

2016 ANNUAL EARNINGS: BRISK SALES AND SOLID FINANCIAL RESULTS

NET BANKING INCOME	€2,005.5 (+0.6% year-on-year)
OPERATING EXPENSES	€1,231.8m (-0.1% year-on-year)
COST OF RISK	€136m (-24.1% year-on-year)
CONSOLIDATED NET INCOME	€505m (+30.2% year-on-year)
COMMON TIER ONE EQUITY RATIO (fully loaded Basel 3 CET 1 ratio)	10.8%

Crédit du Nord's Board of Directors, chaired by Bernardo Sanchez Incera, met on February 28, 2017, to approve the Group's 2016 financial statements.

The Group continued to report vibrant top-line performances last year and chalked up solid financial results and profit margins.

Crédit du Nord chalked up higher earnings at end 2016, underpinned by an exceptional capital gain on the VISA Europe securities tendered to VISA Inc. (€110m). Adjusting for exceptional and non-recurring items¹, the group posted satisfactory financial results, with:

- **Net Banking Income excluding exceptional and non-recurring items¹** of €1,940m (down 3.1% on 2015)

Adjusted net interest margin came to -6.0%, despite healthy loan production, notably in the home loans segment, and growth in outstanding loans (+3.3%). The interest income was therefore undermined by all-time low lending rates and a trend towards mortgage renegotiations, which was partially offset by more favourable margins in loan production and sizeable deposit inflows.

Net fee income increased 1.3%, driven by service fee income (+2.0%), which gained from robust growth in the customer base and continuous efforts to improve operating equipment and enhance our product range. In view of the stock market's diminished appeal, notably in the first half of the

¹ Restated for capital gain on the VISA transaction, the provision on outstanding PEL/CEL and for non-recurring items: revaluation of the fair value of the hedged item derecognized on loans, revaluation of debt in relation to proprietary credit risk, valuation adjustment for counterparty risk on derivative financial instruments (CVA/DVA) and cost of funding uncollateralized derivatives (FVA).



year, financial fee income dipped slightly (-1.0%), despite healthy top-line performances from the businesses driving group growth.

- **Operating expenses** were well contained, at €1,232m (down 0.1% on 2015).
- **Cost of risk** dropped sharply, to 31 basis points of outstandings in 2016, compared to 43 basis points in 2015, thanks to the structural improvement in the quality of Group assets.
- **Corporate tax** declined thanks to the end of the exceptional payment due and to an adjustment for deferred tax, following changes to French corporate tax rates out to 2020.
- **Consolidated net income excluding exceptional and non-recurring items¹** came to €431m in 2016, an increase of 9.5% on 2015.
- **ROE excluding exceptional and non-recurring items¹** worked out to 15.4 %
- The Group's balance sheet structure strengthened during the year, with a **fully-loaded CET1 Ratio CET1** of 10.8% (9.7% at end 2015)

Commenting on the Group's annual earnings, Chief Executive Philippe Aymerich said:
"Crédit du Nord Group once again chalked up fine sales and financial results last year. Profitability remained solid against a tough backdrop. The Group has proven the relevance of its business model and is benefiting from a number of solid growth drivers. It is pushing ahead with its transformation plan at an even faster pace, notably implementing its digital and online banking transformation projects, to provide its customers with ever-increasing value added. The Group as a whole remains focused on satisfying its customers, which is the cornerstone of our business model, rooted in its expertise and local presence."

ANOTHER VIBRANT TOP-LINE PERFORMANCE

The active **professional** customer base saw extremely robust growth (+3.4%), while the **individual** customer base increased 1.9%. The active **business** customer base gained 1.2%, while the **institutional** client base grew 1.4%. These figures testify to the quality of the Group's outfit, offering tailored products and services and dedicated advisers at a local level.

Crédit du Nord contributed to funding the economy and business development in France: it chalked up robust growth in SME lending, granting nearly €3.6bn in loans for equipment and building leases (up 4.6% on 2015). Outstanding loans to Business Customers totalled €12.3bn, an increase of 2.4% year-on-year.

CONFIRMING SUCCESSFUL YEAR FOR GROUP GROWTH DRIVERS

Saving inflows enjoyed vibrant momentum, driven notably subscriptions to life insurance policies *Antarius Sélection²* and *Antarius Duo* and the dynamic created by the *Gestion Initiale* system, allowing high net worth customers to manage their assets more closely.

² *Grands Trophées d'Or 2016* awards for life insurance policies (Large bank and insurance networks category) organised by financial magazine *Le Revenu*.



The **Private Banking** arm grew apace, with nearly 3,500 households signed up at end-December, an increase of 12.4%, and net inflows up 79.9%. The division's NBI jumped 27.4% on 2015.

The **forex & fixed income** business posted solid results, posting 3.4% growth after an already exceptional year in 2015.

The **insurance** business gained from strong sales of providential, non-life and bank insurance policies: the *Assurance Accidents de la Vie* policy launched at the start of the year (covering individual misfortune) was a resounding success, as was the *Multirisque Habitation* (home insurance) policy, underpinned by brisk sales across the branch network, and the more recent *Assurance Automobile* policy. Cr dit du Nord thereby cemented its position in the bank insurance segment.

PHYGITAL³ MODEL: SECURING CUSTOMER SATISFACTION

Whether in physical or online banking, the Group's eight banks all strive to make life easier for their customers, whatever the channel used. In 2016, **Cr dit du Nord stepped up the pace of its digital and online banking transformation projects with the aim of improving sales efficiency and boosting customer satisfaction.** The group thus provides its expert services through multiple channels, making the most of the greater number of points of contact available to address customers.

- With this strategy in mind, the bank rolled out its pioneering **Synth se Multibanque** service in November 2016. This innovative new solution provides customers with a comprehensive view of their accounts, not just at Cr dit du Nord but also at other banks and financial establishments, with just one click. This aggregation service makes it easier for clients to consult the entries and balances of various bank accounts at once. Synth se Multibanque is an integral feature of the group's websites and mobile and tablet applications.
- Indeed, all of Cr dit du Nord's advisors are **equipped with tablets** and use electronic signatures, a key factor in the group's commitment to digital and online banking. Having been employed across the board in the professional customers segment, in the form of mobile tablets, the drive is to be extended to other contracts in the individual customers market, such as life insurance policies and personal loans, over the course of 2017. This will allow customers to take out contracts remotely via their online account. When working away from the office with professional customers, businesses, institutional clients and high net worth individuals, advisors and specialist bank staff now have the tools to meet client needs at their fingertips: bank documentation, products and services, contracts, messaging, diaries, etc.
- The Group also launched a new transaction-based application (for mobile devices and tablets) to help simplify and secure **employee saving** schemes. The application has a host of different functions and was designed for both the iPhone and Android operating systems. It can be downloaded for free from the latter's online stores.

³ Combining proximity to customers and team expertise with the fluidity, efficiency, and security of the digital world.



- In the Business and Professional clients market, the new **V-P@ss** system for strong authentication can approve sensitive transactions conducted via the Internet and the Etoile Validation system.
- Meanwhile, Crédit du Nord initiated an extensive branch overhaul programme at the end of 2016, the aim being to create version 2.0 of the network, combining a **revamped physical reception** area with **digital reception**.

Crédit du Nord has been a constant presence on the various customer satisfaction surveys, in the individual, professional and business customer segments, for some 11 years now.

Indeed, a survey of customers of the main French banks⁴, conducted by consultancy CSA in 2016, ranks Crédit du Nord the n°1 player in the freelance professionals and business customers category, and second among individual customers.

The bank ranks second (out of 21) in the “banks-finance” category and first in the branch networks category by Trophées Qualiweb, which awards the best players in customer relations in the online, email and social networks arena⁵.

In January 2017, Crédit du Nord was awarded three prizes for quality banking by Meilleurebanque.com, in partnership with survey institute, Consumer Lab. Of the 17 banking groups in the running, Crédit du Nord came first in the “Web Site” category, second in “Project Advisor” category and third in “Day-to-day Advisor” category.

“Crédit du Nord chalked up sparkling performances in 2016. Its regional presence on the French banking landscape, combined with its close relationships with customers, multi-channel service and the top priority consistently given to customer satisfaction, gives it enormous legitimacy in the banking trade, as exercised by its teams.” emphasises Bernardo Sanchez Incera, chairman of Crédit du Nord’s Board of Directors.

KEY FINANCIAL DATA (CONSOLIDATED GROUP DATA)

In €m	2016	Change 2016/2015 <i>Consolidated</i>	Change 2016/2015 <i>Restated</i>
NBI	2 005.5	+ 0.6 %	-3.1 %
Operating expenses	1 231.8	-0.1 %	-0.1 %
Gross operating income	773.7	+ 1.8 %	-7.9 %
Cost of risk	136.0	- 24.1 %	- 24.1 %
Operating income	637.7	+ 9.7 %	- 2.9 %
Attributable net income	505.0	+ 30.2 %	+ 9.5 %

⁴ This survey ranks competitors on the basis of various satisfaction criteria, notably including quality of execution, quality of service, and securing customer loyalty.

⁵ The rankings were established on the basis of a survey conducted on a panel of over 370 companies operating in 17 different business sectors. Crédit du Nord was awarded a rating of 78.50 out of 100, some 29.48 points ahead of the sector average (49.02 out of 100).



In €m	2016	Change 2016/2015
Customer loans	39 328.5	+ 3.3 %
Customer deposits	41 489.8	+ 12.5 %
Managed customer savings	27 146.7	+ 3.6 %

An audit of the consolidated financial statements conducted by the Statutory Auditors is currently underway.

About Crédit du Nord

Crédit du Nord Group consists of eight regional banks - Courtois, Kolb, Laydernier, Nuger, Rhône-Alpes, Société Marseillaise de Crédit, Tarneaud and Crédit du Nord – and one brokerage firm, Gilbert Dupont.

Crédit du Nord Group has nearly 9,000 employees and a network of 880 branches, serving more than 2m individual customers, 290,000 professionals and non-profit organisations, and 55,000 businesses and institutional clients.

Crédit du Nord Group's entities enjoy a large degree of freedom in the management of their activities, ensuring quick decision-making and exemplary responsiveness to their customers' needs.

The strategy employed by the Group's banks is based on three core aims:

- to be a benchmark in terms of the quality of its customer relations;
- to develop a high degree of individual and collective professionalism;
- to offer their customers state-of-the-art services and technologies.

The quality and strength of Crédit du Nord Group's results is recognised by the market and through Standard & Poor's long-term rating of A and Fitch's rating of A.

Crédit du Nord Group is a wholly owned subsidiary of Societe Generale

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