

ACTIVITY REPORT 2017

BRED: BANKING WITHOUT DISTANCE

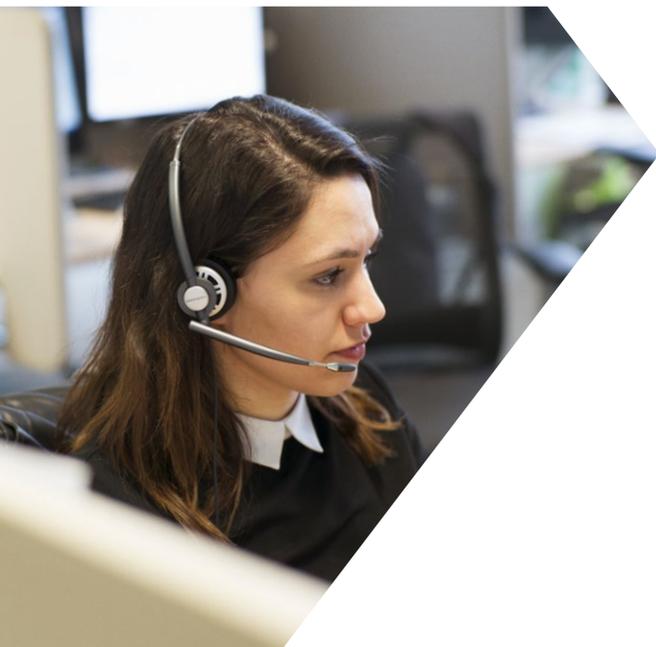


**GLOBAL
PROXIMITY**
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**GROWTH IN ALL
MARKETS IN 2017**
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**RESPONSIBLE,
COOPERATIVE,
COMMITTED TO OUR
COMMUNITIES**
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Our model of banking without distance is that of a bank with the courage to create a global relationship of proximity, which forms close to our customers, in the heart of their communities.

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Our model of close relationships is echoed in our management of employees and in our social commitments.

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SUMMARY OF RESULTS 2017

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BRED: BANKING WITHOUT DISTANCE

BRED is a member of the Banque Populaire group of cooperative banks. It has 180,000 cooperative members, €4.1 billion of equity capital and 5,500 employees, 25% of whom are located outside France or in the French overseas territories. Its core business is commercial banking in France through its regional operation in Greater Paris, Seine-et-Marne/Aisne, Normandy, Reunion Island, Mayotte, Guadeloupe, the Northern Islands, Martinique and French Guiana. A bank committed to its communities, its French network consists of 343 local branches, 17 business centres, 13 asset management centres and a wealth management division. It maintains long-term relationships with more than one million clients.

BRED Banque Populaire, a member of the BPCE Group, is engaged in a range of diversified businesses – retail banking, corporate and institutional banking, private banking, international banking, asset management, securities trading, an insurance company and international trade. It also carries out its commercial banking business through its banking subsidiaries in Southeast Asia, the Pacific and the Horn of Africa.

In 2017, BRED recorded consolidated NBI of €1,152 million (+5.2%). Commercial banking in France continued its growth, with a 4% increase in NBI in spite of a highly competitive environment and an unfavourable interest rate curve, accounting for two-thirds of total NBI growth.

€4.1 billion
of equity capital

180,000
cooperative members

5,500
employees including 25% outside
France and in overseas territories

ABOUT BRED IN BRIEF

A diversified and successful local bank with numerous first-class geographical, commercial and economic assets

Our sites

METROPOLITAN FRANCE

In Normandy

- 59 local branches
- 2 wealth management centres
- 3 business centres
- 1 specialised branch for independent professionals

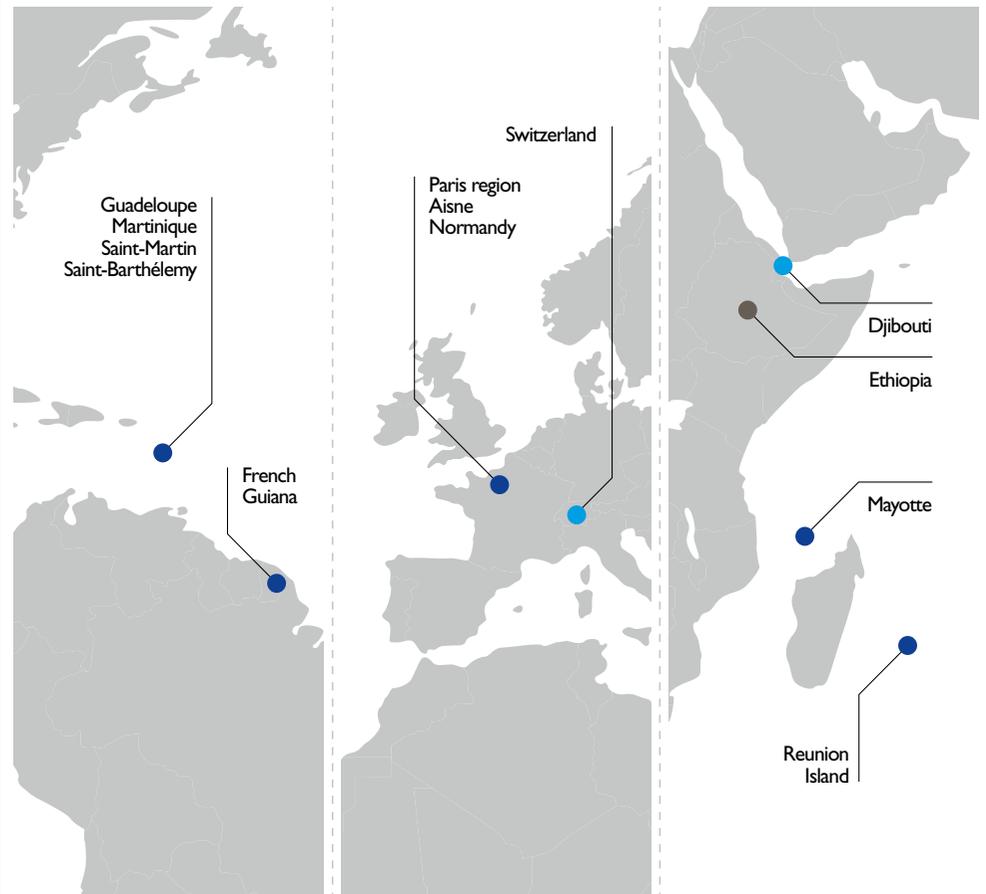
312 employees

In the Paris region

- 2 head offices, in Paris and Joinville
- 190 local branches
- 8 wealth management centres
- 9 business centres
- 1 specialised branch for independent professionals
- 1 branch of BRED Espace

2,949 employees

(including 1,139 in the commercial network)



FRENCH OVERSEAS TERRITORIES

In Martinique and French Guiana

- 27 local branches
- 2 specialised branches for independent professionals
- 1 wealth management centre
- 2 business centres

282 employees

In Guadeloupe-Northern Islands

- 23 local branches
- 1 specialised branch for independent professionals
- 1 wealth management centre
- 1 business centre

224 employees

In Reunion Island and Mayotte

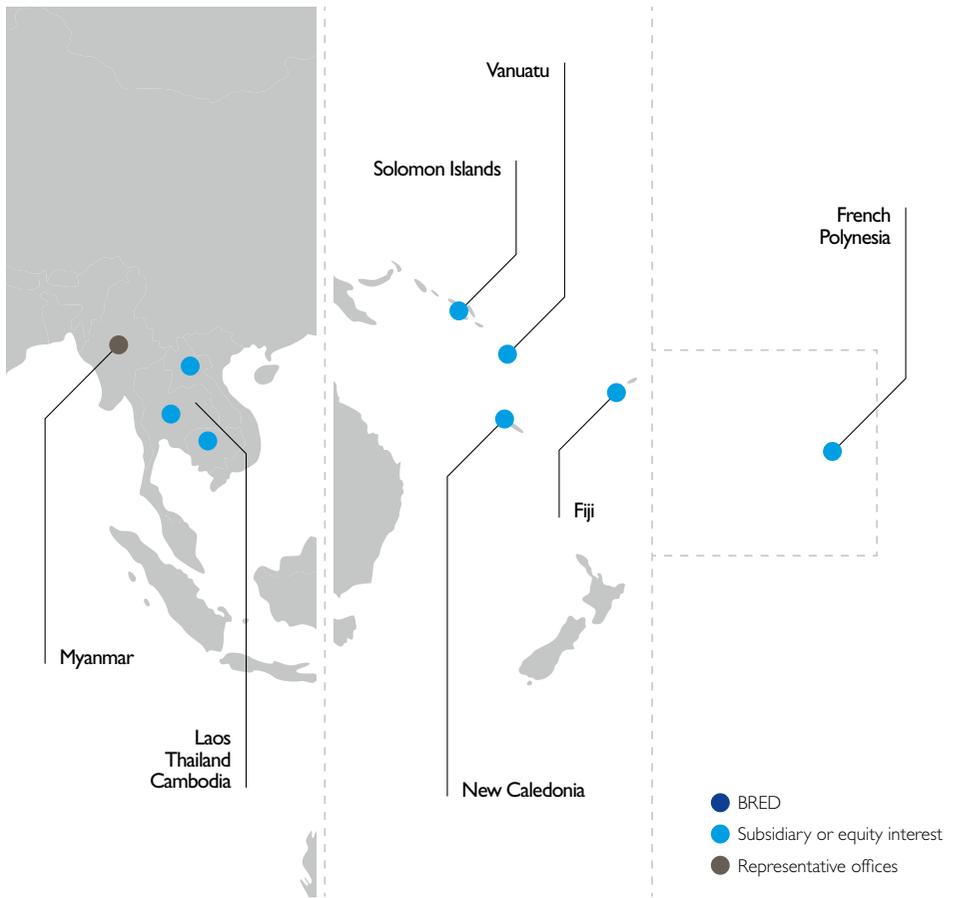
- 30 local branches
- 2 business centres
- 1 wealth management centre
- 4 specialised branches for independent professionals
- 4 Sofider branches

286 employees

Correspondent banks
in over

150 countries

More information:
bred.fr



IN SOUTHEAST ASIA

- **BFL – Laos**
 - 21 branches in 6 cities including one women only banking branch in Vientiane
- 172 employees
- **BBC – Cambodia**
 - 1 branch (head office)
- 89 employees

IN THE HORN OF AFRICA

- **BCI MR – Djibouti**
 - 10 branches including two in the regions (Ali Sabieh and Tadjourah)
 - 2 centres for corporate clients
 - 1 representative office in Ethiopia (Addis Ababa)
- 249 employees

IN EUROPE

- **BIC BRED: international trade financing**
 - Paris (head office)
 - Switzerland - 1 subsidiary in Geneva: BIC-BRED (Suisse) SA
- 39 employees

The BRED Group in foreign countries and French overseas territories

IN OCEANIA

- **BCI NC – New Caledonia**
 - 27 branches
 - 5 part time branches
 - 1 bureau de change
- 442 employees
- **BRED Bank Vanuatu**
 - 2 branches in Vanuatu
 - 1 branch in the Solomon Islands
- 133 employees
- **BBS – Solomon Islands**
 - 1 branch (head office)
- 40 employees
- **BBF – Fiji**
 - 6 retail branches
- 116 employees



BRED also operates:

- in Myanmar and in Ethiopia, through representative offices
- in Thailand, where BRED IT, a subsidiary providing a specialised IT platform for foreign banks, is based.

MESSAGE FROM THE CHAIRMAN



STÈVE GENTILI
Chairman

“Responsible development”

This year, once again, BRED has enjoyed strong commercial momentum. Its results – which are remarkable at a time when the financial environment, new regulations and a sharp rise in competition are forcing the major banks to contract – cannot be dissociated from the cooperative values that constitute our very identity: proximity, solidarity and entrepreneurship. They are the values that drive our management team and our employees, and they guide our actions.

At the heart of the real economy

We practise a responsible development model. We employ resources collected in the regions to support growth in the regions. In 2017 alone, our outstanding loans increased by 12%.

We were originally founded by local players to facilitate their access to credit, and we act today in accordance with our historic vocation. We are immersed in local life wherever we are located, and we finance those operating in the real economy, men and women who contribute day after day to the vitality of their regions, be they private individuals, tradespeople, retailers, farmers, self-employed professionals or company owners. We also finance regional structures playing a part in the social economy.

Alert to the social environment in our communities

As a cooperative business, it is our duty to take account of not only our economic environment, but also our social environment. In the communities where we operate, we support initiatives intended to encourage social cohesion through social inclusion and equal opportunities, as well as cultural and sporting activities of a broader interest. We are also very much involved in the development of microcredit.

An entrepreneurial and innovative approach

Our cooperative ideal, which feeds on the spirit of entrepreneurship, is open to innovation. The question that now faces us is: what bank and what economy do we want for the digital age? At BRED, our choice is to ensure that the role of digital is to serve people. Dematerialising products and services, which allows clients to perform operations online that previously required them to make a journey, does not make human relations superfluous; quite the opposite.

“Our cooperative ideal, which feeds on the spirit of entrepreneurship, is open to innovation.”

We believe in personalised support rather than standardised advice. Our concept of “banking without distance”, promoted by our senior management, reinvents a local relationship in the digital environment. Whether it is given on-line or in-branch, advice is the very essence of our activity: comprehensive, high-quality advice based on a detailed knowledge of each customer's projects and needs.

A bank that belongs to its members

This strategy requires an even higher quality of human and logistical investment. Every year, more than 90% of our employees take part in at least one training session. Rather than reducing our network of local branches, which we are progressively modernising, we are optimising the network's organisation so that each customer can have access to the best expertise. We are, of course, doing our utmost to ensure fluid access to our services and make them more convenient to use through digital technology.

As a cooperative bank, we are supported in this strategy by our cooperative members, who are our only shareholders. Assured of your confidence, as evidenced by the success of our recent capital increase, we will continue to invest in training our employees, in upgrading our technologies and improving the services we provide for our customers. We will press ahead with our development while remaining more than ever attached to our values, giving pride of place to human relationships, and combining the human approach with effectiveness, performance with professional ethics.

This will enable us to meet the challenges that are sure to lie ahead in spite of the renewed strength of the world economy.

“The question that now faces us is, what bank and what economy do we want for the digital age?”

“Banking without distance drives our performance”

How do you look back on 2017?

For the fifth year in a row, BRED has seen growth in its NBI over all its activities. In 2017, it stood at €1,152 million, constituting a rise of 5.2%.

Commercial banking in France, which is our core activity, contributed two-thirds of BRED's growth in NBI. The 4% growth in its consolidated NBI is remarkable, bearing in mind the low level of interest rates. Its balance sheet and fees showed very rapid growth, and there was a strong contribution from banking for large companies and institutions. A successful sales drive organised by the network had a positive effect on sales and fees, backed up by our PRÉPAR and PROMEPAR subsidiaries, which specialise in insurance and asset management respectively.

Our trading desk, which is available for our customers, recorded €15 million of additional NBI by comparison with 2016, an improvement of 14%.

Income from our activities in French overseas territories and abroad rose 7% and is also very encouraging, particularly as some of our banks are still very young and are therefore capable of progressing much more.

The BRED Group's expenses rose 2% in 2017, on a like-for-like basis and excluding non-recurring items.

The cost of risk stood at €93.6 million, and the ratio of cost of risk to NBI was the average percentage over for the past five years.

Consolidated net profit stood at €257 million. The figure would have been totalled €270 million on an unchanged tax basis, as against €266 million the previous year.

What are the strategic choices that lies behind this performance?

Our profits have improved every year for five years (up by 43% since 2012).

These results confirm that we are right to pursue our “banking without distance” approach. This development strategy is backed up by a substantial programme of investment. We have proactive policies of employee training, of implementing digital solutions, such as overhauling our IT systems, and of modernising our network of branches.

How would you define banking without distance?

Banking without distance is our promise to customers of a global model of proximity that takes account of the digital revolution.

This relationship model is built on being able to find appropriate and tailored solutions over the long term for all the needs of our customers, in every concrete situation they encounter and at every phase of their lives or their businesses. This expertise owes a lot to a very significant investment in training, which at BRED represents around 6% of the payroll, six times greater than the legal minimum.

“For the fifth year in a row, BRED has seen growth in its NBI over all its activities. Commercial banking in France contributed two-thirds of BRED's growth in NBI.”



OLIVIER KLEIN
CEO

“Banking without distance is our promise to customers of a global model of proximity that takes account of the digital revolution.”

In addition, our advisors communicate with their clients in the branch, of course, but also via telephone and digital communication channels – digital can in fact serve to enrich a relationship of proximity.

You are opening new branches both in mainland France and overseas. So can we assume you believe there’s still life in the branch network?

Yes, as long as we adapt it to our new lifestyles. We are therefore speeding up the implementation of digitisation, on the basis of substantial investments. With everyday operations conducted on self-service machines, on-line, on the app or by phone, advisors have more time available to analyse their customers’ needs and to contact them to offer bespoke solutions and so help them to prepare and carry out their life projects. Of course, we are working to sustain our physical branch network. Our “new concept” branches are progressively replacing the old branches, with three clearly identified spaces: self-service, waiting, advice. We recently decided to split our network in Normandy into two distinct regional

departments to increase its accessibility for customers and to adapt our organisation as closely as possible to the specific nature of this region. We intend to do the same thing in Seine-et-Marne, which is a very large department geographically.

And we are permanently optimising the presence of our sales teams, across the board, with respect to each category of clientele and over all the territories in which we operate.

What part do foreign operations play in BRED’s strategy?

We have operations in Asia, the Pacific, the Horn of Africa and Switzerland. On the strength of the experience we had acquired in the Caribbean and the Indian Ocean, we opened in the French overseas territory of New Caledonia in 2007. Then we started opening banks outside French territory: in Vanuatu, Fiji, Djibouti, Laos, and then Cambodia and the Solomon Islands a few months ago. We have a representative office in Addis Ababa, Ethiopia, and we also have a presence in Yangon, Myanmar.

INTERVIEW WITH THE CEO



We enter countries that have a low level of banking and prospects for strong growth. In all these locations, we operate as a commercial bank. We are the only French bank – in actual fact, the only European bank – present, and we are always supported by the local authorities. Everywhere, we strive to provide our customers with the best international standards.

BRED will celebrate its centenary in 2019. To what extent is a cooperative structure still adapted to your development model?

Our status as a cooperative bank, owned by our members through cooperative shares that are not subject to market fluctuations, is both an opportunity and a boon for us, because we can look forward in time, over a long-term basis. It is specific to our the cooperative model that our customer-members hold a central place in our governance structure. Their interests are

represented by the members of our Board of Directors, who are all BRED members, elected by the General Meeting of Shareholders. They are thus represented in our choices and they support them, as demonstrated by the success of each of our recent capital increases.

To strengthen these links, we invite our members to meetings in our branches, which give us opportunities to talk with them and listen to their reactions. The relationships of very close proximity that we maintain with our customer-members is fully in line with our policy of banking without distance, which is the driver of our development.

“In international development, we enter countries that have a low level of banking and prospects for strong growth.”



CONSOLIDATED NBI

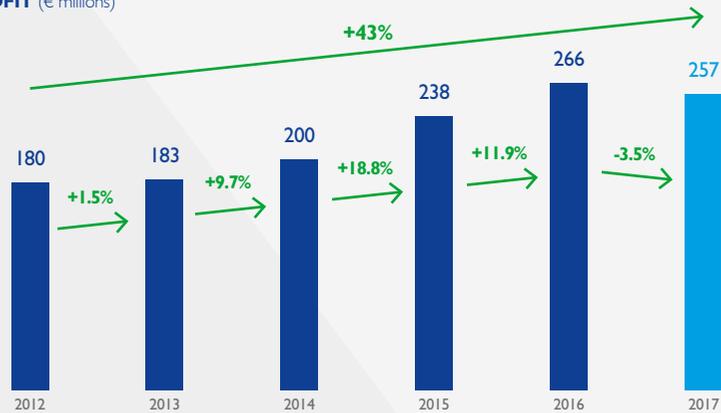
€1,152 million +5.2%

GROWTH IN BRED'S CONSOLIDATED NET BANKING INCOME (€ millions)



“Net profits stood at €257m, an increase of 43% since 2012.”

GROWTH IN BRED'S CONSOLIDATED NET PROFIT (€ millions)







BANKING WITHOUT DISTANCE: A GLOBAL RELATIONSHIP OF PROXIMITY

In 2017, we continued to develop our “banking without distance” approach in all our businesses. Here are some examples.



An approach based on five pillars:

- accessibility
- convenience
- responsiveness
- proactivity
- cooperative values.

How do you build a bank without distance?
A round-up of initiatives in all the bank's businesses.



ACCESSIBILITY: THE FREEDOM TO CHOOSE YOUR MODE OF RELATIONS

We endeavour to offer the best service through all our distribution channels, so that our customers can combine all ways of communicating and performing operations: meeting their advisor in the branch, for instance, but also contacting him or her directly by phone or email; subscribe to a service over the counter or remotely (account contract, BREDConnect services, credit cards, personal protection fund, savings account, home savings plan, etc.); or opening an account in less than 10 minutes, whether physically in a branch or online.



CONVENIENCE OF EVERYDAY OPERATIONS, AUTONOMY OF CUSTOMERS

Banking convenience is based on technological developments that encourage customer autonomy (state-of-the-art machines in branches, one of the best apps on the market, aggregation of bank accounts, etc.), sharing information (an SMS sent to track each stage of a credit application or to confirm a transfer made, a commitment on processing, times, etc.) and organisation of the service.



FIVE PILLARS OF BANKING WITHOUT DISTANCE



LISTENING, EMPATHISING, RESPONDING

We focus on the way in which we listen to the requests of our customers, to whom we always show understanding. Actions we have taken to improve this include behavioural training to educate commercial staff, measuring tools (quality surveys and

indicators), ensuring that every employee in a branch takes a turn at manning the reception desk and the telephone, and simplification of procedures for customers and for employees (fast decision-making process, digitisation of loan dossiers, etc.).

ZOOM

**Added value:
the right expertise
and the right advisor
for each customer
profile**

We are positioned as the bank for our customers' life projects and business projects, a bank for the long term, which will respond to their need for support. The relevance of the advice we offer results from a very high level of investment in training, approximately 6% of the payroll (it has risen by 40% in 5 years). It also calls for a very precise and progressive adaptation of our network so that every customer is offered the correct type of expertise for their profile: individuals, wealth-management clients (three levels of service according to different needs and levels of wealth), self-employed professions, associations, companies (depending on their size and business line), institutional players, etc.

BANKING WITHOUT DISTANCE: ALL OUR EMPLOYEES ARE COMMITTED TO BUILDING A GLOBAL RELATIONSHIP OF PROXIMITY WITH OUR CUSTOMERS.

A PROACTIVE ANTICIPATION OF CUSTOMERS' NEEDS

We endeavour to anticipate our customers' needs by making them carefully targeted proposals. The essential prerequisites are knowledge of customers built up over the long term by their regular account managers, along with an in-depth data analysis (CRM), a proactive culture and an ability to dialogue, whether face-to-face or remotely (targeted training and 2 hours spent on the telephone each day for each advisor). Above all, more of the sales team's time has to be devoted to giving advice (fewer low-value tasks, relocation of sales personnel to the larger-scale commercial structures to increase operational fluidity and to save time).



COOPERATIVE VALUES, REGIONAL ROOTS

As a cooperative bank, BRED, which is owned by its customer-members, develops in accordance with the interests of its clientele. Profits made, 95% of which are taken back into reserves, strengthen its equity and finance productive investment. Deeply rooted in the regions in which it operates, BRED redistributes the savings it receives as loans. Outstanding loans thus rose by 12% in 2017. It also supports many local associations. Members are regularly invited by their branches to discuss BRED's activities and projects (55 meetings were held in 2017), and they are also represented at the highest level by members of BRED's Board of Directors.



HOW DO YOU BUILD A BANK WITHOUT DISTANCE?

The components of our model of banking without distance – our vision for BRED – are organisation, behaviour, technology and expertise. All activities are concerned, in the commercial network as well as in the support functions: IT, development, back and middle offices, human resources. Every player in the chain is making the necessary changes to impart optimal quality to our concept and bring it alive, because only then will we meet the challenge of offering our customers the best of both network banking and digital banking.

* IT: switch to flexible mode



Simone de Oliveira,
IT Director

It's in working order today, designed to produce better and faster to interact efficiently with the separate businesses, while keeping control of production costs, on the one hand, and the security of the existing IT system, on the other.

In particular, we are adapting our working methods to adopt a 'Think Design' approach largely based on a co-creativity process involving end-user feedback.

Supporting in-house innovation

BRED has also organised an in-house participatory innovation procedure since 2016.

At least seven initiatives have already reached the industrialisation stage."

"Feedback from users

The whole structure of our activity revolves around IT – it's the conservation of data as well as the material capacity to communicate with our customers. In the last five years, BRED's IT has invested heavily to support these changes while ensuring quality and reliability of service.

* Training and talents are the top priorities

"Our banking without distance strategy is shared, owned and implemented by all the bank's employees.

6% of the payroll spent of training

We invest massively in training to enable employees to broaden their skill sets. In 2017, this constituted roughly 6% of the payroll, which is six times more than the legally required minimum.

In January 2018, we launched a school for BRED advisors that trains newly recruited BRED staff in the retail network.

Stéphane Vanoni,
Director of Human Resources

We had already set up a BRED Management School in conjunction with the HEC business school back in 2014.

Whichever business they work in and whatever their hierarchical level, all our managers have now undertaken this programme, including managers of BRED Group subsidiaries, in French or, when necessary, in English.

Identifying talent, developing careers

We have also put in place processes to promote technical expertise and management skills, the two paths of professional development, because we need all our talents so that we can construct banking without distance."



Éric Montagne,
Deputy CEO



Counting on the excellence of our network

“Banking without distance aims to provide our customers with the best level of expertise and advice over the long term, at every phase of their lives or their businesses.

An optimised commercial organisation

We are permanently optimising our commercial organisation to ensure that our clients have access to all the expertise they need, with the overriding aim of always creating more added value.

We are also rolling out a new layout concept in all our branches, in line with our banking without distance strategy. The focus is on giving

advice, while our customers have greater convenience and autonomy to perform their day-to-day transactions.

Letting managers concentrate on leading their teams

We are also permanently striving to find the most suitable form of local organisation that will enable our managers to play their primary role of explaining policy, giving support to employees and rigorously guiding their day-to-day tasks, while, quite obviously, continuing to remain very visible in handling high-stake customer relations.”



Françoise Epifanie,
Development Director

* Top-level customer experience

“Digital is a major opportunity to make banking without distance even more innovative.

Simplifying

Banking without distance requires operational excellence. We regularly expand our online banking service, BREDConnect, for instance. For the last few months, customers have been able to request a new ID and password, order funds, and consult and modify their credit card ceiling. It is now also possible to open an account 100% digitally, using an electronic signature.

Innovating

Banking without distance means being open to the ecosystem. Successfully launched in 2017, our Jump Pro and Fid Pro offers, customer knowledge and sales accelerator tools for retail traders, have been developed in partnership with an independent FinTech consultant.

Anticipating

Banks are especially fortunate to possess a great deal of data. When processed by our CRM platform, it contributes to our ability to anticipate our customers’ needs with ever better targeted proposals.”



Fluidity of processes for optimal quality of service



Michèle Boulet,
Director of Customer Banking Services

“The simplification of processes for customers is linked to the simplification of processes for employees. Staff in back- and middle-office support functions play a full part in banking without distance.

Take the case, for example, of the digitisation of property loan applications, and more recently of professional and company loan applications, thanks to which both our sales teams and back-office personnel have seen benefits in terms of fluidity and efficiency.

New ideas are currently being explored to automate other actions that are currently performed manually. Experiments began a few months ago, and rollout to a large number of back and middle offices will follow.

Banking without distance is also a state of mind. Participatory workshops are organised to allow employees to be involved as both participants and designers in implementing changes. The advantage is that good practice identified in one particular department can be adapted and extended to other back and middle offices.”





BANKING WITHOUT DISTANCE IN ACTION IN 2017

Driven by a rise in its profits, BRED continued to invest in 2017, in order to pursue its development in France and abroad and to innovate to serve its customers: individuals, high net worth clients, professionals, SMEs, large companies and institutions.

What were the major events of 2017 for the “bank without distance”?

2017: a more convenient bank and more knowledgeable advisors.

The challenge in 2017: better customer segmentation for better customer service.

2017: targeting higher value.



WHAT WERE THE MAJOR EVENTS OF 2017 FOR THE “BANK WITHOUT DISTANCE”?

Driven by a rise in its profits, BRED continued to invest in 2017, in order to pursue its development in France and abroad and to innovate to serve its customers.



JANUARY

- * BRED's loan insurance offer is awarded a Label by *Dossiers de l'Épargne*.
- * Electronic signing of contracts over the desk is trialled in twenty branches in mainland France and in French overseas territories.

Normandy.

- * Between January 23 and 27, BRED and its subsidiary, Banque Franco-Lao, are partners of the 2nd edition of the Vientiane Rendez-Vous.

FEBRUARY

- * The Bred.fr website is given a makeover: with a new homepage, it is easier to view and simplifies access to content.

BRED is splitting its regional management structure in Normandy in two so that it can offer greater proximity to customers and be better rooted locally.

MARCH

- * The inauguration of BRED Bank (Cambodia) on March 2 officially launches our banking operations in Cambodia. Our ambition is to raise it in size to the level of one of the five or ten main players on the market within five years.



APRIL



- * PRÉPAR, BRED's insurance subsidiary, receives a trophy at an awards ceremony for life insurance contracts organised by the magazine *Le Revenu*.



MAY

160 trainees on work-study programmes taken on in 2017

- * With Jump Pro and Fid Pro, BRED offers retail traders a loyalty and data collection tool.
- * Following on from BRED's General Meeting in Caen on May 30, some 300 companies took part in Cap International, an event that was inaugurated by Olivier Klein, CEO of BRED, and Hervé Morin, President of the Normandy Region.





JUNE

* On June 14, BRED opens a new branch in Chantierne, a district in Alfortville, in the outskirts of Paris. It is the only bank in a district undergoing regeneration.



* Valvie III, a BRED multi-investment life insurance contract, wins the bronze trophy for diversified multi-investment life insurance products awarded by the magazine *Le Particulier*.

OCTOBER

* On October 6, BRED organises an on-boarding morning for its 160 new trainees on work-study programmes.



* For the third year running, BRED is voted the cheapest banks for young people, and receives trophies for 2018 from *meilleurebanque.com* for the Paris region, Normandy and the Hauts-de-France region.

BCIMR

Groupe BRED

* BCI-MR, BRED's subsidiary in Djibouti, launches a Home and Mobile Banking service for its corporate and retail customers.

JULY

€150m

* BRED arranges a €150 million Euro PP operation for ORPEA, the European leader in care homes for the elderly. The bond issue is distributed to our institutional trading desk clients.

AUGUST

BRED BANK SOLOMON (BBS)



BRED's new location in the Pacific zone, BRED BANK SOLOMON (BBS), the first European bank to operate in the Solomon Islands, is opened successfully on August 11, 2017.

NOVEMBER

* PROMEPAR Asset Management, a subsidiary of BRED, wins an award in the Grands Prix de la Gestion d'Actifs 2017.

DECEMBER

* BRED Banque Populaire closes its 2017 capital increase operation. Oversubscribed by 137%, it raises €153 million.

* VIALINK, a BRED subsidiary specialising in digital security, introduces an innovative 100% digital customer knowledge tool that secures the KYC (Know Your Customer) regulatory procedure.

* The first interchange agreement signed up for BRED Bank in Fiji with ANZ Bank. BRED Bank Fiji customers can now access more than 1500 EFTPOS terminals and more than 120 ATMs Fiji wide. This is the cheapest interchange agreement in Fiji. Our commitment is to provide services that are accessible, inexpensive and convenient.

SEPTEMBER

* BRED reacts immediately following to the extensive damage caused by Hurricane Irma, re-establishing service rapidly and providing support for local residents and for personnel.

* BCI-NC expands its retail banking activity with the opening of its 33rd site in Koutio, outside Noumea, New Caledonia.

* BRED is a partner of the Eiffel Croissance Directe debt fund, jointly created with AG2R La Mondiale and Eiffel Investment Group. The fund is launched on September 8.



2017: A MORE CONVENIENT BANK AND MORE KNOWLEDGEABLE ADVISORS

95%

of customers say they are satisfied with using their customer zone (bred.fr website and mobile app) (digital QHD December 2017)

RETAIL CUSTOMERS: A SERVICE SUITED TO EVERY LIFE EVENT



With the simple and convenient **BRED smartphone app**, our customers can modify their credit card payment ceilings or block the use of their credit cards in certain geographic zones. It offers top innovations, such as fingerprint ID login.

More than 150

banks are recognised by the **BRED aggregator**

MAKING BANKING MORE ACCESSIBLE, MORE CONVENIENT, MORE DIGITAL

Our customers choose how they want to access our services: in their branch, on line using bred.fr, or using the **smartphone app** ranked today as one of the best on the market by app stores. We are constantly upgrading our services to make them more convenient. Opening an account has now been made easier, with the customer able to choose between carrying out the process remotely, face-to-face or as a combination of the two. Another stride was taken in February 2017 to give our customers greater comfort and autonomy with the introduction of a system allowing them to aggregate all their current and savings accounts along with accounts held at other banks, making it much simpler for them to manage their accounts. To make day-to-day transactions easier to carry out, all our branches offer self-service areas that are open from 6 a.m. to 10 p.m. In 2017 they were fitted with the very latest generation of machines for withdrawing cash and depositing cheques.

In addition, our customer relations platform is open with extended hours six days a week for day-to-day transactions, and there are dedicated advisors working on **BRED Espace**, our online bank.

Dedicated **BRED Espace** advisors focus on the needs of certain customer target populations, such as students at universities and engineering and business schools, people from the French overseas territories, non-residents, self-employed professionals and more generally those who are geographically mobile.

ADVICE AT THE HEART OF CUSTOMER RELATIONS

We regularly optimise our organisation so that the right expertise is available in all our branches for the needs of each customer. Our advisors, who can be contacted directly by email or phone, know their customers well and support them in their life projects, large or small, long-term and short-term, whether they affect families or property, and in every aspect. In 2017, we further expanded our CRM database, an additional tool for anticipating our customers' needs.

Our **offer** is constantly evolving to meet our customers' expectations.

The quality of the advice we give depends on ever greater expertise. Our new school for BRED advisors, opened in 2017 provides training and support for newly recruited advisors for the first three months after they join BRED.

In 2017, in conjunction with our subsidiaries PRÉPAR and PROMEPAR

Asset Management, our asset management offers for retail customers have evolved and are even more suitable for a clientele seeking the best balance between performance and security for its assets.

"We support our customers in their life projects, large or small, long-term and short-term, whether they affect families or property, and in every aspect."

SPECIALIST MANAGEMENT FOR HIGH NET WORTH CLIENTS

- over **100 private banking advisors**
- **13 wealth management centres** at regional level
- a **“Cercle Premier”** dedicated to high-level services in wealth management

Our wealth management centres are generally located on the same site as business centres dedicated to SMEs. This enables **company owners** to easily manage issues relating to their private assets as well as the transmission or disposal of their business.

BRED, which aims to double the size of its asset management business by 2020, provides all its customers – individuals, professionals and businesses – with a full range of expertise in matters relating to tax and succession as well as finance.

A comprehensive structure supports the wealth management services we offer to individual customers and **company owners**.

Synergies with the branch network continue to be strengthened with a “double relationship” system for clients with financial assets higher than €150k: an advisor at branch level for day-to-day banking operations and a specialist wealth advisor in one of our wealth management centres for private banking services.

AN OPEN ARCHITECTURE OFFER

In 2017, favouring an open architecture model, the asset management offer has been expanded, in conjunction with our subsidiaries, **PRÉPAR** and **PROMEPAR Asset Management**.

BRED Banque Privée can also offer tailored investments and solutions in conjunction with its specialists in wealth, financial and property engineering as well as with our trading desk and our specialised subsidiaries.

A LUXURY SETTING AND PRESTIGIOUS EVENTS

In order to provide clients with an optimal in-branch experience, our wealth management centres have benefited from a substantial investment programme. We recently inaugurated our new, entirely refurbished wealth management centre in Rouen.

In addition, our high net worth clients are regularly invited to take part in prestigious events.

ZOOM

Adaxtra Capital, a BRED subsidiary

For the first time, Adaxtra Capital, a BRED subsidiary, has made a diversified professional capital investment fund accessible to high net worth clients. Its new vehicle, Adaxtra Sélection 2017, is structured to allow access to capital investment as a category of assets through a panel of funds representing diversified strategies and geographies. Designed to achieve high performance, it is intended for experienced investors: it requires minimum financial assets of €500,000 and a minimum investment of €100,000.

More information:
adaxtra.com

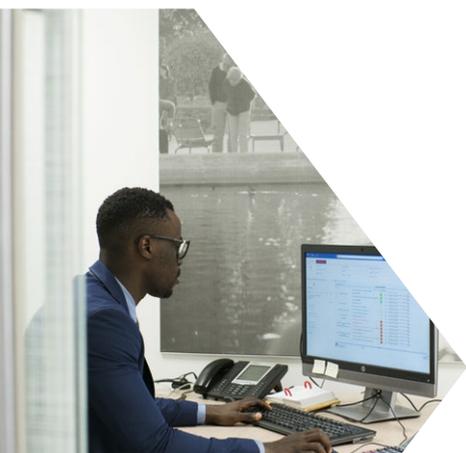
Regularly winning awards for its innovative offer, **PRÉPAR**, BRED's insurance subsidiary, was one of the first players to propose a euro-growth fund, which proved popular with our customers in 2017.

More information:
www.prepar-vie.fr

PROMEPAR Asset Management

BRED's asset management subsidiary, provides BRED Banque Privée's customers with a complete range of services: discretionary management, managed life insurance, “house funds”. Its bond management offer won an award in the 2017 edition of the Grands Prix de la Gestion d'Actifs, organised by L'Agefi.

More information:
www.promepar.fr



THE CHALLENGE IN 2017: BETTER CUSTOMER SEGMENTATION FOR BETTER CUSTOMER SERVICE

Out of 9 successful professionals at the 26th edition of the National Dynamic Farming and Fishing awards,

3 prize-winners were presented by BRED.

We set up a collaborative procedure with customers to trial our **FID PRO** offer.

ZOOM A branch of BRED for independent professionals in Rouen

Located in a high-end setting, BRED's new branch clearly states its purpose with the name adorning its facade: BRED Professions Libérales. "Our activity is based on a deep understanding of the specific issues facing this clientele, such as setting-up procedures, share purchasing, legal structures, and so on, and the economic reality that impacts it," says branch manager Anne-Laure Hue. "We are available for our customers whether on site at the branch or remotely, including by appointment in their own office."

■ BRED: banking without distance

HELPING PROFESSIONALS DEVELOP

PRIVATE/PROFESSIONAL: A DOUBLE CULTURE

In its local branches, BRED provides professional customers with a single advisor who deals with both their private and professional issues, if necessary calling in our experts in cash flow, insurance social engineering, international development, franchising, etc.

SUPPORT IN THE DIGITAL TRANSFORMATION

BRED is fully aware of the importance of digital in boosting the competitiveness of companies, and constantly offers its professional customers innovative solutions. The most recent of these, introduced in 2017, is the **FID PRO** offer, which transforms credit cards into loyalty cards to enable retailers to develop their businesses. Other enhancements have been added to the BREDConnect professional banking service, including a feature enabling traders to order notes and coins using either a smartphone app or computer.

CLOSE TO SMALL BUSINESSES

BRED is particularly active in the areas of training, apprenticeship and funding in association with chambers of trades and crafts, chambers of commerce and industry and a number of other professional organisations.

BRED has a close relationship with independent professionals and has opened branches in the heart of Paris and Rouen entirely dedicated to them. This concept has already proved popular with clients in French overseas territories. In all regions, experts with specialised awareness of the professions are available.

BRED has also assembled a team of specialists able to deal with issues affecting the farming sector:

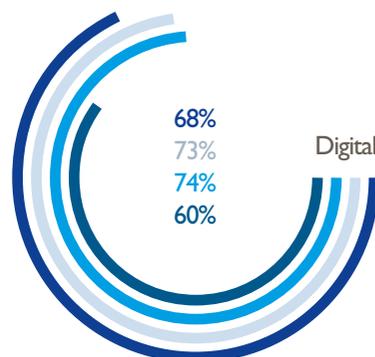
COMMITTED TO SUPPORTING PROFESSIONAL CUSTOMERS

Our approach to financing minimises formalities, reduces lead times and lessens **personal guarantee** requirements thanks to Socama, the leading mutual guarantee company in France, which is part of BRED. Its directors are professionals elected by chambers of trade and representative professional organisations, who contribute their expertise of professional sectors to local credit commissions.

We have introduced a new loan called **Innov&Plus** into our range, which will be available in 2018. Requiring only limited recourse to **personal guarantees**, it will specifically finance expenditure relating to innovation, a strategic challenge for any company.

DIGITAL, AN OPPORTUNITY FOR VSEs

According to a recent survey of owners of VSEs (Very Small Enterprises) carried out by CSA for CNP Assurances, digitisation of their businesses can mean:

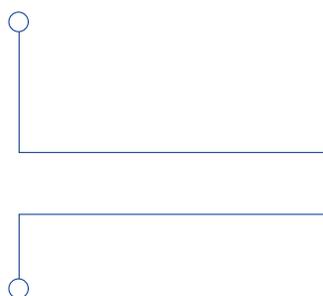


- Acquisition of a new clientele
- The ability to secure and store information
- A higher profile for their business
- A need for support in digital development





In 2017, we ran a major media campaign to increase public awareness of our commercial positioning, linked to a new design for the editorial section of the business user zone on the bred.fr website



Our advisors can help with:

- transferring growing businesses
- shareholder restructuring
- international growth

More information:

<https://www.bred.fr/entreprises/articles/devenir-client-pme>

A BANK FOR SMEs AND THEIR OWNERS

REGIONAL PROXIMITY AND AUTONOMOUS DECISION-TAKING

To optimise their geographical proximity with their customers, our 16 SME-dedicated business centres are incorporated into our regional management structures, which has the advantage of allowing a more rapid process of decision-taking.

A DESIGNATED ADVISOR, A RANGE OF SKILLS

In all our business centres, a single advisor is assigned to each company.

An excellence training programme is provided for advisors, ensuring that each of them is capable of giving expert insight with regard to its corporate customers' financial situation and the feasibility of their projects, taking part in their customers' strategic thinking and devising bespoke solutions for them, with the support of BRED's specialist departments.

FRONTLINE SENIOR BANKER

BRED is positioned as a frontline senior banker and the banking partner of company owners:

- providing **entrepreneurs with advice and support** covering both their businesses and their private affairs;
- working in **synergy** with the bank's various expert units (BRED Banque Privée, financing solutions department, trading desk, cash flow specialists, international specialists, subsidiaries, etc.).

Xavier Leprêtre

CEO OF CONTROLAB

"We are permanently seeking to increase our market share in emerging countries, which is certainly not a risk-free strategy. It requires a very sound financial base and substantial working capital requirements. This is why we have to be able to rely on banking partners who can secure our payments in countries situated in high-risk zones. BRED Banque Populaire is invaluable to us in this respect. It works with a dense network of partners in the Maghreb and in sub-Saharan Africa and can issue guarantees rapidly when we are replying to public tenders, for example."

A BROADER CUSTOMER BASE

In 2017, we made adjustments to our organisation according to the size and typology of companies. The scope of our business centres was widened and our segmentation refined. The business centres cater for two customer segments:

- companies with turnover of between €1.5 million and 5 million, which are assigned to dedicated advisors with a suitable profile, the idea being to strengthen support for these businesses and to make it easier when necessary for them to be put in contact with our experts;
- companies with turnover of between €5 million and 200 million, with specific services available for SMEs experience rapid growth and international SMEs.

ZOOM

Eiffel Croissance Directe: an opportunity for finance for SMEs and midcaps

Launched in September 2017, the Eiffel Croissance Directe debt fund results from a partnership between BRED, Eiffel Investment Group, AG2R La Mondiale and La Directe Ile-de-France. This finance solution for SMEs with between €5 million and €100 million of turnover combines a medium-term bank loan with long-term private debt fund finance particularly adapted to businesses with high growth potential. It offers financing from €1 million with maturities up to 10 years, with or without a grace period. It can finance intangible investments (such as recruitments, etc.) and can apply in all business sectors.

2017: TARGETING HIGHER VALUE

CORPORATE BANKING: EXCEEDING OUR CUSTOMERS' EXPECTATIONS

A **cash management innovation** unit was created in 2017 with the aim of developing the means of payment of the future, particularly Instant Payment. Its teams are also working on blockchain technologies and areas in which they can be applied.

Our **trading desk** handles more than a billion commercial papers each day.

In 2017, our Private Equity subsidiary became **Adaxtra Capital**. Its strategy is to invest in capital development and transmission for units of between €1 million and €5 million.

SPECIALIST ADVISORS FOR EACH SECTOR

We support our customers – institutional clients, companies and real estate professionals – in their day-to-day transactions as well as in their strategic operations. Each customer works on a long-term basis with a sector specialist, who is central to the commercial relationship and is the interface with our expert units, proposing solutions that will generate value and which correspond to our customers' needs. We have also broadened our activities in the real estate market by modifying our approach to finance in view of factors affecting certain sectors subject to cyclical phenomena, while still maintaining rigorous risk management.

EXPERTISE AND INNOVATION

We believe that designing customised solutions is the greatest strength of a long-term relationship with our customers.

We are one of the leading players in cash management (traditional and dematerialised). All of our teams are involved in serving our customers: back, middle and front offices. In 2017, we brought our top experts together in a cash-management competence centre tasked with both to supporting the network and being a **centre of innovation**.

Our **trading desk**, which is available to clients (SMEs, large companies and institutional investors), offers them services including foreign exchange, interest rate management, money market investments and bonds.

The development of **private equity activities** continued in 2016, supporting equity development projects, transfers of high-growth businesses and bespoke financing solutions.

Jean-Paul Mochet

CEO – FRANPRIX-LEADER PRICE GROUP

"We have been working with BRED for a very long time and, as such, what we value most is its 360° vision, whether for a small franchisee or for very large finance operations. BRED has a perfect understanding of our business and how we make it accretive."



Jean-Paul Julia, Director of Corporate Banking

Building a value-creating organisational model

BRED's genuine real strengths on the corporate market, include its entrepreneurial spirit, its agility, its responsiveness and its market expertise. We are constantly striving to maintain these strengths, leaning on two levers:

- working closely with all the components of BRED, particularly the back- and middle-offices, a coordination that contributes to the quality of our services;
- deepening our relationship with customers over the long term and always offering them greater added value by positioning ourselves upstream of their needs, which has required us to refine and reinforce our organisation and our expertise in different sectors.

More information:
www.bred.fr/entreprises

16

million international payments handled in 2016

François Huchet
DIRECTOR OF FINANCE AND
MANAGEMENT CONTROL
RAZEL-BEC (FAYAT GROUP)

“Often it’s when you’re dealing with complex dossiers that you most appreciate your financial partners. I find that BRED is a bank that listens to me: it’s pragmatic, responsive, and offers solutions. They can understand the specifics of our projects, including international ones in very difficult zones.”

“BRED Bank Cambodia’s strong development justifies our strategy of clustering several banks in very dynamic zones.”



INTERNATIONAL TRADE: DEVELOPMENT IN THE NEWS

We can provide our customers with support for import/export operations as well as for setting up abroad thanks to our network of correspondent banks, constituted for the sake of pension payments in 150 countries, and taking full advantage of our physical presence in other countries.

Physically present in other countries and French overseas territories through its retail banking operations in the South Pacific, Southeast Asia and the Horn of Africa, BRED also operates an international trade financing business with one office in Paris and another in Geneva, offering finance to customers in the form of documentary credits or unsecured loans.

In 2017, BRED pressed ahead with its targeted development strategy of establishing regional hubs in zones where the Group is already established, with the opening of **BRED Bank Cambodia**, the only French and European bank in Cambodia, and BRED Bank Solomon, the first European bank in the Solomon Islands. These new locations benefit from experience acquired in our regional hubs and the resources that have already been deployed, allowing development to take place through synergy.

BRED Bank Cambodia, which opened at the start of 2017, plans to open new branches, with a target of 15 branches in three years. Thanks to a substantial investment in training, which will be maintained, and high-level organisation and structuring of the bank, fast and secure growth can be envisaged for this business.

2 questions for

Marc Robert, Director of International Banking

Your new operation in Cambodia has been successful. What have the success factors been, in your opinion?

BRED Bank Cambodia’s strong development justifies our strategy of clustering several banks in very dynamic zones and in countries that still have a low level of banking. The security that BRED Bank Cambodia offers, as the only French and European bank in Cambodia and a subsidiary of a solid group, is also a key point, as is our positioning as a commercial bank aiming to serve all forms of clientele – retail, SMEs and corporate. BRED Bank Cambodia also carried out extensive studies upstream to understand customers’ needs and determine the services that should be developed. Finally, we accompanied our installation in Cambodia with a high-profile media campaign that we will step up as we expand our network.

Another highlight of 2017 was the development of your international trade financing activity. How is BRED organised in this regard?

BIC BRED, a wholly owned subsidiary of BRED, has kept pace with the development of international commodities trading, which over the past thirty years has seen the emergence of some very large companies that exist alongside a large number of small traders. BIC BRED offers services to all categories of players through two entities. In Paris, BIC BRED has opted to focus on agri-food markets, while in Geneva, the world’s leading international centre for international trading, BIC BRED (Suisse) SA supports commodity trading companies operating in energy, agriculture and metals. 2017 saw a strong development in these activities, with each entity enjoying 30% growth.





BRED WITHOUT DISTANCE: RESPONSIBLE, COOPERATIVE AND COMMITTED TO ITS COMMUNITIES

BRED has built a model of banking without distance that is consistent with its cooperative values.

A cooperative model that works for our customers and our communities.

Promoting talents and respecting diversity and equal opportunity.

Spreading culture, a driving force for development.

A COOPERATIVE MODEL THAT WORKS FOR OUR CUSTOMERS AND OUR COMMUNITIES

A cooperative bank on a human scale, with deep roots in its communities and firmly anchored in the real economy, BRED builds relationships of trust with its customers and members.

Capital held in the form of cooperative shares

Eligible for share savings plans, BRED cooperative shares benefit from the same tax regime as shares but are not listed on the stock market. **BRED does not charge either subscription fees or custody fees.** The rate of remuneration is determined at the annual General Meeting of Shareholders. The success of our recent capital increase of €153 million, which enjoyed a subscription rate of 137.3%, reflects the popularity of our cooperative model among our customers.

A specific form of governance

BRED is owned by its **180,000 customer-members**. They are represented by the members of the Board of Directors, who are elected at the General Meeting of Shareholders. These directors, committed men and women from all walks of life, pay attention to clients' interests and take account of their needs and expectations. They are divided into several committees and their work serves to develop decisions taken at Board level.

A
COOPERATIVE
BANK
owned
by its members

Development over the long term

Our cooperative status ensures that our customers' interests and those of BRED are perfectly aligned. BRED's entire share capital is held by its cooperative members, all of whom are customers. What is more, the fact that virtually all our profits are taken back into reserves gives us with a solid foundation for our future development, with the medium and long term always in view.

Close links with members

Meetings are regularly held in our branches (55 were organised in 2017) to report on BRED's activities and projects and to answer members' questions. This dialogue is reinforced on the **bred-societaires.fr** website, a forum for information and conversations on topics relating to our cooperative model. There is also an element of **joint development** of BRED's products and services, which are trialled by some of its members.





Corporate culture

Our entrepreneurial values, strongly attached to social and human ties, work in favour of banking without distance, which is defined as **an approach built on human relations and trust**. This entrepreneurial spirit is also in line with BRED's strategy, which is driven by a taste for progress and a desire to innovate for the benefit of our customers.

Social commitment

BRED shows its attachment to responsible development **through its social practices and its activities within the community**. It is very much involved in social inclusion and aid, and actively supports education and research. It also invests in equality of opportunity and supports numerous structures that work to allow people of talent to emerge and fulfil their potential, irrespective of background.

Active partnerships

Originally founded by entrepreneurs seeking to foster regional development, BRED has forged **links over many years with numerous players in local development**: professional associations, chambers of trade and of commerce, microcredit organisations and bodies promoting social and professional insertion. Thanks to its active cooperation with these organisations, BRED is increasingly able to adapt its services and activities to local realities.

Support for regional development

By the nature of their organisation, cooperative banks are rooted in their communities. As a regional bank, BRED contributes to **local economic development** by supporting its customers' life projects and business projects. In 2017, our outstanding loans rose by 12% to €18.1 billion. The corporate sector (+€0.9 billion) and the retail sector (+€0.8 billion) both account for this growth.



DRIVEN BY ITS VALUES
Proximity
Solidarity
Entrepreneurship

A HIGHER PRIORITY THAN EVER IN 2017: BRED IS COMMITTED TO PROMOTING AND SUPPORTING TALENTED PEOPLE, RESPECTING EQUAL OPPORTUNITY AND DIVERSITY

In a sector that is undergoing profound change, BRED has adopted a strategy that creates value for its employees, who collectively contribute to the success of banking without distance.

3 professional agreements

Three agreements define BRED's policies on solidarity and diversity: an agreement on **gender equality**, an **inter-generational** agreement and a Group agreement on **disability**. BRED was also awarded the **AFNOR professional equality label in 2017**, making it one of 80 companies and institutions that have received the label.

BRED is strongly committed to **improving the integration of new employees**. In 2017, this took the form of an overhaul of the induction day for new entrants, which is jointly led by four members of the Executive Committee, and a school for BRED advisors, intended for newly hired personnel in the branch network.

THE HUMAN TOUCH

RECOGNISING BRED'S MEN AND WOMEN

BRED's social policy is based on a substantial investment in training, permanent social dialogue and an organisation that promotes employability and encourages autonomy at the same time as collective recognition, through profit-sharing agreements (which were renewed in 2017).

AN ESSENTIAL ROLE FOR TRAINING

Training and upskilling the personnel, helping them all enhance their expertise and achieve mastery of digital technology, is a priority. Methods and content of training have also evolved. There are now more multimodal study programmes, combining in-class learning and e-learning, which is more flexible and customisable.

APPLYING CONCERTATION MANAGEMENT

In 2014, in conjunction with the HEC business school, we created a BRED management school based at Paris-Joinville to support BRED's 750 managers in their role as catalysers of talent, but also as managers of change, an essential role in the fast-changing context of our businesses. Following mainland France and the French overseas territories, the BRED management school is now operating in Noumea and Bangkok.

En 2017, we also launched a policy of concertation management to enable individuals to find concrete solutions in his or her particular domain that will enable them to simplify their daily routines and thus work better, improving our overall performance.

A BALANCED RECRUITMENT POLICY

A cooperative bank's **recruitment** policy must take full account of its values. Diversity is one of BRED's great strengths, in striving for both gender equality balance and a social mix, whether in recruitment or in promotion.

A bank on the human scale, BRED maintained its recruitment drive in 2017, hiring **500 new employees**, including 275 people in the commercial network.

2017 IN FIGURES

200,000

hours of training (over **50 hours** per employee on average)

97%

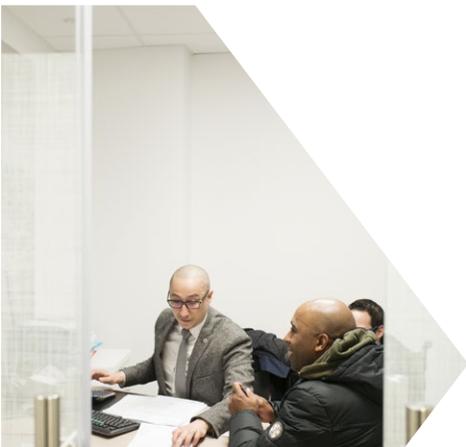
of employees took part in at least one training programme

Approx. **6%**

of the payroll invested in training, even though the minimum requirement is 1%

"Concertation management depends on giving individuals the ability to play a part in their direct environments and take part in certain organisational choices, obviously as part of a global coherent strategy."

Olivier Klein,
CEO of BRED



OUR RESPONSIBILITY TO SOCIETY



In keeping with its historic vocation, BRED continues to prize the cooperative values of proximity and solidarity and ensure that it always exercises its business in a responsible manner.

“BRED provides most of the support it can offer to business and human success in its communities by playing its role as a banker.”

BEING GOOD BANKERS

BRED supports the economic and human success of its communities by operating as a banker in the closest possible proximity to its customers' life projects and business projects. Its activity of serving as an intermediary between economic players having the capacity to provide finance and those who require finance is essential for the development of a region. Through its sustained policy of financing it makes a contribution to local economic vitality.

Faithful to its values of solidarity in performing its role as a banker, BRED supports its retail and professional customers experiencing difficulties or becoming over-indebted. Their cases are handled by a department specialising in amicable debt collection, which helps them to consolidate their financial situation and eases their path back to better fortunes. It is also committed to vulnerable and fragile clients, who are supported by a branch specialising in adults placed under legal guardianship.

Another demonstration of our cooperative values, a department for regulated professions supports companies that were initially not customers covered by the French company rescue law of July 2005.

PROMOTE EQUAL OPPORTUNITIES

A cooperative bank must also be an integral part of an economy based on society and solidarity. BRED's commitment is very real, through partnerships with social organisations and local stakeholders, particularly with regard to initiatives intended to promote social and professional inclusion.

Ensuring equality of opportunity is one of our major preoccupations. BRED supports numerous structures that work to allow people of talent to emerge and fulfil their potential, irrespective of background.

ZOOM BRED Foundation awards

Engagement with the community is one of BRED's core values. Each year, the **BRED Foundation** awards prizes to associations working in the areas of solidarity and local development.

Solidarity sponsorship

BRED has put in place a solidarity sponsorship initiative: every time one of our customers sponsors a friend or relative for opening an account, BRED donates €5 to charities supporting medical research, humanitarian medicine or social integration through sport.

SPREADING CULTURE, A DRIVING FORCE FOR DEVELOPMENT

BRED is very attached to spreading culture in all its forms, seeing it as a factor of social cohesion and an indispensable support of an innovative.

This year, BRED has supported *Tout en Mesure*, an association that aims to promote a new approach to classical music.

A COMMITMENT TO SOCIETY

TRANSMITTING KNOWLEDGE

Strongly committed to learning and to personal development, BRED supports numerous **training-related** initiatives.

Eager to make its voice heard and to share a vision in line with its cooperative principles, it supports events and conferences that help to spread **economic knowledge** and allow reflection on topics impacting the economic environment and society.

CULTURAL PATRONAGE

BRED provides support for the cultural life of the regions in which it operates, particularly through providing **cultural patronage**. This can take various forms, including sponsoring talented young musicians and initiatives playing a role in promoting the intellectual, cultural and artistic life of a city or region. At a more local level, BRED also supports urban and neighbourhood initiatives.

BRED supports the *Entreprendre pour Apprendre* network (part of the Junior Achievement Worldwide network), which raises young people's awareness of entrepreneurship while developing their autonomy, responsibility and creativity.

BRED takes part in *Economics Evenings*, an annual event for academics, politicians, business leaders and students which aims to spread knowledge about economics.

ZOOM Encouraging innovative initiatives

BRED supports the **Flaubert Foundation**, in partnership with the University of Rouen, which plays a part in the intellectual, cultural and artistic life of Rouen and helps raise the profile of the Normandy region.



Sustainable development

In Cambodia, BRED supports **Harmonie Mékong**, an NGO that encourages initiatives promoting sustainable development and is working to foster cultural diversity and the teaching of French by establishing schools and libraries.



SUMMARY OF RESULTS 2017

Consolidated income statement: accounting and management presentation, IFRS.

Consolidated income statement excluding non-recurring items.

2 questions for Olivier Lendrevie, Executive Vice President.

CONSOLIDATED INCOME STATEMENT: KEY FIGURES

Accounting and management presentation, IFRS (€ millions)

| | 2017 |
|---|----------------|
| Net interest margin and similar income | 717.1 |
| Fee income | 435.0 |
| Net banking income | 1,152.1 |
| Personnel costs (excluding Cambodia / Solomon Islands) | -399.1 |
| External services (excluding Cambodia / Solomon Islands) | -210.8 |
| Taxes and duties | -39.6 |
| Depreciation and impairment (excluding Cambodia / Solomon Islands) | -36.7 |
| Total operating expenses excluding non-recurring items and at constant scope | -686.3 |
| Establishment expenses in Cambodia and the Solomon Islands | -6.5 |
| Total operating expenses | - 692.8 |
| Gross operating profit | 459.3 |
| Cost-to-income ratio | 60.1% |
| Cost of risk | - 93.6 |
| Operating profit | 365.8 |
| Share of profits of associates | 30.2 |
| Net gains or losses on other assets | - 2.3 |
| Change in value of goodwill | - 1.2 |
| Pre-tax profit | 392.4 |
| Corporate income tax | - 136.0 |
| Net profit | 256.5 |
| Minority interests | 0.8 |
| Net profit attributable to equity holders of the parent company | 257.2 |

Excluding non-recurring items (€ millions)

| | 2016 | 2017 | 2017 vs 2016 | |
|--|----------------|----------------|---------------------|-------------|
| Net banking income | 1,080.1 | 1,130.7 | 50.6 | 4.7% |
| Total operating expenses | - 664.9 | - 685.9 | - 21.0 | 3.2% |
| Gross operating profit | 415.2 | 444.8 | 29.6 | 7.1% |
| Cost-to-income ratio | 61.6% | 60.7% | - 0.9 pt | |
| Operating profit | 341.7 | 351.3 | 9.5 | 2.8% |
| Pre-tax profit | 371.8 | 377.9 | 6.2 | 1.7% |
| Net profit | 256.7 | 259.4 | 2.7 | 1.1% |
| Net profit attributable to equity holders of the parent company | 255.3 | 260.2 | 4.9 | 1.9% |

BRED's consolidated net banking income (NBI) grew for the fifth year in succession, to €1,152 million, a rise of 5.2%.

Setting aside non-recurring items, growth in NBI stands at 4.7%, a figure that confirms the pursuit of sustained development in the activities of BRED and its subsidiaries.

The BRED Group's expenses rose 2% in 2017, on a like-for-like basis and excluding non-recurring items. They reflect a proactive policy of employee training combined with investments in digital solutions, in an overhaul of IT systems and in modernising the network of branches.

The cost-to-income ratio continued to improve, standing at 60.1% in 2017, compared to 60.9% the previous year. It ranks as one of the best cost-to-income ratios among French banks.

The cost of risk rose to €93.6 million on account of several significant corporate dossiers. The ratio of cost of risk to NBI was at the average level observed over the past five financial years.

Corporate income tax was adversely affected by a one-off levy imposed by the French government to offset the cancelling of tax on dividends, leading to €8.5 million of additional taxation, treated as a non-recurring item.

Net profit excluding non-recurring items rose by 1.9% to €260 million.

Consolidated net profit stood at €257 million.

Group share of equity capital totalled €4.1 billion, up €351 million (9.5%) on the previous year thanks to the excellent level of net profits and a capital increase of €153 million open to cooperative members.

Both the solvency and liquidity ratios are at very comfortable levels.

Both the overall and CET1 solvency ratios are at the healthy level of 15.85 %, an increase of 99 base points over last year. The regulatory minimum is 9.25% for the overall ratio and 5.75% for the CET1 ratio.

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



2 questions for

**Olivier Lendrevie,
Executive Vice President**

BRED's results in 2017 once again demonstrate its dynamism. Among the highlights of the year, what obstacles to overcome and/or opportunities to seize have you identified?

One point to note, in an environment of unfavourable rates, is a 2% increase in our net interest margin, largely owing to a volume effect, complemented by the positive impact of our interest rate risk management. Our business was dynamic once again this year, with growth of 12% in our outstanding loans and more than 18% in our cash deposits. Meanwhile, our trading desk business, exclusively available for our clients,

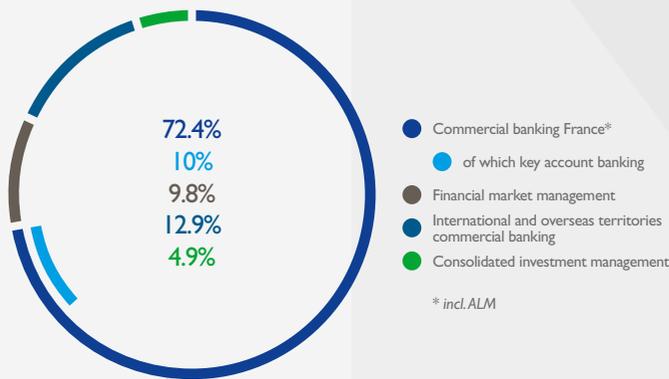
took advantage of a favourable market environment which contributed to its excellent results in 2017.

The €153 million capital increase in 2017 was oversubscribed by 137%. What does this success mean for BRED?

This success demonstrates BRED's strong for creating equity by issuing cooperative shares to its customer-members. The equity also benefits from the fact that profits are put into reserve. In addition, the value of the shares is set by statute. The shares are not listed on the stock market and their value remains stable. This allows us to take a medium- and long-term

view in the management of the bank. Profits are primarily reinvested to ensure the continued development of our businesses. The increase in our equity also contributes to our ability to maintain our solvency ratios, which guarantee our financial solidity and our capacity for carrying out our profession as bankers while expanding our activities in finance.

BREAKDOWN OF NBI EXCLUDING NON-RECURRING ITEMS BY BUSINESS SECTOR



In 2017, with a rise in NBI of approximately 4% in spite of an unfavourable environment of low interest rates and increased competition, the Commercial Banking France division contributed two thirds of the BRED Group's growth in NBI. All business sectors contributed overall to the growth in NBI.

COMMERCIAL BANKING APPLICATION OF FUNDS - FRANCE AND FRENCH SUBSIDIARIES

(€ billions, average value December)
Excluding financial clients



Outstanding loans saw an increase of 12% over the year; to €18.1 billion. Similar growth was reported in the corporate sector (+ €0.9 billion) and the retail sector (+ €0.8 billion).

COMMERCIAL BANKING DEPOSITS - FRANCE AND FRENCH SUBSIDIARIES

(€ billions, average value December)
Excluding financial clients and capital markets



Cash deposits were up more than 18% at €19.4 billion thanks to a high level of receipts from both corporate clients (+ €1.3 billion) and institutions (+ €1.2 billion).



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The photographs included in this Activity Report exclusively show BRED customers and employees. We thank them for agreeing to take part. The majority of shots were taken by the talented photographer Patrick Messina, author of *Wayfaring* (published by Gwinzegal) and *Courte Echelle* (published by Filigranes).

BRED is happy and proud to benefit from this artistic contribution highlighting customers and employees at the Quai de La Rapée and Joinville head offices and in branches in Saint-Marcel, Rouen (Jeanne d'Arc) and Paris (Kléber).

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Janet, Personal Advisor, BRED Bank Solomon

BRED OPERATES IN THE HORN OF AFRICA, SOUTHEAST ASIA AND THE SOUTH PACIFIC THROUGH SUBSIDIARIES AND REPRESENTATIVE OFFICES

BANQUE & ASSURANCE

