



PRESS RELEASE

Paris, 25 February 2014

## LA BANQUE POSTALE'S 2013 RESULTS AND BUSINESS REVIEW

**Buoyed by its lending activities, La Banque Postale is continuing to develop, and is reporting an increase in operating results**

### Acceleration in development, and control over expenses and risks

- Net Banking Income: **€5,539 million (+5.7%)**
- Operating ratio: **84.9% (improvement of 0.9 point)**
- Cost of risk: **€154 million (+1.7%)**
- Operating profit: **€700 million (+16%)**
- Pre-tax profit: **€909 million (+14.8%)**
- Net profit, Group share: **€579 million (+1.0%)**

### Strengthened equity capital and a favourable liquidity position

- **€1 billion increase in prudential equity capital** in 2013
- Basel 2.5 Core Tier 1 ratio of **11.4%**
- Return on equity capital of **8.6%**
- **LCR liquidity ratio of 152%**<sup>1</sup>

### Strong commercial momentum

- Accounts: **650,000 accounts opened**
- Casualty Insurance policy generation: **528,000 new policies**
- Personal Risk Insurance policy generation: **425,600 new policies**
- Inflow of **€2.1 billion into Livret A and Sustainable Development (LDD) savings accounts**
- Payment cards: **7.43 million (+2.8%)**

### La Banque Postale is confirming its role as a major provider of financing to individuals and legal entities

- Sharp increase in total loans outstanding: **€57.8 billion (+17.3%)**
- **Generation of around €6.5 billion in loans to the local public sector** and around **€2.9 billion in loans to other legal entities**
- 10.7% increase in home loans outstanding
- 16% increase in consumer loans granted

<sup>1</sup> Estimated ratio at 31 December 2013.

Rémy Weber, Chairman of La Banque Postale's Executive Committee, presented the 2013 results and business review today.

## Highlights

La Banque Postale reported sustained commercial expansion in 2013, which was reflected in an increase in operating results, despite the fact that the environment remained relatively unfavourable.

NBI increased by 5.7% to €5,539 million. Operating profit amounted to €700 million, an increase of 16%, while the operating ratio improved by almost 1 point, and rose to 84.9%. La Banque Postale's financial structure was strengthened: following the capital increase in December 2013, the Basel 2.5 Core Tier 1 ratio amounted to 11.4% at the end of 2013. The liquidity position remains very favourable, with a Basel 3 LCR ratio of 152% in 2013.

La Banque Postale became the **regional development bank** in 2013. In its first full year of providing financing to the local public sector, as the medium to long-term loan offering was launched in November 2012, La Banque Postale achieved a loan generation market share of around 15%. Overall, over €6.5 billion in loans were generated, including €3 billion in medium to long-term loans. **This performance, in a market that has returned to being highly competitive, demonstrates the relevance of the new financing model offered by La Banque Postale.** The model is based on simple cash-backed products with a reasonable profit margin.

At the same time as rolling out teams dedicated to local public sector financing in the French regions, La Banque Postale set up La Banque Postale Collectivités Locales, in partnership with Caisse des Dépôts. La Banque Postale Collectivités Locales provides services relating to the marketing of the loans that La Banque Postale grants to local authorities and hospitals.

La Banque Postale reinforced its operational framework dedicated to **high net-worth customers via the acquisition of BPE**. La Banque Postale now offers a full range of products and services, including highly specific services, to its customers. The management mandate business, which is operated by the La Banque Postale Gestion Privée subsidiary, a wholly-owned subsidiary of La Banque Postale, expanded sharply in 2013.

La Banque Postale pursued its commitment to **social access to home ownership in 2013**. The development of the social access home loan (PAS) offering was a success, and enabled **over €1 billion of loans to be generated in one year**.

La Banque Postale, which is the bank for everyone, has set up the "**L'Appui**" (the Support) platform. Working together with the members of the French Initiative against Exclusion from Banking Services, a think-tank and action group that includes 11 major voluntary organisations<sup>2</sup>, La Banque Postale has introduced a banking and budget support initiative aimed at preventing and managing financial hardship situations.

La Banque Postale continued its work on **digital technology** in 2013. It rolled out four new La Banque Postale Chez Soi agencies, in Rennes, Montpellier, Châlons-en-Champagne and Toulouse. These entirely virtual agencies enable La Banque Postale's customers to adopt a relational method that combines using the Internet with the personal support provided by financial advisers via telephone, e-mail, chats, or video-conferencing.

La Banque Postale continued to **strengthen its financial structure** in 2013, with the support of La Poste, its shareholder. Accordingly, its prudential equity capital was increased

---

<sup>2</sup> Secours Populaire, Secours Catholique, UNICASS, Restos du Cœur, the French Red Cross, ATD Quart Monde, ADIE, Emmaus France, the French Salvation Army, Habitat et Humanisme and Crésus.

by over 20%, thanks to a €228 million capital increase via contributions in kind, as well as to an €800 million "Tier 1" issue, which was entirely subscribed by La Poste.

The initial €1 billion issue by La Banque Postale Home Loan SFH, a housing financing company founded in 2013, enabled La Banque Postale to **diversify its sources of financing** while benefiting from good market conditions.

## The Group's consolidated 2013 results

<i>(in millions of euros)</i>	2013	2012	%
<b>Net banking income</b>	<b>5,539</b>	<b>5,241</b>	<b>+5.7 %</b>
<b>Management expenses</b>	-4,685	-4,486	+4.4 %
<b>Gross operating profit</b>	<b>854</b>	<b>755</b>	<b>+13.1 %</b>
<b>Cost of risk</b>	-154	-152	+1.7 %
<b>Operating profit</b>	<b>700</b>	<b>603</b>	<b>+16.0 %</b>
<b>Income from equity associates</b>	200	176	+13.4 %
<b>Pre-tax profit</b>	909	792	+14.8 %
<b>Tax</b>	-324	-218	+48.5 %
<b>Net profit, Group share</b>	<b>579</b>	<b>574</b>	<b>+1.0 %</b>
<b>Operating ratio</b>	84.9 %	85.8 %	

**Consolidated net banking income (NBI) amounted to €5,539 million, an increase of 5.7% compared with 2012.**

At constant consolidation scope and excluding non-recurring items<sup>3</sup>, NBI increased by 2.7% compared with 2012, reflecting the Group's sound commercial results, despite an uncertain economic backdrop and a low interest-rate environment.

**2013 was characterised by a strong 17.3% increase in overall loans outstanding to €57.8 billion by the end of 2013.**

On the savings side, **La Banque Postale's deposits registered a rise of over €8.6 billion** to €297.1 billion, which was primarily due to the success encountered by the Livret A and Sustainable Development (LDD) savings accounts following the increase in their ceilings in 2012.

**Insurance NBI registered an increase of 15.7% to €123 million**, primarily as a result of the roll-out of the new business activities (Casualty Insurance and Health Insurance), and of a strong performance from individual risk insurance.

**The asset management sector reported sound results, including an 11.9% rise in NBI to €134 million**, in a less uncertain market environment.

The Group's management expenses amounted to €4,685 million, an increase of 1.4% at constant consolidation scope excluding non-recurring items<sup>4</sup>. The increase in management expenses was primarily due to the cost of launching and developing the new businesses, including the roll-out of support teams for the local public sector financing business in the French regions, and supporting the development of the consumer credit business.

<sup>3</sup> Impact of the consolidation scope and non-recurring items: BPE, LBPCL, LBPSFH, Cheque Image Exchange fine (fine relating to the charges for exchanging images of cheques imposed on 11 banks by the French Competition Authority) and the Home Loan Savings provision.

<sup>4</sup> Impact of the consolidation scope and non-recurring items: BPE, LBPCL, LBPSFH, and provision relating to a possible fine as a result of the investigation into regulated savings over the period between 2009 in 2011.

## **The operating ratio improved by 0.9 point to 84.9%.**

Accordingly, gross operating profit amounted to €854 million, an increase of 9.5% at constant consolidation scope excluding non-recurring items<sup>5</sup>.

The **cost of risk** was stable compared with 2012. The cost fell by 29 basis points in relation to loans outstanding, compared with 33 basis points in 2012. Excluding the impact of the impairment charge recorded on the Greek securities in 2012, the increase in the current cost of risk was €16 million, due to the growth in loans outstanding.

The contribution from CNP, which is consolidated via the equity method, increased by 13.4% to €200 million.

Net profit, Group share amounted to €579 million, and was up 1.0 % compared with 2012.

## Financial Structure

La Banque Postale's development is based on a sound balance sheet and a high level of solvency: as at 31 December 2013, **La Banque Postale's Basel 2.5 Core Tier 1 ratio<sup>6</sup> amounted to 11.4%**, following the €228 million capital increase in December 2013<sup>7</sup>.

Following the hybrid €800 million Tier 1 issue, La Banque Postale's Tier 1 ratio amounted to 13.2%.

## **La Banque Postale reported a sound Basel 3 Common Equity Tier 1<sup>8</sup> ratio of 10.2% at the end of 2013.**

La Banque Postale's liquidity position remains very favourable:

- The loan to deposit ratio amounted to 67% compared with 59% in 2012; the 0.8 point increase compared with 2012 results from the gradual rebalancing of the balance sheet in connection with the development of the lending business.
- The LCR ratio amounted to 152% at the end of 2013.

La Banque Postale continued to lower its balance sheet's sensitivity to exposure to peripheral European sovereign debt during 2013.

Accordingly, direct net exposure to peripheral European debt fell sharply to €2,463 million, i.e. a 40.7% decrease between 2012 and 2013. There is no longer any direct exposure to Greek and Portuguese sovereign debt on La Banque Postale's balance sheet.

---

<sup>5</sup> Impact of the consolidation scope and non-recurring items: BPE, LBPCL, LBPSFH, Cheque Image Exchange fine, Home Loan provision, and regulated savings penalty.

<sup>6</sup> Basel 2.5 Core Tier 1 equity capital is defined as Basel 2.5 Tier 1 equity capital minus the eligible Tier 1 hybrid capital, following the application of the Tier 1 deductions provided for by Regulation CRD III.

<sup>7</sup> Including the application of Basel 2 to the insurance businesses.

<sup>8</sup> Including the application of transitional rules and the provisions of the Danish Compromise. The fully-loaded CET1 ratio is estimated at 11.2%.

<sup>9</sup> The Group's loan to deposit ratio is determined as the ratio between loans and deposits, defined according to strict rules and excluding the savings centralised at CDC.

<sup>10</sup> Estimated ratio.

## Business review and results for each business segment

### Retail banking

The result of the retail banking business segment remained the Group's main driver in 2013, and contributed 83% of its operating profit.

<i>(in millions of euros)</i>	<b>2013</b>	<b>2012</b>	<b>%</b>
<b>Net banking income</b>	<b>5,281</b>	<b>5,015</b>	<b>5.3 %</b>
<b>Management expenses</b>	-4,554	-4,361	4.4 %
<b>Gross operating profit</b>	<b>728</b>	<b>653</b>	<b>11.4 %</b>
<b>Cost of risk</b>	-146	-148	-1.3 %
<b>Operating profit</b>	<b>582</b>	<b>505</b>	<b>15.1 %</b>

### Commercial results

#### Refocusing of savings inflows towards balance sheet products

**Customer deposits increased by 3.0% to €297.1 billion, of which €2.3 billion related to the consolidation of BPE.**

La Banque Postale's customer deposits remained on a very positive trend. Despite the adverse economic environment, sight deposits increased by 5.4% to €47.7 billion. Sight deposits from legal entities registered a sharp 29% increase to €3.7 billion, and reflected the **positive commercial momentum on the corporate market**. The increase in ordinary savings (+€1.9 billion) was driven by Livret A and Sustainable Development (LDD) savings accounts (**deposits of €71.5 billion at 31 December 2013**).

**Life insurance deposits rose by 3.4% to €120.4 billion**, following a sharp rise in inflows in 2012. The trend was more mixed in 2013, where a disappointing start to the year was followed by recovery as from the last quarter.

Investments in UCITS increased by 1.3%, benefiting from a favourable market effect and from renewed customer interest in this asset class.

#### Increased customer coverage

The bank payment card pool amounted to over 7.4 million units at the end of 2013, i.e. an increase of 2.8% compared with 2012.

The number of active customers rose to 10.7 million at the end of 2013, an increase of around 2% compared with 2012.

#### The lending business expanded in a stagnant market

**Overall loans outstanding increased by 17.3% to €57.8 billion.**

**Home loans amounting to €9.2 billion were granted in 2013**, i.e. an annual increase of 33%, and an estimated market share gain of 1.3 points (7.7% in 2013).

This sharp increase was the result of an appropriate pricing policy, and of the momentum created by La Banque Postale's commitment to social access to home ownership. In accordance with the strategy implemented since the launch of its home loan business, this development took place in keeping with a cautious loan approval policy, while the loan portfolio retained its relatively low risk profile.

Accordingly home loans outstanding increased by 10.7% to €49.8 billion. The increase was 5.4% excluding the consolidation of BPE.

**Consumer loans granted increased by 16% compared with 2012.** This performance, which took place against the backdrop of a contraction in the market in 2013, is explained by the physical network's positive buy-in to the personal loan range, which was launched in 2009. The amounts outstanding increased by 28.2% (€0.7 billion), reaching a level of €3.4 billion.

Lending to legal entities, a new business that was launched in 2011, expanded sharply. Loans outstanding granted to companies and not-for-profit organisations amounted to €1.7 billion. Local public sector financing experienced a remarkable launch in 2013, when the **overall amount of financing granted exceeded €6.5 billion**, which represents a share of around 15% of the local authority market.

## Financial results

**The Retail Banking Segment's Net Banking Income increased by 5.3% to €5,281 million.** It increased by 2.2% at constant consolidation scope excluding non-recurring items<sup>11</sup>.

The Net Banking Income generated by commission-based transactions, which increased by 4.6% in 2013, amounted to €1,970 million, due to the growth in commissions on home loans, and to the rise in the customer equipment rate.

**Then net interest margin amounted to €3,432 million at 31 December 2013, or an increase of 7.5%.** Excluding the impact of the change in the home loan provision, it increased by €78 million to €3,409 million (+2.4%).

This improvement was attributable to the increase in loans outstanding and to the resilience of the margins on loan generation, despite a fall in the income from centralised savings (-€8 million). In fact, the increase in the balances of centralised products did not enable the fall in the return on centralising these products at Caisse des Dépôts to be offset.

Other income and expense are down €58 million to -€120 million, reflecting the impact of additions to and reversals of the Cheque Image Exchange fine, which amounted to around €50 million.

The Retail Banking Segment's management expenses increased by 4.4% to €4,554 million. At constant consolidation scope excluding non-recurring items<sup>11</sup>, expenses increased by 1.3%, which reflected the investments made to develop the new businesses.

<sup>11</sup> Impact of the consolidation scope and non-recurring items: BPE, LBPCL, LBPSFH, Cheque Image Exchange fine, and Home Loan provision.

<sup>12</sup> Impact of the consolidation scope and non-recurring items: BPE, LBPCL, LBPSFH, and regulated savings provision.

The expenses relating to the agreements and services between La Banque Postale and La Poste increased slightly (0.8%) to €3.16 billion, primarily as a result of the costs re-invoiced in connection with the agreement on services performed at post office counters. They included a positive French competitive tax credit (CICE) of €47 million.

The Retail Banking business' cost of risk amounted to €146 million, a decrease of 3.5% at constant consolidation scope compared with 2012.

Excluding the impact of direct exposure to Greece, the retail banking business's cost of risk increased by €12 million, due to the rise in loans outstanding. The increase nonetheless remained modest when compared with commercial loans outstanding, especially in the consumer and corporate lending businesses. In fact, when compared with the commercial banking business's loans outstanding, the cost of risk increased by less than one basis point to 25 bps in 2013.

**Under these conditions, the Retail Banking Segment's operating profit rose by 15.1% to €582 million. The increase at constant consolidation scope, restated for non-recurring items<sup>10</sup>, was 7.2%.**

### Asset Management

<i>(in millions of euros)</i>	<b>2013</b>	<b>2012</b>	<b>%</b>
<b>Net banking income</b>	<b>134</b>	<b>120</b>	<b>11.9 %</b>
<b>Management expenses</b>	-68	-68	0.1 %
<b>Gross operating profit</b>	<b>66</b>	<b>52</b>	<b>27.2 %</b>

The improvement in market conditions in 2013 resulted in strong performances in the asset management segment. The waning of systemic risk in the euro zone, and an economic recovery in United States reassured investors, who focused on higher-risk asset classes.

**The assets under management at the division's subsidiaries rose by 3.5% to €150 billion. Net Banking income increased to €134 million, an 11.9% increase compared with 2012.**

**La Banque Postale Asset Management's net inflows amounted to over €900 million** excluding CNP, driven by the momentum of its institutional customer base, and despite the outflows recorded in investments from retail customers. Favourable market conditions and the investment management performance enabled the segment to report a €4.5 billion increase in assets under management compared with 2012.

La Banque Postale Gestion Privée registered a solid commercial performance. Buoyed by the increase in the life insurance management offerings, net inflows amounted to almost €380 million, i.e. a 63% increase compared with 2012.

Tocqueville Finance recorded stable net banking income of €14.3 million. Following a muted start to the year, inflows recovered in the second half of 2013.

Management expenses were unchanged at €68 million, reflecting the efforts made by the division's subsidiaries to control their costs.

Accordingly, operating profit increased sharply to €66 million, i.e. a rise of 27.2%.

## Insurance

<i>(in millions of euros)</i>	2013	2012	%
<b>Net banking income</b>	<b>123</b>	<b>107</b>	<b>15.7 %</b>
<b>Management expenses</b>	-63	-57	11.0 %
<b>Gross operating profit</b>	<b>60</b>	<b>49</b>	<b>21.1 %</b>
<b>Cost of risk</b>	-8	-4	111.6 %
<b>Operating profit</b>	<b>51</b>	<b>45</b>	<b>13.2 %</b>

**The commercial momentum in the insurance sector continued, with an increase of around 16% in the total number of policies.**

2013 was characterised by the completion of the health insurance products roll-out across the La Banque Postale network, and by the continued development of the casualty insurance business.

**The division's NBI increased by 15.7% to €123 million.**

La Banque Postale Assurances IARD's NBI reported an increase of €11 million to €26 million, based on a portfolio of almost 863,000 policies.

La Banque Postale Assurance Santé's NBI amounted to €4.8 million in 2013, based on a portfolio of over 56,000 policies.

La Banque Postale Prévoyance's revenues posted growth of 8%, thanks to the strong performance of personal risk insurance (around 2.7 million policies), and to the continued growth of the borrower insurance business.

The insurance segment's management expenses increased by 11%, due to the effect of supporting the ramp-up of the casualty insurance business, which required adding to the teams and significant IT investments.

**Accordingly, the insurance division's gross operating profit increased by over 21% compared with 2012, and amounted to €60 million.**

The insurance division's cost of risk consists of the provisions and losses recorded on unpaid contributions to insurance policies. Cost of risk amounted to €8 million, in keeping with the commercial expansion of the casualty insurance business.

**CNP Assurances' contribution, through the consolidation of its net profit via the equity method, amounted to €200 million, an increase of 13.4% compared with 2012.**

## Outlook

La Banque Postale offers a comprehensive range of products and services to everyone in all markets. It relies on a multi-channel environment, and to this end, will accelerate its efforts to adjust its operating model to the consumption patterns of the future.

La Banque Postale will continue **developing its lending activities** in 2014, both for private individuals and legal entities.

On the retail market, it will continue its momentum in terms of generating **home loans and personal loans**, and will **launch its revolving credit offer**, which is currently being trialled, **on a national basis**.

In the local public sector segment, this initiative will be supported by the finalisation of the regional roll-out of marketing support teams, which was completed in December 2013.

In 2014, La Banque Postale will launch the projects aimed **at structuring and developing its business for local professionals**. This is a major goal for La Banque Postale, which is in keeping with the Le Groupe La Poste's new strategic plan: "La Poste 2020: conquering the future".

Following a few months of trials, La Banque Postale will run out its "l'Appui" platform on a national basis, and will thereby confirm its **commitment to customers experiencing financial hardship**. More broadly, La Banque Postale will continue to improve the services that it offers within the framework of its banking accessibility public service mission.

\*  
\* \*

**Rémy Weber made the following comments: "La Banque Postale achieved a solid operating performance in 2013. The acceleration of its commercial development in both its new business lines and its traditional business lines demonstrates the appropriateness of its strategy. The Bank relies on a sound balance sheet, reinforced solvency and a strong liquidity position. As a Citizen Bank, La Banque Postale is reconfirming the major role that it plays in serving the economy and society.**

**These results reflect the teams' commitment to their customers, in order to support them with their savings, insurance and financing plans".**