



BRED
BANQUE POPULAIRE
BANQUE & ASSURANCE

PRESS RELEASE

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2017 RESULTS

**GROWTH OF THE NET BANKING INCOME FOR THE FIFTH CONSECUTIVE YEAR
GROWTH IN ALL BUSINESS SECTORS CONFIRMING BRED'S STRATEGY**

**COMMERCIAL BANKING IN FRANCE CONTRIBUTES FOR
2/3 OF THE INCREASE**

A SIGNIFICANT INCREASE IN NET BANKING INCOME

+5%

(+5.2% - per books, +4.7% excluding non-recurring items)

CONTINUED IMPROVEMENT OF THE OPERATING RATIO

60.1%

(60.9% in 2016)

GROWTH IN NET PROFIT EXCLUDING NON-RECURRING ITEMS

€260m

(+1.9%)

THE CET1 SOLVENCY RATIO REMAINED STRONG

15.85%

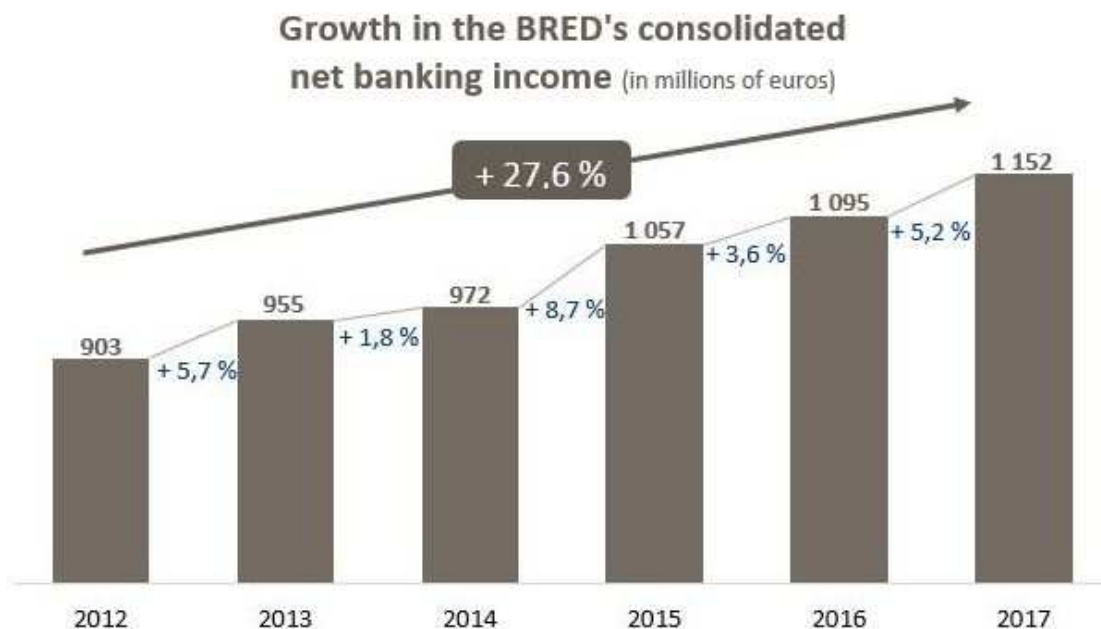
NEW SUCCESS FOR THE CAPITAL INCREASE

€153m (Subscription rate of nearly 140%)

EQUITY CAPITAL GREW TO €4.1bn

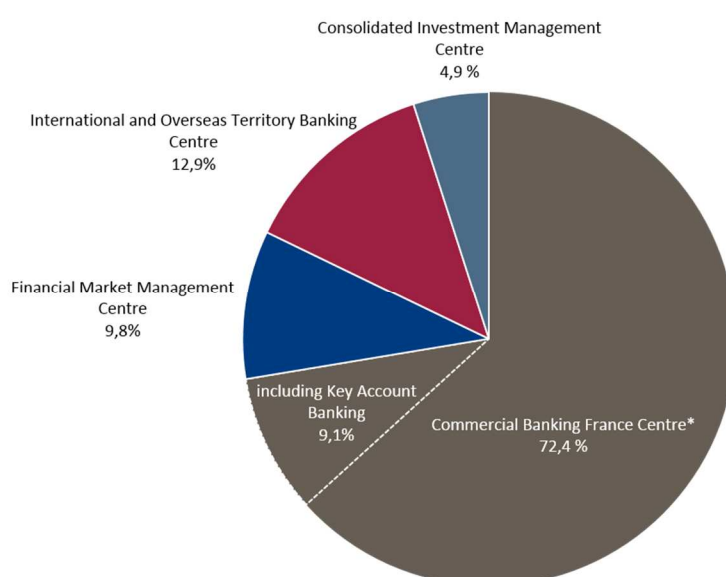
Fifth consecutive year with an increase in net banking income

BRED's consolidated net banking income grew for the fifth consecutive year, to €1.152 billion (+5.2%). Setting aside non-recurring items, net banking income grew 4.7%, which confirms the pursuit of sustained growth in BRED's activities and in those of its subsidiaries.



In 2017, Commercial Banking France, with net banking income up by 4% despite an unfavourable context of low interest rates and increased competition, contributed two-thirds of the growth in BRED Group's net banking income. All activity centres contributed to the growth in overall net banking income.

Breakdown of net banking income excluding non-recurring items by activity centre



* Including ALM

The net banking income of the subsidiaries and international bank holdings was processed in relation to the percentage of control, independent of the accounting method.

BRED Group expenses increased 3.2% excluding non-recurring items. Setting aside expenses related to the new subsidiaries in Cambodia and in the Solomon Islands, expenses increased 2.5% due to an intentional policy of employee training, with a budget of more than 6% of payroll (i.e. more than six times the legal minimum), and investments in digital solutions, reworking information systems and modernising the branch network.

The operating ratio continued to improve, reaching 60.1%, versus 60.9% in 2016, one of the best among French banks.

The cost of risk was €93.5 million, an increase due to some significant corporate dossiers. **The cost of risk over net banking income was at the average level observed over the past five financial years.**

Corporate income tax was penalised with an exceptional surtax implemented by the government to offset the elimination of the tax on dividends, leading to €8.5 million in additional taxes, treated as a non-recurring item.

Excluding non-recurring items, **net income grew by 1.9% to reach €260 million.**

Consolidated net income was €257 million compared with €266 million last year, penalised by the €8.5 million surtax mentioned above.

The solvency and liquidity ratios were at very comfortable levels.

Shareholder's equity was €4.1 billion, up by 9.5% (€351m) for the financial year thanks to excellent net income and a €153 million capital increase from the members. Both overall and **CET1¹** solvency ratios were very good at **15.85%**, up 99 basis points over last year, with a regulatory minimum for the overall ratio² of 9.25% and 5.75% for the CET1 ratio.

The **LCR** liquidity ratio was **128.5%** as at 31 December 2017, with a minimum regulatory requirement of 80%.

Olivier Klein, Managing Director of the BRED said:

"These results, which are remarkable in the current banking context, underline the relevance of the 'bank without distance' strategy, which is an overall model of close relationships incorporating the digital revolution. All business lines, including our international banks and our market activity, contribute to this. Commercial Banking France also had its fifth consecutive year of growth and contributed two-thirds of the growth in net banking income for BRED Group overall.

The "bank without distance" approach:

It is the outcome of a proactive approach intended to offer clients the best level of practicality and service availability, through accelerated digitisation relying on highly significant investments, while guaranteeing them the best level of expertise and advice for all their needs in every situation, and at every moment of their life or career. Relevant advice is based on a major investment in training, which represents more than 6% of the BRED payroll, as well as a highly nuanced adaptation by the teams to the expectations of their clients at each branch.

¹ As prudential equity capital consisted entirely of CET1 firm equity capital, the overall solvency ratio is identical to the CET1 solvency ratio.

² Including a conservation cushion of 1.25%.

The global model of relationships of proximity:

This approach is showing results. It involves offering all our clients a **global relationship of proximity**. A **relationship** because we provide our clients with advisers who have the expertise they need: individuals, professional clients, companies (in relation to their size and business line), wealth-management clients, liberal professions, associations, etc. **Global** because the relationship, one that lasts over time, is there for all the needs a family or company may have in a diverse range of situations and requirements, as well as for its manager, etc. Lastly, **proximity** because our advisers know their clients and establish an ongoing, open, human exchange with them, in our branch network of course, as well as through telephone or digital communication channels. All of this is done with the additional sensitivity contributed by our cooperative values."

BRED Consolidated income statement excluding non-recurring items

€m	31/12/2016	31/12/2017	Change: 2017 vs. 2016	
NET BANKING INCOME	1080,1	1130,7	50,6	4,7%
TOTAL OPERATING EXPENSES	-664,9	-685,9	-21	3,2%
GROSS OPERATING RESULT	415,2	444,8	29,6	7,1%
Operating ratio	61,6%	60,7%	-0.9 pts.	
OPERATING PROFIT	341,7	351,3	9,5	2,8%
PRE-TAX PROFIT OR LOSS	371,8	377,9	6,2	1,7%
NET PROFIT	256,7	259,4	2,7	1,1%
GROUP SHARE OF NET PROFIT	255,3	260,2	4,9	1,9%

BRED Consolidated income statement

(figures presented below are the consolidated financial information for BRED Group, in accordance with the IFRS as adopted by the European Union.)

€m	31/12/2016	31/12/2017	Change: 2017 vs. 2016	
NET BANKING INCOME	1 095,0	1 152,1	57,1	5,2%
Staff expenses excluding incentives and profit-sharing	-336,7	-354,7	-18	5,4%
Incentives and profit-sharing	-47,0	-47,1	0	0,1%
Outside services	-203,2	-214,0	-10,8	5,3%
Duties and taxes	-40,8	-39,6	1,2	-2,9%
Allocations to depreciation and fixed assets	-39,5	-37,3	2,1	-5,4%
TOTAL OPERATING EXPENSES	-667,2	-692,8	-25,5	3,8%
GROSS OPERATING RESULT	427,8	459,3	31,5	7,4%
Operating ratio	60,9%	60,1%	-0.8 pts	
Cost of Risk	-73,5	-93,5	-20,1	27,3%
OPERATING PROFIT	354,3	365,7	11,5	3,2%
Company share of net income by equity method	26,2	30,2	3,9	15,0%
Gains or losses on other assets	21,8	-2,3	-24,1	N/A
Loss of value of goodwill	-0,9	-1,2	-0,3	N/A
PRE-TAX PROFIT OR LOSS	401,4	392,4	-9	-2,2%
Tax on profits	-133,6	-136	-2,4	1,8%
NET PROFIT	267,8	256,5	-11,4	-4,2%
Minority shareholder interests	-1,4	0,8	2,2	17,4%
GROUP SHARE OF NET PROFIT	266,4	257,2	-9,2	-3,5%

About BRED

BRED is a member of the Banque Populaire group of cooperative banks. It has 180,000 members, €4.1 billion in equity capital and 5,500 employees (25% of whom are located outside France and in the French overseas collectivities). It operates in Normandy, the Paris region and France's overseas departments, as well as through its commercial-banking subsidiaries in Southeast Asia, Oceania, the Horn of Africa, and through its bank specialised in financing international trade in Geneva.

As a community bank with strong ties in local areas, it has a network of 350 branches in France, 16 business centres, 13 asset-management centres and a wealth-management centre.

BRED Banque Populaire, part of BPCE, is a diversified bank (retail banking, corporate banking, private banking, international banking, asset management, securities trading, insurance, international trading) that generated a consolidated net banking income of €1.152 billion in 2017.

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