listed in Article L.511-71 of the French Monetary and Financial Code (fifth resolution)

Pursuant to Article L.511-73 of the Monetary and Financial Code, you are asked for consultative advice on the remuneration paid in 2020 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:

- To members of the Board of Directors,
- 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 177 persons for the 2020 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 2020 includes a substantial portion corresponding to payments made for previous financial years.

After review by the Compensation Committee, the aggregate amount of the compensation actually paid during the financial year ended 31 December 2020 amounted to €27,769,876. This amount includes the remunerations established for 2020, the non-deferred variable remunerations paid in 2020 for the 2019 financial period and the deferred variable remunerations paid in 2020 for previous financial periods.

Determination of amounts paid to members of the Board of Directors (6th resolution)

You are also asked to establish the annual overall amount of compensatory payments for time spent for the 2021 financial year at €945,000.

Composition of the Board of Directors (seventh and eighth resolutions)

We propose that you ratify the appointment decided by the Board of Directors of Camille Bougon as director on a provisional basis. This mandate ends at the end of the General Meeting called to approve the financial statements for the 2024 financial year.

We also ask that you appoint Laurent Ronis-Le Moal as director for a term of six years. This mandate ends at the end of the General Meeting called to approve the financial statements for the 2026 financial period.

Information about these directors is provided below (Article R.225-83-5 of the French Commercial Code).

Furthermore, the functions and mandates of all corporate officers are set out in the "Corporate Governance" section of the annual report.

Delegation of authority to the Board of Directors to allow the Company to buy back its cooperative shares (9th resolution)

The purpose of the ninth 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 13,202,666 cooperative shares.

The shares thus bought by BRED should, within five years of their acquisition, be offered to cooperative members who express their intention to buy them on the occasion of a sale organised by the bank, within the three months following every annual General Meeting.

Powers for formalities (10th resolution)

Lastly, the tenth 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 2020 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 2020.

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 2020 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 2020.

Third resolution: allocation of income and determination of interest to be paid on the cooperative shares

The members note that a profit of €155,021,545.65 was recorded in 2020 and resolve to allocate it as follows, in accordance with the proposals of the Board of Directors:

(In euros)	
Profit for the financial year	155,021,545.65
Allocation to the legal reserve	- 7,751,077.28
Retained earnings	110,000,000.00
Distributable profit	257,270,468.37
Interest on cooperative shares	- 17,568,680.23
Allocation to other reserves	129,701,788.14
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 2020 financial year, an interest payment of €0.14 for each dividend-bearing cooperative share from 1 January 2020.

Pursuant to Articles 117 *quater* and 200A of the French General Tax Code, the interest paid on the cooperative shares is subject to a definitive withholding tax (for its gross amount and subject to an income-dependent exemption) except where the progressive income tax rate has been selected. In this second case, the interest paid on the cooperative shares is eligible for the reduction provided for in Article 158-3.2 of the French General Tax Code and the withholding tax is deductible on the tax due.

Subject to the favourable opinion of the French and European banking authorities, the payment of interest on cooperative shares will be made in cash as from 1 June 2021.

It is recalled that the amount of distributions made for the previous three years is as follows:

Financial year	Number of members' cooperative shares	Total interest paid out on shares	Amounts eligible for rebate of 40% (1)
2017	96,269,300	€ 13,230,586.81	€ 13,230,586.81
2018	113,301,560	€ 15,770,034.29	€ 15,770,034.29
2019(2)	130,674, 465	€ 17,378,599.30	€ 17,378,599.30

(1) For natural persons

(2) In accordance with the recommendation issued on 27 March 2020 by the European Central Bank (ECB) in the context of the global health crisis not to pay dividends in cash on shares or interest on shares, the Board of Directors decided, on an exceptional basis, to compensate cooperative shareholders with new shares instead of a full payment in cash.

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 French Commercial Code and having voted on the report, the General Meeting noted that two new agreements authorised by the Board of Directors were concluded during the financial year and that previously concluded and authorised agreements remained in force.

Fifth resolution: consultation on the aggregate amount of compensation of any kind paid to the categories of persons 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 were consulted pursuant to Article L.511-73 of the French Monetary and Financial Code, indicated that they were in favour of the aggregate amount of compensation of any kind paid during the 2020 financial year to the accountable managers and categories of persons referred to in Article L.511-71 of the French Monetary and Financial Code, totalling €27,769,876.

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 €945,000 for 2021;
- noted that this amount covers compensation for the directors and Chair of the Board of Directors.

Seventh resolution: ratification of the appointment of a director

The General Meeting approved the provisional appointment of Camille Bougon as director by the Board of Directors on 22 February 2021 to replace Michèle Clayzac.

Ms Camille Bougon will hold office for the remainder of her predecessor's term of office, or until the end of the General Meeting called to approve the financial statements for the 2024 financial year.

Eighth resolution: appointment of a director

The General Meeting appointed Laurent Ronis-Le Moal as director for a term of six years.

This mandate ends at the end of the General Meeting called to approve the financial statements for the 2026 financial period.

Ninth resolution: authorisation granted 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 French Commercial Code:

1. authorised 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 13,202,666 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.

Tenth 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

PricewaterhouseCoopers Audit

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

KPMG SA

Tour Eqho

2 Avenue Gambetta

92066 Paris La Défense Cedex

Statutory auditors' special report on collective agreements

(General meeting to approve the statements of the financial year ended on 31 December 2020)

To the Shareholders
BRED BANQUE POPULAIRE
18, quai de la Rapée
75012 PARIS

In our capacity as statutory auditors of your company, we hereby present our report on regulated agreements.

We are required to report, based on the information provided, on the main terms and conditions of, as well as on the reasons justifying the company's interest in, agreements that have been disclosed to us and that we have discovered in the course of our assignment, without commenting on their relevance or substance. We do not have an obligation to establish whether any other agreements exist. Under the terms of Article «ARTICLE_A» 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 «ARTICLE_A» 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 SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

Agreements authorised and concluded during the past financial year

In accordance with Article «ARTICLE_B» of the French Commercial Code, we were notified of the following agreements entered into during the past financial year, which were subject to prior authorisation by your Board of Directors.

1. Agreement related to social protection of the Chair of the Board of Directors

- *Person concerned*

Isabelle Gratiant, Chair of the Board of Directors of BRED Banque Populaire, effective May 28, 2020.

- *Type and purpose*

Chairs may also benefit, on a decision by 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 meeting of 28 May 2020 authorised the extension to the new Chair of the Board of Directors of this additional specific social protection plan.

- Conditions

This agreement gave rise to payment of € 5,978.89 in 2020.

2. Memorandum of Understanding between BPCE, BRED Banque Populaire and BPCE International et Outre-Mer concerning the establishment of BBV and the disposal of BPCE Vietnam

- *Person concerned*

Isabelle Gratiant, Chair of the Board of Directors of BRED Banque Populaire, effective May 28, 2020.

- *Type and purpose*

The purpose of the Memorandum of Understanding is the creation by BRED Banque Populaire of a new banking subsidiary holding an Institutional Licence and a Certificate of Registration – BBV – to which all of BPCE Vietnam's Assets and Liabilities held by BPCE I would be sold as soon as possible following the establishment of BBV and according to the timetable for receiving the required authorisations.

On 6 July 2020, the Board of Directors authorised the signing of the Memorandum of Understanding.

- Conditions

The memorandum of understanding was effectively signed on 25 January 2021 between the parties and had no impact on BRED Banque Populaire's financial statements in 2020.

Agreements already approved by the General Meeting

Agreements approved during previous financial years which remained in force during the period under review

In accordance with Article «ARTICLE_E» of the French Commercial Code, we have been informed of the continued execution of the following agreements, already approved by the General Meeting in previous financial years, during the period under review.

1. <u>Memorandum of understanding on the mechanism for contributing to Groupe BPCE's capital adequacy</u>

- *Persons concerned*

Stève Gentili, Chair of the Board of Directors of BRED Banque Populaire until 28 May 2020, and Isabelle Gratiant, Chair of the Board of Directors of BRED Banque Populaire as of that date.

- *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 Groupe BPCE's capital adequacy. This document provides, inter alia, for the introduction of a system to contribute to the Group's prudential capital based on an aggregation/offsetting system. It was approved by the Ordinary General Meeting of 23 May 2013.

- *Conditions*

This agreement did not have any impact on the 2020 financial statements of BRED Banque Populaire.

2. <u>Agreement related to social protection of the Chair of the Board of Directors</u>

- *Person concerned*

Stève Gentili, Chair of the Board of Directors of BRED Banque Populaire until 28 May 2020.

- *Type and purpose*

Since 1986, the chairpersons 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 Chair of the Board of Directors of this additional specific social protection plan. This agreement was approved by the Ordinary General Meeting of 26 May 2016.

- Conditions

This agreement gave rise to payment of € 36,024.26 in 2020.
This agreement ended on 28 May 2020.

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, renewed in 2016, relates to the lease of various commercial premises situated at ZI Les Mangles – Acajou, 97232 Le Lamentin (Martinique) at the Le Lamentin branch. The initial annual rent excluding taxes was set at €86,558.76. That rent 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.

We inform you that the lease was authorised by the Board of Directors on 29 March 2016.

- Conditions

This agreement gave rise to payment of € 110,264.28 in 2020.

Neuilly-sur-Seine, le 22 avril 2021

PricewaterhouseCoopers Audit

Emmanuel Benoist

Anik Chaumartin
Associée

Emmanuel Benoist
Associé

Paris La Défense, le 22 avril 2021

KPMG S.A.

Fabrice Odent
Associé

Ulrich Sarfati
Associé

RATIFICATION OF THE APPOINTMENT OF A DIRECTOR

(Article L.225-115, paragraph 3, of the French Commercial Code)

Camille Bougon
Main role: Head of Real Estate France, GAI GP SCOP (international investment holding company)

End date of mandate: General Meeting 2025 ***Number of cooperative shares held:*** 202 ***Date of birth:*** 4 April 1981	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire (appointed on 22 February 2021). ***Mandates or functions outside BRED Banque Populaire Group*** • Head of Real Estate France, GAI GP SCOP (international investment holding company) • Manager, SCI DES MARAIS. • Manager, SARL IPC. • Manager, SCI BOIS LEVENT. ***Other functions or mandates held over the past five years*** • Notary - Etude MAUVE (notary firm). • Notary employee - Etude Lacourte notaires (notary firm). • Teacher at the Institut d'Etudes Politiques (Sciences Po) - Paris.

APPOINTMENT OF A NEW DIRECTOR

(Article L.225-115, paragraph 3, of the French Commercial Code)

Laurent Ronis-Le Moal
Main role: General Manager of Services for the Cotentin Urban Area

End date of mandate: General Meeting 2027 ***Number of cooperative shares held:*** 100 ***Date of birth:*** 26 November 1971	***Mandates or functions within BRED Banque Populaire Group*** • Director of BRED Banque Populaire, ***Mandates or functions outside BRED Banque Populaire Group*** • General Manager of Services for the Cotentin Urban Area ***Other functions or mandates held over the past five years*** • Director of the cabinet of Hervé Morin, former Minister, President of the Normandy Region. • Deputy Chief Executive Officer responsible for the development and attractiveness of the territory of the Le Havre urban area.

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head office: 18, Quai de la Rapée – 75012 Paris – FRANCE
Tel.: +33 (0)1 48 98 60 00