



PRESS RELEASE

Paris, 31 August 2016

Further rise in interim NBI

+ BRED Banque Populaire has once again posted half-year growth in NBI

+ At €558m, Net Banking Income rose by 2.7% (+4.6% excluding extraordinary items) against H1 2015, driven by solid commercial performance, mainly in France but also supported by strong international results

+ Net Operating Income stands at €143m, an increase of 13%

High resilience in NBI growth posted by Commercial Banking France (+6.1%), despite the unfavourable interest rate environment

The contribution by **Commercial Banking France**, including ALM but excluding a provision for home ownership savings, stands at €433m, a significant increase of 6.1% (€25m) in a difficult banking environment.

These figures remain in line with the consistent growth trend over recent years. They are notably the result of successful implementation of the strategy designed to meet customers' ever-changing demands. Firstly, by ensuring that BRED shows the required flexibility vis-à-vis its customers, progressively integrating digital and reorganising its branch network. And secondly, by further enhancing the quality of business relationships, services and advice via sustained investment in our human capital. Overall, BRED is developing through an optimum mix of the best digital systems are able to offer its customers supported by the best in high street banking services, provided by named relationship managers offering their customers genuine added value.

BRED in France is therefore continuing to demonstrate significant commercial vitality in both mainland France and French overseas territories:

- Growth of 3.5% in the number of active accounts;
- The loan book posted overall growth of 5.2%, a dynamic observed in all markets: Retail (+6.0%), Professionals (+5.2%) and Corporate (+4.9%);
- Deposit accounts grew by 9.9%, with a higher weighting in demand deposits;
- Life assurance assets also saw positive movement (+2.9%).

Leading to:

- **Net interest margin up by 3.9%, despite the unfavourable environment of low interest rates;**
- **Net commissions up by 7.1%;**

Furthermore, commercial banking abroad and in French overseas territories, including international trade financing, saw their contribution increase by 17% to €32m, notably due to growth in the international commercial banking division, notably led by BRED Fiji (+€1.5m) and Banque Franco-Lao (+€1.5m), supported by the BRED international trade financing subsidiary, BIC BRED Suisse (+€2.5m).

The contribution by the trading desk, down by 13% after an excellent half-year in 2015, remains at the very high level of €42m, ahead of budget.

After a significant capital gain realised on the partial sale of an equity interest in H1 2015, income generated by consolidated investment management stands at €44m, a fall of 27%.

Adjusted for higher contributions to the European Single Resolution Fund (+€2m) and for a base effect associated with the reversal of a provision for litigation recognised in H1 2015 (€4m), expenses rose by 3.2%. This figure mainly reflects project investments, notably related to the implementation of the strategy outlined above, designed to support the development of commercial banking in France, and to projects associated with regulatory changes. Operating costs stand at a total of €335m, an increase of 5.1%.

An excellent cost-to-income ratio of 60.1%

The cost-to-income ratio (costs/NBI) stands at 60.1% (+1.4pts), a leading level of performance among French banks and a reflection of the effective conversion of costs into NBI.

The **cost of risk** in Commercial Banking France stands at €24m, a notable decrease (-28%) due to improvements by Corporate banking. However, an additional provision of €16m was made for an oil & gas project outside France, which has now been fully written down. Consolidated cost of risk therefore stands at €42m (+6.9%), to which must be added a collective provision of some €2m.

Strong growth in consolidated Net Operating Income of 13%, reaching €143m

Even when excluding capital gains from real estate sales, consolidated net operating income saw satisfactory growth, principally for the reasons set out above. Capital gains included, NOI grew by 13% to €143m.

Finally, **solvency and liquidity ratios** stand at an excellent level, meeting the higher prudential requirements and supporting BRED's development.

The CET1 solvency ratio reached 14.09% at the end of June 2016, against 13.43% in the previous year. Capital at book value now stands at €3,306m and regulatory capital increased by €298m over the period, reaching €2,738m (+12%). A new share issue of €152m planned for autumn 2016 will further enhance the bank's solvency and growth potential.

BRED continues to enjoy an excellent level of liquidity thanks to its diverse and balanced portfolio of activities and to the reserves of high-quality liquid assets the bank has been able to accumulate. The LCR short-term liquidity ratio stands at over 110% as of the end of June 2016, versus a regulatory minimum of 70%.

Consolidated income statement of BRED Banque Populaire

€ millions	2015.06	2016.06	VAR	
NBI	542.8	557.7	14.8	2.7%
<i>Personnel expenses excluding profit-sharing and incentives</i>	162.5	166.4	3.9	2.4%
<i>Profit-sharing and incentive schemes</i>	20.1	20.1	0.1	0.3%
<i>External services</i>	93.1	100.0	6.9	7.4%
<i>Taxes</i>	27.5	27.2	-0.3	-1.1%
<i>Depreciation</i>	19.5	19.3	-0.2	-1.0%
Operating expenses excluding litigation and SRF* changes	322.7	333.0	10.3	3.2%
<i>Litigation provision reversal</i>	-4.0		4.0	ns
<i>SRF* changes</i>		2.0	2.0	ns
Operating costs	318.7	335.0	16.3	5.1%
Cost-to-income ratio	58.7%	60.1%	1.4pt	
<i>Cost of risk excluding collective provisions</i>	-39.6	-42.4	-2.7	6.9%
<i>Collective provisions</i>	0.4	-2.1	-2.5	nm
<i>Equity method investments & goodwill</i>	8.3	9.4	1.1	13.3%
<i>P/L on other assets</i>	0.4	21.8	21.4	nm
Current income before tax	193.6	209.4	15.8	8.1%
<i>Income tax</i>	-66.5	-65.7	0.8	-1.3%
<i>Minority Interests</i>	-0.7	-0.6	0.1	-9.0%
Net income, group share	126.4	143.1	16.7	13.2%

*Single Resolution Fund

The figures presented are consolidated BRED Group data produced in accordance with IFRS as adopted by the European Union. These figures have not been audited.

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