



## PRESS RELEASE

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# LA BANQUE POSTALE'S 2012 RESULTS AND BUSINESS REVIEW

## Supported by sound results, La Banque Postale is continuing to expand its business activities with confidence

### Strong increase in results despite the adverse environment

- Net Banking Income: **€5,241 million** (+2.5% excluding non-recurring items<sup>1</sup>)
- Operating profit: **€603 million** (+17.8% excluding non-recurring items<sup>2</sup>)
- Net profit, Group share: **€574 million** (+39.3%)
- Operating ratio: **85.8%** (0.8 point improvement)

### A sound financial structure

- Core Tier One ratio: **12.1%**
- **Basel 3 Fully-Loaded Common Equity Tier 1<sup>3</sup>** ratio target of **9.5%** in 2013
- Liquidity position: Loan-to-deposit ratio of **59%**

### Strong commercial momentum

- **10.6 million** active customers (+220,000 customers)
- **440,000** casualty insurance policies subscribed in 2012
- **42,000** health insurance policies subscribed in the first year of marketing
- **Over €650 million** in net life insurance inflows
- **€5.1 billion** in savings collected on Livret A and Sustainable Development accounts

### Increasing role in financing the economy

- Total loans outstanding: **€49.3 billion (+9.7%), including €45 billion** in home loans<sup>4</sup> (+7.8%)
- Launch of the local public sector financing range: **€1.9 billion** in loans granted
- Loans outstanding to companies and voluntary organisations: **€0.7 billion**

<sup>1</sup> Non-recurring items: Home Loan Savings provision, and Cheque Scanning Exchange fine.

<sup>2</sup> Excluding the Home Loan Savings provision, the Cheque Scanning Exchange fine, and the exposure to Greek sovereign debt.

<sup>3</sup> In accordance with the application of Basel 3 in France, as anticipated by La Banque Postale. As Directive CRD4 is still under discussion at the European Parliament, its provisions remain subject to interpretation.

<sup>4</sup> Including the La Banque Postale zero-rated loans that were formerly managed by Crédit Foncier and were transferred back to La Banque Postale in 2012 for an amount of €876 million.

Philippe Wahl, Chairman of La Banque Postale's Management Board, and Marc Batave, Secretary General and member of the Board, presented the 2012 results and business review today.

In an environment characterised by a volatile market and historically low interest rates, La Banque Postale, boosted by its commercial momentum and the success of its new business activities, is confirming its growing role in the financing of the French economy.

## **La Banque Postale's business review and consolidated results**

Net profit, Group share amounted to **€574 million**, an increase of 39.3%, while the operating ratio improved by 0.8 point to 85.8%.

La Banque Postale's Net Banking Income (NBI) amounted to **€5,241 million**, a slight increase compared with 2011. When restated for non-recurring items<sup>5</sup>, NBI posted an **increase of €131 million**, or 2.5% compared with 2011.

In the current environment, this increase in NBI underlines the **resilience of La Banque Postale's model**, which focuses on retail banking.

In the bank savings sector, La Banque Postale recorded a **significant expansion in ordinary savings**, which increased to €84.2 billion (+6.7%), due to substantial inflows into Livret A and Sustainable Development (LDD) accounts, following the raising of the ceilings on these products introduced on 1 October 2012.

Despite a downturn in the property market, La Banque Postale confirmed its **increasing commitment to providing funding to households and legal entities**, with total loans outstanding of **€49.3 billion** as at the end of 2012 (an increase of 9.7% compared with the end of 2011).

The insurance segment performed well, posting a 19.1% increase in NBI<sup>6</sup> to **€107 million**, which was primarily due to the **roll-out of new business activities** (casualty and health insurance).

The asset management sector held up well, reporting **stable NBI of €120 million**, despite an unfavourable market environment.

**The Group's management costs fell by €36 million to €4,486 million, i.e. a year-on-year decrease of 0.8%.** The additional expenses generated by the cost of launching and developing new business activities (including the launch of the new local authority financing business) were offset by a **tight control on costs**.

Gross operating profit amounted to **€755 million**, an increase of 24.2% excluding non-recurring items<sup>7</sup>.

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<sup>5</sup> Non-recurring items: change in the home loan savings provision and Cheque Scanning Exchange fine. The €385 million fine inflicted on 11 banks by the French Competition Authority in 2010 on the grounds of collusion in respect of the exchange of scanned cheques was cancelled by a ruling of the Paris Court of Appeal in February 2012. The portion repaid to La Banque Postale amounted to €33 million, and was recorded in net banking income. The French Competition Authority has lodged an appeal with the Supreme Court.

<sup>6</sup> Excluding CNP.

<sup>7</sup> Cheque Scanning Exchange fine and Home Loan Savings provision.

**The cost of risk decreased by €166 million compared with 2011**, which was characterised by a €241 million impact on the cost of risk relating to the exposure to Greece, compared with a €17 million provision in 2012. The current cost of risk recorded an increase of €58 million, due to additional provisions for the risk relating to overdrawn accounts, on the one hand, and to the ramp-up in the consumer credit business, on the other.

Operating profit rose to **€603 million**, an increase of 54.6% compared with 2011. The increase excluding non-recurring items<sup>8</sup> was 17.8%.

The share in the equity-accounted profits of CNP amounted to **€176 million**, an increase of €16 million.

Net profit, Group share, amounted to **€574 million** (an increase of 39.3% compared with 2011), after a tax charge of €218 million.

## Financial Structure

La Banque Postale's expansion is supported by a **strong balance sheet and a high solvency**: as at 31 December 2012, La Banque Postale's Basel 2.5 Core Tier 1 ratio amounted to **12.1%**.

Thanks to the sharp increase in Tier 1 equity (over 40% in three years), and to the low risk profile of its assets, La Banque Postale plans to comply with a Basel 3 Fully-Loaded Common Equity ratio of over 9.5% as from 2013<sup>9</sup>.

**The loan-to-deposit ratio remained solid**, posting a slight increase to **59%**.

Direct exposure to PIIGS fell sharply to €4,151 million, i.e. a decrease of 25.7% compared with 2011. **There is no longer any exposure to Greek sovereign debt on the Bank's balance sheet.**

La Banque Postale's long-term rating is A+ according to Standard and Poor's, and AA- according to Fitch, with a negative outlook.

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<sup>8</sup> Cheque Scanning Exchange fine, Home Loan Savings provision, and Greece.

<sup>9</sup> In accordance with the application of Basel 3 in France, as anticipated by La Banque Postale. As the CRD4 Directive and the CRR regulations have not yet been put to the European Parliament's vote, their provisions remain subject to interpretation.

## Breakdown of results by business unit

### Retail Banking Unit: continued commercial momentum and improved operating efficiency

- € million	2012	2011	%
Net Banking Income <i>Excluding non-recurring items<sup>10</sup></i>	<b>5,015</b>	5,021	-0.1% <b>+2.3%</b>
Management expenses	<b>4,361</b>	4,401	-0.9%
Gross operating profit <i>Excluding non-recurring items<sup>10</sup></i>	<b>653</b>	619	+5.5% <b>+25.8%</b>
Cost of risk	<b>148</b>	313	-52.7%
Operating profit <i>Excluding non-recurring items<sup>11</sup></i>	<b>505</b>	306	+64.9% <b>+19.0%</b>

The NBI of the retail banking segment was virtually unchanged at **€5,015 million**. Excluding non-recurring items, NBI increased by €115 million (+2.3%), reflecting the **Bank's strong commercial momentum**.

**With €6.9 billion in home loans granted**, La Banque Postale's home loans outstanding were up 7.8% to **€45 billion** as at the end of 2012, despite a 26% fall in loan generation, as La Banque Postale, like the market as a whole, was affected by the contraction in demand.

The **expansion of the consumer credit business** continued, resulting in a 38% year-on-year increase in the outstanding to €2.6 billion as at the end of 2012.

At the end of December, only six months after the **launch of its financing range for the local public sector**, La Banque Postale confirmed that it is meeting local authorities' needs, with €1.9 billion in loans already granted, of which €112 million has been drawn down (on a short, medium and long-term basis).

**Total loans outstanding to legal entities amounted to €0.8 billion.**

Like the French market, the trends in investment categories were very mixed. Net inflows into liquid and virtually liquid savings (savings accounts, term deposits and money-market UCITS) hit new records, at the expense of life insurance and non-money-market UCITS, which suffered from savers' aversion to risk and from less attractive yields (fall in yields on euro-denominated products).

Against this backdrop, La Banque Postale's balance-sheet deposits recorded a substantial increase, as the raising of the regulatory ceilings on Livret A and Sustainable Development accounts on 1 October 2012 boosted the **inflows on these two savings accounts to a**

<sup>10</sup> Cheque Screening Exchange fine, and addition to the Home Loan Savings provision.

<sup>11</sup> Cheque Screening Exchange fine, addition to the Home Loan Savings provision, and Greece.

**record level** of €5.1 billion. Deposits in Livret A and LDD accounts amounted to €68.2 billion as at the end of 2012, a 10.7% increase compared with 2011.

In the life insurance sector, La Banque Postale was one of the rare players to report **a net inflow of funds (over €650 million)**, while the market as a whole registered net outflows of over €3.4 billion as at the end of December 2012. La Banque Postale's insurance deposits increased by 3.5% to €116.5 billion, with 4.8 million policies in the portfolio.

**Customer equipment expanded**, with over 7 million payment cards as at the end of 2012 and 5.9 million customers with an account agreement.

Excluding the change in the Home Loans Savings provision, the **net interest margin** increased by €146 million (+4.6%), driven by the increase in loans outstanding and by the improvement in margins.

Despite the strong rise in Livret A and LDD account deposits, the yield on the deposits pooled at Caisse des Dépôts was affected by the decrease in the average yield on these products.

**Commissions** fell by €5 million. The improvement in customer equipment and the commissions received as part of the distribution of casualty and personal insurance products limited the fall in commissions on securities and UCITS, which suffered from the effects of an unfavourable market and from the impact of regulatory changes (gradual abolition of certain inter-bank commissions).

Management expenses, which amounted to €4,361 million, were down 0.9%, confirming the **effectiveness of the cost-cutting plans** implemented, which have enabled the expenses relating to the development of the new business activities to be offset.

Retail banking's strong operating performance enabled the segment to generate **a gross operating profit of €653 million** (an increase of 5.5%). When restated for non-recurring items<sup>12</sup>, gross operating profit increased by 25.8%.

The cost of risk for the retail banking business amounted to €148 million, down €165 million compared with 2011, as the result of two opposing effects:

- A sharp fall in the cost of risk relating to the exposure to Greece (€237 million in 2011 compared with €17 million in 2012);
- An increase in the **current cost of risk** (+€55 million), which was primarily due to an increase in the balances outstanding on overdrawn sight accounts and on consumer loans.

Operating profit for the retail banking business amounted to **€505 million**, an increase of €199 million. When restated for non-recurring items<sup>13</sup>, operating profit increased by 19%.

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<sup>12</sup> Home Loan Savings provision and Cheque Scanning Exchange fine.

<sup>13</sup> Home Loan Savings provision, Cheque Scanning Exchange fine and cost of risk on Greece.

### **Asset management Unit: stable results in an adverse environment**

- (€ million)	2012	2011
Net Banking Income	120	120
Management expenses	68	68
Operating profit	52	52

Despite a recovery in the equity markets during the second half of 2012, the market environment had a depressing effect on the unit's business activities, given:

- particularly low money-market rates;
- customers' lack of enthusiasm for equity products;
- the sovereign debt crisis.

The asset management unit's results held up despite this environment, thanks to efficient cost control.

NBI remained stable at **€120 million**.

La Banque Postale Asset Management recorded a net inflow of funds of **€3.5 billion** in 2012, an increase of €2.8 billion compared with 2011. This impact, combined with higher valuations, resulted in funds under management increasing by **€13 billion to €137.5 billion**, primarily in the bond (+€9.5 billion) and money-market (+€3.4 billion) asset classes.

The segment's operating costs remained under control and amounted to €68 million, i.e. virtually unchanged compared with 2011. The operating ratio for the asset management subsidiaries was the same as in 2011, i.e. 54.7%.

### **The Insurance Unit: successful new business activities**

(€ million)	2012	2011	%
Net Banking Income	107	89	+19.1%
Management expenses	57	53	+6.9%
Operating profit	45	31	+46.8%

The insurance segment had a good year in 2012. **The health and casualty insurance activities continued to expand, while the personal insurance segment grew.**

NBI rose by €17 million, primarily due to the **performance of the casualty insurance business**, which is backed by La Banque Postale Assurances IARD, where NBI increased by over €13 million to €15 million. The portfolio reached **520,000 policies** at year-end.

The Personal Insurance business expanded thanks to the strong performance of individual personal insurance and borrower insurance. **439,000 personal insurance policies** were subscribed, increasing **the portfolio to almost 2.6 million policies**.

The **successful launch of the new health insurance product range** resulted in **42,000 policies** being subscribed to in 2012, the first year of marketing.

The insurance business' management expenses increased by €57 million (+6.9%), due to the ramp-up of recently created subsidiaries (La Banque Postale Assurance Santé and La Banque Postale Assurances IARD).

There was a sharp 37.1% increase in the segment's gross operating profit to €49 million, while the operating ratio amounted to 53.6%, an improvement compared with 2011, underlining the segment's strong operating performance.

The contribution from CNP Assurances, which is consolidated via the equity method, amounted to **€176 million**, a €16 million increase compared with 2011.

Including the equity consolidation of CNP Assurances, the La Banque Postale Group's insurance segment made an overall contribution of **€219 million**, an increase of almost €39 million compared with 2011 (+21.5%).

## **2013 Outlook**

In line with the internal targets that it has set in its 2011-2015 strategy plan, "*Putting the customer first; let's show that we are different*", La Banque Postale will continue to expand its services for all its customers in 2013, including private individuals, companies and the local public sector.

### **> La Banque Postale will broaden its range of financing products, in order to provide a comprehensive offering to all the players in the local public sector**

As the final component of the public local financing system, the joint subsidiary in which La Banque Postale holds a 65% interest and Caisse des Dépôts a 35% interest and which will have the status of an intermediary in banking operations, will be set up in the first half of 2013.

During the course of the year, La Banque Postale will expand its financing range to all of the players in the local public sector (PPP, local public corporations, and public healthcare companies) and will offer debt and service management offerings.

### **> La Banque Postale is continuing to expand its wealth management business for high net-worth customers**

La Banque Postale has been in exclusive negotiations with Crédit Mutuel Arkéa since October 2012, with a view to acquiring Banque Privée Européenne (BPE). A final agreement is expected to be concluded on 2 April 2013.

La Banque Postale will then have a comprehensive platform of products, resources, tools and know-how to offer a dedicated offering to its 500,000 high net-worth customers, with the support of a dedicated network.

**> In keeping with its commitment as part of the “Initiative to combat exclusion from banking services”, in partnership with eight major voluntary organisations, La Banque Postale is setting up an intermediation and guidance platform for customers in financial difficulties, in order to prevent difficult situations, or such situations getting worse.**

The aim of this platform is to provide budgeting and banking support to customers in financial difficulties, and to put them in contact with voluntary organisations or social services in order to pursue their access to special entitlements and rights. Lastly, the platform will offer them guidance, in order to enable them to access appropriate banking offerings.

**> In keeping with its post office values of local presence and service for the greatest number of people, La Banque Postale is accelerating the expansion of its socially responsible access to home ownership offering**

Following a trial period of several months, La Banque Postale launched the PAS (socially responsible housing loan), a loan reserved for households subject to income conditions, in October 2012. This offering, which will be marketed by specialised property advisors, is currently being rolled out throughout France. La Banque Postale is aiming to generate €350 million of these loans in 2013, and around €1.3 billion by 2015.

In addition, La Banque Postale is proposing to set up an innovative socially responsible home ownership financing model. This model, which is based on the implementation of partnerships with players in the social housing market, will aim to secure financing via the implementation of borrower protection plans. It will allow La Banque Postale to provide a dedicated €1 billion budget to its lowest-income customers as from 2013.

A partnership is already being rolled out with the *Fédération nationale des sociétés coopératives d’Hlm* (French National Association of Subsidised Housing Cooperatives) and La Banque Postale is continuing its discussions with the *Action Logement* organisation, with a view to entering a partnership in the near future.

Lastly, as it had committed to do in October 2012, the Bank will distribute its first loans to finance rent-to-buy transactions in 2013<sup>14</sup>, backed by players in the social housing market. La Banque Postale aims to achieve a 10% market share in the first year of marketing these loans.

**> In the multi-channel area, La Banque Postale is continuing to strengthen its systems in order to support changes in usage and to meet customers’ expectations.**

Therefore, after launching a new remote banking model, “La Banque Postale at Home” in 2013, La Banque Postale will continue to roll out this new service in 2013, by setting up further teams at the financial centres in Rennes, Montpellier, Toulouse and Châlons-en-Champagne. To date, over 30,000 customers have chosen this new relationship model.

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<sup>14</sup> A system that enables households to purchase a new home under favourable conditions, with no deposits and within certain income ceilings. The home is initially financed by a subsidised housing operator, and the household that occupies the home pays a fee. Within a period of one to four years, the household then has the possibility to opt for first-time buyer status while benefiting from a reduced VAT rate and a 15-year exemption from property taxes.



**> To improve satisfaction among its customers, La Banque Postale will continue its service quality efforts in 2013.**

In 2012, La Banque Postale improved access to its advisors (meetings at post offices are offered within 48 hours, and introduction of a secure messaging service for advisors and customers). La Banque Postale will pursue its efforts in 2013, through its global "Spirit of Service" initiative, primarily in terms of telephone access, an increase in the automated telling machine pool, and of timeframes for cashing cheques, via the continued roll-out of scanners in the main Post Offices.

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Philippe Wahl stated that: *"La Banque Postale's 2012 results demonstrate both the soundness and the momentum of its model. The Bank is expanding while generating strong commercial results and confirming its increasing role in the financing of the economy. In 2013, La Banque Postale will pursue this momentum as a citizen bank by accelerating its commercial development and continuing to offer innovative and high-quality products and services to everyone."*

▪ **CONSOLIDATED INCOME STATEMENT FOR THE 2012 FINANCIAL YEAR**

(€ '000s)	31 December 2011	31 December 2012
<b>Net Banking Income</b>	<b>5,230,692</b>	<b>5,241,030</b>
General operating expenses	(4,365,202)	(4,311,992)
Depreciation, amortisation and impairments to tangible and intangible fixed assets	(157,390)	(174,176)
<b>Gross operating profit</b>	<b>708,100</b>	<b>754,862</b>
Cost of risk	(318,223)	(151,844)
<b>Net operating profit</b>	<b>389,877</b>	<b>603,019</b>
Share in profits from equity associates	160,365	176,028
Net gains or losses on other assets	(806)	(1,556)
Impairment of goodwill	(4722)	14,362
<b>Profit before tax</b>	<b>544,714</b>	<b>791,854</b>
Income tax	(134,653)	(218,086)
<b>Consolidated net profit</b>	<b>410,061</b>	<b>573,767</b>
Non-controlling interests	(2,096)	(257)
<b>Net profit, Group share</b>	<b>412,157</b>	<b>574,024</b>

▪ **CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31<sup>ST</sup> 2012**

(€ '000s)	31 December 2011	31 December 2012
<b>Assets</b>		
. Cash and central banks	2,643,973	2,725,691
. Financial assets at fair value through profit or loss	11,016,356	6,899,791
. Hedging derivatives	272,515	286,710
. Financial assets available for sale	9,474,603	10,003,185
. Loans & receivables - credit institutions	74,882,171	81,235,060
. Loans & receivables - customers	45,082,910	49,930,597
. Revaluation differences on portfolios hedged against interest-rate risk	145,129	312,660
. Financial assets held to maturity	35,376,985,	37,035,568
. Current and deferred tax assets	377,125	294,784
. Accruals and miscellaneous assets	3,613,519	3,829,673,
. Tangible assets	487,511	500,128
. Intangible assets	333,294	345,383
. Goodwill	53,655	53,655
<b>TOTAL</b>	<b>185,711,926</b>	<b>195,786,844</b>
<b>Liabilities</b>		
. Financial liabilities at fair value through profit or loss	249,710	110,569
. Hedging derivatives	234,123	563,290
. Liabilities to credit institutions	10,865,606	15,811,870
. Liabilities to customers	156,749,470	161,193,891
. Debt represented by a security	5,463,758	4,537,187
. Tax and other liabilities	4,802,671	5,092,788
. Insurance companies' underwriting provisions	530,496,	674,214
. Provisions	399,199	557,118
. Subordinated debt	796,475,	849,569
. Equity, Group share	5,637,618	6,416,671
. Non-controlling interests	(17,200)	(20,323)
<b>TOTAL</b>	<b>185,711,926</b>	<b>195,786,844</b>

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**La Banque Postale ([www.labanquepostale.fr](http://www.labanquepostale.fr))**

La Banque Postale, the banking subsidiary of La Poste Group, is a unique and special bank operating in the French retail banking market. As an institution that is faithful to its core values: acting in the general interest, confidentiality and closeness to its customers, La Banque Postale puts welcoming all its customers at the heart of its business. It supports its retail and corporate customers by providing a sustainable banking relationship, with an accessible and reasonably-priced range of products and services. It is continually adding to its product range, specifically through relying on the expertise of its subsidiaries and partners, thus entering new areas. La Banque Postale is accessible 24/7, anywhere, any time.