

## 2016 RESULTS

### PRESS RELEASE

Paris, 25 February 2017

## **BRED** BANQUE POPULAIRE

### POSTS RECORD PERFORMANCE IN 2016

#### **SIGNIFICANT RISE IN NET BANKING INCOME**

**+6.9%** excluding extraordinary items  
€1,095m, +3.6% accounting result

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#### **VERY GOOD COST-TO-INCOME RATIO**

**60.9%**

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#### **STRONG INCREASE IN NET PROFIT**

**+12.2%** excluding extraordinary items  
€266.4m, +11.9% accounting result

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#### **FURTHER RISE IN THE CET1 RATIO**

**14.86%**  
(+59bps)

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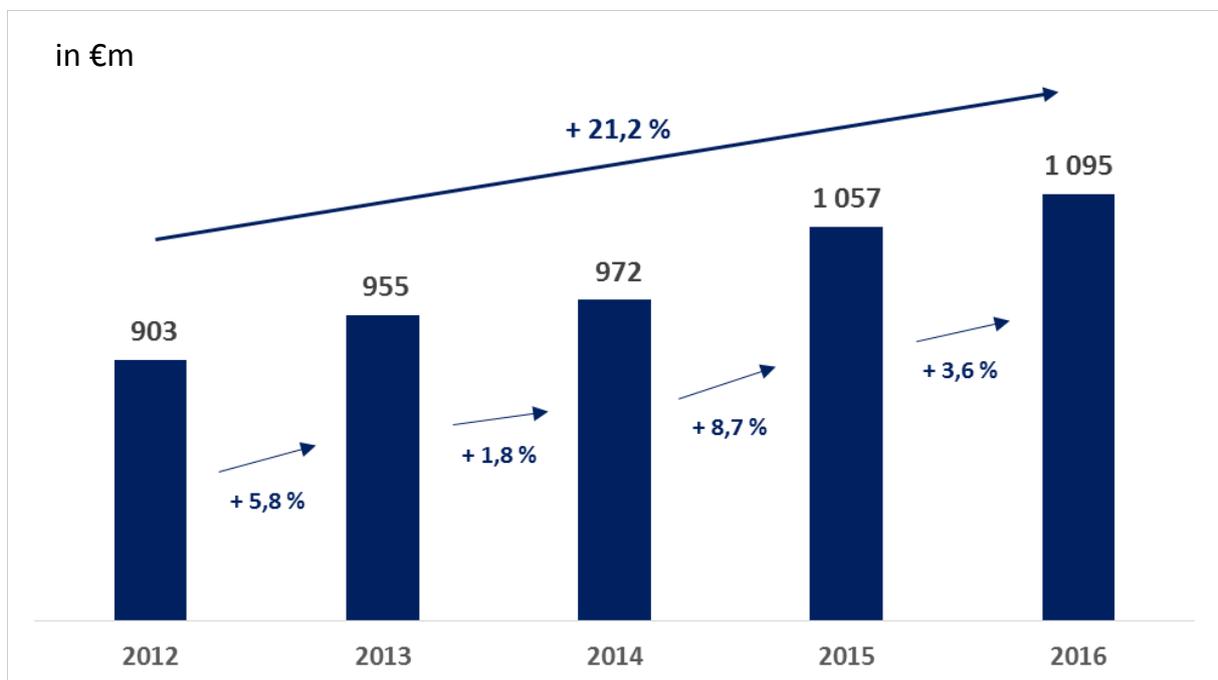
#### **SUCCESSFUL CAPITAL INCREASE**

**€152m**  
Subscription rate exceeds 120%

For second consecutive year, **BRED's consolidated net banking income exceeds one billion euros: €1,095m, a new record.** Excluding extraordinary items, **NBI growth stands at 6.9%** (+3.6% on accounting result).

The record activity levels in spite of the unfavourable environment (flat rate curve and stricter regulatory constraints) confirms the success of the "without distance" banking strategy implemented by BRED in recent years.

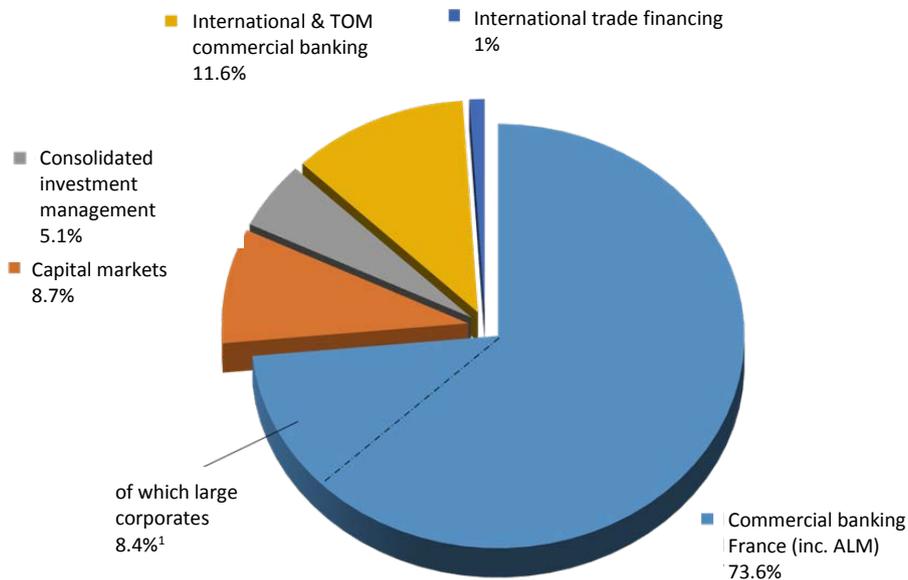
Consolidated accounting NBI



This remarkable growth is reflected in all business lines, notably **commercial banking in France** (including ALM) which continues to enjoy sustained growth, **posting a 4.3% rise in NBI**, thanks to new business gains and the strategy to adapt to new customer behaviour, and in spite of the environment of low rates and heightened competition.

**This division has contributed 70% of total NBI growth between 2012 and 2016.**

### Breakdown of NBI by division



*NBI from subsidiaries and international banking interests is recognised in accordance with the percentage of control, independently of the method of accounting treatment.*

<sup>1</sup> *Intermediate size companies, institutionnals, land and property professions...*

**The 3.4% increase in operating expenses** (excluding extraordinary items) **reflects BRED's determination to pursue its development by continually adding value for both its clients and employees.**

Personnel costs excluding profit sharing rose by 2.6%. Profit sharing grew by 8.4%.

Taxes and charges increased by €7.2m, resulting from regulatory constraints such as the €4.2m increase to the Single Resolution Fund and the €1.7m charge applied by the FGDR deposit guarantee fund. The charges for BRED associated with these two funds amounted to over €10m in 2016, against less than €5m in 2015.

Other operating expenses (including amortisation) rose by 4.3%. BRED has decided to invest heavily in digital and has increased the number of training hours since 2011 by 40%. It has also launched a branch network organisational development programme to meet the new demands of its customers and will also be renovating its head offices, located at Quai de la Rapée in Paris. Other regulatory developments have also led to higher operating costs.

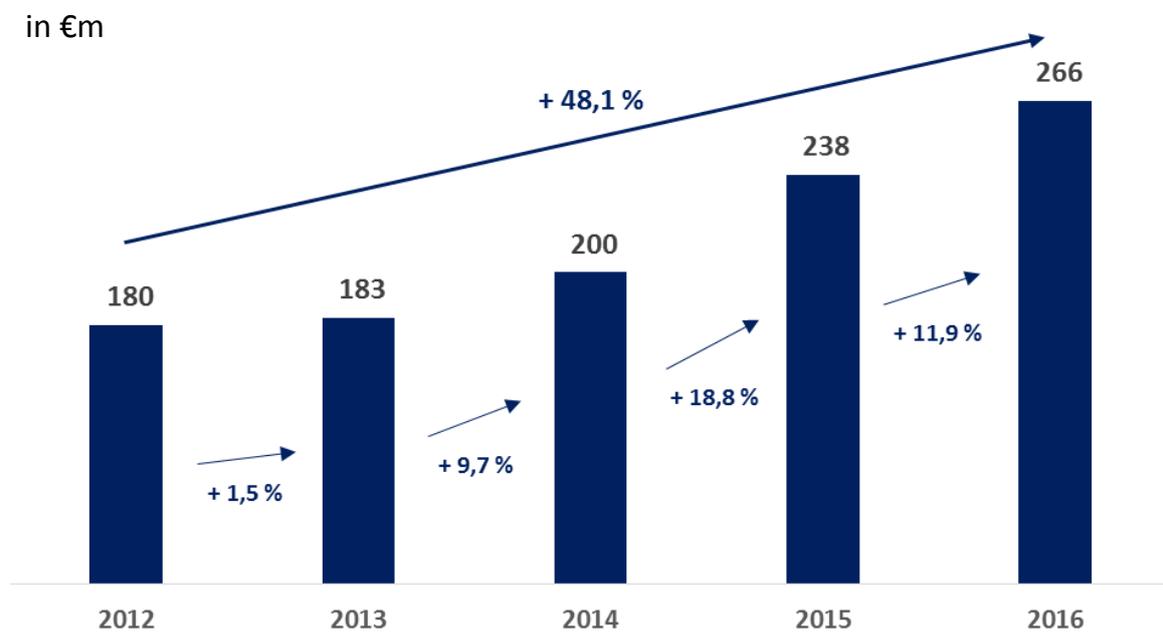
Gross operating income, up by 12.8% (excluding extraordinary items) has been positively impacted by the sharp rise in NBI and relatively lower rise in expenses. BRED posts a **cost-to-income ratio of 60.8%** (excluding extraordinary items and 60.9% on accounting result), **a highly competitive level in the French banking industry.**

The cost of risk stands at €73.5m, down by 12.1%.

BRED benefits from a €26.2m share in the income of companies accounted for using the equity method. It also realised a real estate capital gain of over €21m (recorded as an extraordinary item).

**The net result group share reached a record level of €266.4m in accounting result, a rise of 11.9%. Adjusted for extraordinary items, it stands at €264.5m (+12.2%).**

Consolidated accounting net result



## **Solvency and liquidity ratios stand at very comfortable levels**

Prudential capital stands at €2,982m, a rise of €314m over the period thanks to the excellent net result and the capital increase among members. The total capital adequacy ratio and the CET ratio<sup>1</sup> solvency ratios exited the year at the highly satisfactory level of **14.86%**, up by 59 basis points in one year, against minimum applicable regulatory levels<sup>2</sup> of 9.24% for the overall ratio and 4.50% for CET1.

The **LCR** liquidity ratio stood at **110%** at 31 December 2016 against the minimum regulatory requirement of 70%, raised to 80% on 1 January 2017.

**Olivier Klein, CEO of BRED, declares:** *"In spite of an unfavourable rates environment, in 2016 BRED achieved an increase in Net Banking Income, notably commercial banking in France, thereby sustaining its "without distance" banking model and the decision to invest in its human capital and in digital. It has once again been able to reinforce its financial base by achieving the highest net result in its history. This enable it to build on its vocation to serve its regions and client members. Relationships based on proximity and trust, the very foundation of the BRED model, have enabled it in 2016 to significantly increase its capital in support of its continued development."*

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<sup>1</sup> As BRED's prudential capital is composed solely of CET1 core capital, its overall capital adequacy ratio is strictly identical to its CET1 ratio.

<sup>2</sup> With buffers at their maximum thresholds.

BRED consolidated P&L account excluding extraordinary items

Millions of euros	31/12/2015	31/12/2016	Change 2016/2015	
<b>NET BANKING INCOME</b>	<b>1016.3</b>	<b>1086.3</b>	<b>70.1</b>	<b>6.9%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>-639.1</b>	<b>-660.8</b>	<b>-21.6</b>	<b>3.4%</b>
<b>GROSS OPERATING INCOME</b>	<b>377.1</b>	<b>425.6</b>	<b>48.4</b>	<b>12.8%</b>
<b>Cost-to-income ratio</b>	<b>62.9%</b>	<b>60.8%</b>	<b>-2.1pts</b>	
<b>OPERATING INCOME</b>	<b>298.9</b>	<b>352.0</b>	<b>53.1</b>	<b>17.7%</b>
<b>INCOME BEFORE TAX</b>	<b>326.0</b>	<b>382.9</b>	<b>56.9</b>	<b>17.4%</b>
<b>NET INCOME</b>	<b>235.0</b>	<b>265.8</b>	<b>30.9</b>	<b>13.1%</b>
<b>NET INCOME GROUP SHARE</b>	<b>235.7</b>	<b>264.5</b>	<b>28.7</b>	<b>12.2%</b>

BRED consolidated P&L account

Millions of euros	31/12/2015	31/12/2016	Variation 2016/2015	
<b>NET BANKING INCOME</b>	<b>1057.2</b>	<b>1095.0</b>	<b>37.8</b>	<b>3.6%</b>
Personnel expenses excluding profit sharing	-328.2	-336.7	-8.4	2.6%
Profit sharing	-43.4	-47.0	-3.6	8.4%
External services	-193.5	-203.2	-9.7	5.0%
Taxes	-33.7	-40.8	-7.2	21.2%
Amortisation	-39.2	-39.5	-0.3	0.8%
<b>TOTAL OPERATING EXPENSES</b>	<b>-637.9</b>	<b>-667.2</b>	<b>-29.3</b>	<b>4.6%</b>
<b>GROSS OPERATING INCOME</b>	<b>419.3</b>	<b>427.8</b>	<b>8.5</b>	<b>2.0%</b>
<b>Cost-to-income ratio</b>	<b>60.3%</b>	<b>60.9%</b>	<b>0.6pt</b>	
Cost of risk	-83.7	-73.5	10.1	-12.1%
<b>OPERATING INCOME</b>	<b>335.6</b>	<b>354.3</b>	<b>18.6</b>	<b>5.5%</b>
Result share less companies valued via equity method	26.8	26.2	-0.5	-2.0%
Gains or losses on other assets	0.3	21.8	21.5	NA
Goodwill impairment losses	-11.0	-0.9	10.2	NA
<b>INCOME BEFORE TAX</b>	<b>351.7</b>	<b>401.4</b>	<b>49.7</b>	<b>14.1%</b>
Income tax	-114.4	-133.6	-19.2	16.8%
<b>NET INCOME</b>	<b>237.3</b>	<b>267.8</b>	<b>30.5</b>	<b>12.9%</b>
Minority interests	0.7	-1.4	-2.1	NA
<b>NET INCOME GROUP SHARE</b>	<b>238.1</b>	<b>266.4</b>	<b>28.4</b>	<b>11.9%</b>

*The numbers presented are BRED consolidated financial data prepared in accordance with IFRS as adopted by the European Union.*



### **About BRED Banque Populaire**

*BRED, the largest commercial bank in the BPCE Group, is a cooperative bank with 165,000 client members and equity of 3.7 billion euros.*

*The BRED group, which has 5,500 employees of whom 25% are based abroad and in French overseas communities, includes a retail bank, a corporate bank, a private bank, an asset management company, a trading floor, an insurance company and banking subsidiaries in Southeast Asia, the Pacific, the Horn of Africa and Switzerland.*

*Its core business is commercial banking in France in the regions of Ile-de-France, l'Aisne, Normandy, in French overseas territories in La Réunion, Mayotte, Martinique, Guadeloupe and French Guyana, in French overseas communities and further abroad, where it pursues targeted growth in the Horn of Africa (Djibouti), Oceania (New Caledonia, Vanuatu, Solomon Islands and Fiji) and in Asia (Laos and Cambodia).*

*A local bank committed to its territories, in France it has a network of 344 high street branches (of which 81 in French overseas territories), 16 business centres (of which 5 in French overseas territories), 12 asset management centres (of which 3 in French overseas territories) and a dedicated wealth management unit. Within its territories, BRED maintains long-term relationships with over one million clients: private individuals, artisans, shopkeepers, professionals, private banking clients, SMEs, mid-caps, large-caps and institutions. In addition to its credit, investment and day-to-day banking products, it also offers its clients the products and services from its trading floor, its insurance company and those from specialist subsidiaries within the BPCE Group.*