



LA BANQUE POSTALE RESULTS AND BUSINESS ACTIVITY 2014

Growth in revenues

- Net banking income: **€5,673 million (+1.8%)**
Excluding home savings provision: +4.6%
- Operating expenses: **€4,672 million (-0.6%)**,
i.e. a 2-point improvement in the cost to income ratio
- Cost of risk: **€163 million (+5.6%)**
i.e. a cost of credit risk ratio (to outstandings loans) of 23 bp, down 2bp
- Profit before tax: **€1,037 million (+11.9%)**
- Net profit – Group share: **€677 million (+17.7%)**

A sound balance sheet and substantially stronger solvency

- Balance sheet quality confirmed by the AQR
- Equity capital up by more than **€1.3 billion** in 2014 thus driving the bank's development
- **Common Equity Tier 1** ratio of 12.7%¹
- **Global solvency** ratio of 17.0%
- **Estimated leverage** ratio of 5.4%²
- **Estimated LCR** of **184%**

Strong commercial momentum

- Demad deposits³: **5.7% increase in outstanding deposits**
- Home loans: **7.2% increase in outstanding loans**⁴
- New **consumer credits up 13.0%**
- Production of P&C policies: **500,000 new contracts**
- Production of P&C insurance contracts: **360,000 new contracts**
- Life insurance: **€9.3 billion** gross inflows
- Account packages: **880,000 openings (+2%)**

¹ Phased-in CRDIV-CRR. The fully loaded ratio is estimated at 14%.

² Taking into account the Delegated Act published by the European Commission on 10 October 2014.

³ Household and business sight deposits.

⁴ Integrating €1.5 billion in SOFIAP loans

Rémy Weber, Chairman of La Banque Postale's Executive Board, today presented the results and business activity for 2014.

2014 Highlights

Net banking income, at €5,673 million, showed a 1.8% increase. Excluding the home-savings provision, it increased by 4.6%. Profit before tax rose 11.9% to reach €1,037 million. The cost to income ratio improved by 2 points to 82.7%.

The **results of the AQR** (Asset Quality Review) conducted on a European scale by the European Central Bank (ECB)⁵ **confirmed the soundness of the bank's balance sheet**. The results confirm the quality of assets and the effectiveness of La Banque Postale's financial model.

La Banque Postale **strengthened its financial structure** by finalising a €750 million Tier 2 junior issue on 23 April 2014, with 12-year maturity. In addition, in November 2014, it conducted a **capital increase** of almost €633 million by a contribution in kind from Le Groupe La Poste. These two operations are beneficial for the bank's development, particularly in terms of growth in credit. At the end of 2014, the La Banque Postale's Tier 1 Common Equity ratio thus stood at 12.7%⁶.

In 2014, La Banque Postale pursued its **development on the credit market**: at the end of the 2014 financial year, La Banque Postale recorded €53.4 billion⁷ in outstanding home loans, up 7.2%. In 2014, La Banque Postale achieved a notable performance on the **consumer credit** market with over €2.1 billion in new credits (a 13% rise over 2013) in a weakened market. By granting almost €6.8 billion (up 4% from 2013) in loans to local authorities in 2014, it asserted its role as a key player in public sector financing with a 25% market share⁸. La Banque Postale is further gaining strength with railway employee customers by acquiring a 66% interest in Sofiap, the joint subsidiary with the SCNF.

La Banque Postale enhanced its product range for high net-worth customers with the launch of three new premium life-insurance contracts: Satinium and, in partnership with CNP, a trusted partner, Cachemire 2 and Cachemire Patrimoine. Inflows on these products over 2014 amounted to €3.6 billion.

The rate of customer equipment increased over the year: the volume of payment cards represented more than 7.7 million units as at 31 December 2014, up 1.7% from the end of 2013.

To reinforce their commercial efficiency, **La Banque Postale and the Network La Poste finalised the amalgamation of their commercial management lines** in July 2014. This new organisation will help accelerate the Bank's current sales momentum on the individual customers' market.

To rise to future commercial challenges, La Banque Postale and the Network La Poste created the **Ecole de la Banque et du Réseau** in 2014. A significant step in the construction of a major banking-centred network, the school supports the development of

⁵ In cooperation with the Autorité de Contrôle Prudentiel et de Résolution (ACPR), the European Banking Authority (EBA), the European Commission (EC) and the European Systemic Risk Board (ESRB).

⁶ Phased-in CRDIV-CRR. The fully loaded ratio is estimated at 14%.

⁷ Integrating €1.5 billion in SOFIAP loans

⁸ Scope: local authorities and hospitals medium-to-long-term.

skills of mail carriers, covering all jobs and offering certificate, diploma and skills training courses. In autumn 2014, the first group of key account managers was trained.

In 2014, La Banque Postale strengthened its digital offering by rolling out numerous innovations on remote customer relations channels. This development particularly involved the introduction of an **application for tablets**. Available on iOS and Android since November 2014, it is now used by over 420,000 customers. In addition, at the end of 2014, 90,000 customers had opted for the 100% remote relationship provided by **La Banque Postale Chez Soi**.

Since 2012, La Banque Postale has chosen to focus its patronage activity on a single programme in favour of equal opportunities: **“L’Envol, La Banque Postale's campus”**. It thus provides access to high-level education for talented young people. In 2014, the third class of more than 60 students benefitted from this initiative.

As a civic-minded bank, La Banque Postale pursued widespread deployment of **“L’Appui”**, its system for providing banking and budgeting support for vulnerable customers. The quality of this service was also recognised by the public authorities, with the government selecting “L’Appui” as one of the 15 initiatives supported via the operation “La France s’engage”.

Committed to **Corporate Social Responsibility**, La Banque Postale was ranked first (*out of an international panel of 374 commercial and public banks*) by OEKOM, an extra-financial rating agency.

La Banque Postale group’s business activity and results

In 2014, La Banque Postale recorded a year of well-focused business, reflected by a significant increase in operating profit.

Consolidated income statement (in € million)	2014	2013 ⁹	%
<i>Main lines of the income statement</i>			
Net banking income	5,673	5,574	1.8%
Operating expenses	-4,672	-4,702	-0.6%
Gross operating income	1,001	871	14.9%
Cost of risk	-163	-154	5.6%
Operating income	838	717	16.9%
Equity associate CNP	199	200	-0.3%
Profit before tax	1037	926	11.9%
Tax	335	330	1.3%
Net profit – Group share	677	576	17.7%
Cost to Income ratio	82.7%	84.7%	- 2 points

Consolidated net banking income (NBI) was €5,673 million, i.e. a 1.8% increase over 2013.

Excluding the home-savings provision and on a like-for-life basis¹⁰, NBI is 4.0% higher than in 2013, reflecting the Group’s good commercial and financial performance, driven by the

⁹ Pro forma of LBPP's full integration
¹⁰ Changes in scope: BPE and SOFIAP

positive contribution of all the business lines (retail banking, asset management and insurance).

In a still somewhat morose economic environment, La Banque Postale posted sound business performances over 2014, with outstanding sight deposits and loans respectively rising by 5.7% and 12.0%¹¹.

NBI of the Insurance subsidiaries grew 13.0% to €178 million, supported by the rollout of new operations (P&C, Health Insurance) and good performance in personal risk insurance.

The asset management business line, driven by the momentum of discretionary asset management, posted good results with a 10.3% increase in NBI to €148 million.

<i>Net banking income (in € million)</i>	2014	2013	%
Retail banking	5,347	5,282	1.2%
Asset management	148	134	10.3%
Insurance	178	158	13.0%
Total	5,673	5,574	1.8%

The Group's operating expenses amounted to €4,672 million, down 0.6% from 2013. On a like-for-like basis and excluding non-recurring items¹², they rose 1.0%.

The cost to income ratio improved by 2 points to reach 82.7% at year end.

Gross operating income was therefore €1,001 million, up 18.2% on a like-for-like basis and excluding non-recurring items¹³.

Cost of risk was €163 million, up 5.6% compared to 2013, due to strong growth in outstandings. The cost of credit risk ratio, in relation to outstandings, dropped 2bp to 23bp.

The share of profit of the associate CNP is almost flat (-0.3%) at €199 million.

Profit before tax was therefore up 12.0% to €1,037 million.

The Group posted net profit in the amount of €677 million, i.e. an increase of 17.7% compared to 2013.

Financial structure

La Banque Postale has a sound financial structure, strengthened on two occasions in 2014:

- On 23 April, by a €750 million issue of Tier 2 subordinated notes, maturing in 12 years,
- On 18 November, by a capital increase of almost €633 million, conducted by contribution of post office cash on hand from Le Groupe La Poste.

These operations aim to support the bank's development and the rollout of its lending activities. As a result:

- La Banque Postale's Common Equity Tier 1 ratio¹⁴ was 12.7%, following the €633 million capital increase in November 2014, up 2.6 points from 2013¹⁵.

¹¹ Including more than €1.5 billion in SOFIAP loans.

¹² BPE and SOFIAP change in scope, provision in 2013 for the penalty risk on the regulated savings audit from 2009 to 2011.

¹³ Home savings provision and regulated savings penalty.

- La Banque Postale's global solvency ratio reached 17.0%, up 4.1 points from 2013.
- With application of the Delegated Act published in October 2014 by the European Commission, the estimated leverage ratio was 5.4%.

La Banque Postale posted a comfortable liquidity position reflected by:

- A still favourable loan-to-deposits ratio at 75%¹⁶, up 8 points from 2013 due to the gradual balance sheet rebalancing linked to developments in lending.
- An LCR at 184% at the end of December 2014, down slightly (-21pt) but still well above regulatory requirements.

ECB AQR and Stress Tests:

The Europe-wide balance sheet assessments conducted by the European Central Bank (ECB), in collaboration with the Autorité de Contrôle Prudentiel et de Résolution (ACPR), the European Banking Authority (EBA), the European Commission (EC) and the European Systemic Risk Board (ESRB) confirmed the quality of La Banque Postale's balance sheet.

For the AQR, the ECB's verifications concluded that the bank has high data quality with an appropriate classification of exposures, leading to a slight correction of €15 million on the prudential CVA¹⁷. Application of the adverse scenarios defined by the European authorities result in a maximum impact of 1.6 points on the CET1 ratio, leading to a minimum ratio of 9.14% over the analysis period.

As at 31 December 2014, La Banque Postale had good credit ratings reflecting its financial soundness and thorough risk management:

	Standard & Poor's	Fitch
Long-term ratings	A	A
Outlook	Stable	Negative
Updated on	24 October 2014	18 December 2014
Short-term ratings	A-1	F1

In 2014, Standard & Poor's confirmed the Bank's long-term rating. Following the deterioration in the French Government's long-term rating, Fitch downgraded the bank from A+ to A.

Activities and results by business line

Retail Banking

In 2014, the retail banking business line's profit was again the group's main driver.

Retail banking (in € million)	2014	2013	%
Net banking income	5,347	5,282	1.2%
Operating expenses	-4,505	-4,553	-1.1%
Gross operating income	842	728	15.6%

¹⁴ CRR/CRD 4 with phase-in measures. The fully loaded ratio is 14%.

¹⁵ Pro forma CRDIV CRR

¹⁶ The Group's loan-to-deposits ratio is determined as the ratio between loans and deposits, excluding outstanding savings centralised at the CDC.

¹⁷ Credit Valuation Adjustment

Cost of risk	152	146	4.1%
Operating income	690	583	18.4%

Individual customer business results

Increase in sight deposits and savings under management

Total balance sheet savings dropped 0.9% to €113.2 billion.

Outstanding sight deposits of La Banque Postale **individual customers** showed good momentum, reaching €46.2 billion (+3.0%).

Regulated savings suffered from the low appeal of interest rates, and savings in Livret A passbook savings accounts and Sustainable Development Savings Accounts (LDD) declined by 2% to €70 billion.

Home savings rose 4.5% to €28.2 billion particularly due to the 2.5% interest rate maintained on Home Savings Plans (PEL).

UCITS assets fell by more than 13% to €12.7 billion, due to interest rates adversely impacting money market funds.

Life-insurance savings **increased 2.2% to €123.0 billion**, particularly reflecting the successful marketing of the **Cachemire 2, Cachemire Patrimoine, and Satinium** contracts, which recorded gross inflows of €3.6 billion. They also gained from the positive equity market dynamics over the first half of the year and the good performance in discretionary management.

The share of units of accumulation in gross inflows progressed, from 10.8% at year-end 2013 to 16.3% at year-end 2014.

In total, all savings under management (balance sheet and off-balance sheet) rose 0.8% to €299.4 billion.

Growth in individual customer equipment

The customer equipment rate increased over the year: the population of payment cards represented over 7.7 million units as at 31 December 2014, up 1.7%.

La Banque Postale recorded almost 880,000 account package openings (+2%/2013), combining cards and services upon opening a current account.

Development of lending operations in a sluggish real-estate market

In 2014, La Banque Postale strengthened its support in individual customer project financing. Outstanding loans to individuals rose 8.1% to €58.3 billion¹⁸.

Outstanding home loans climbed 7.2% to €53.4 billion. Excluding SOFIAP, that increase amounts to 4.2%. Home loan issuance dropped 10% to €8.4 billion in a sluggish market environment. Social home ownership loan issuance (PAS) amounted to €1.3 billion in 2014.

¹⁸ Excluding SOFIAP home loans, the increase was 5.4%.

This growth in outstanding loans stems from an appropriate pricing policy and the momentum created by La Banque Postale's commitment to social home ownership. In accordance with the strategy implemented since the launch of its property financing activity, a prudent lending policy surrounds this development and risk remains low on the loan portfolio (cost of risk on outstanding property loans was 4 basis points of outstanding amounts as at 31 December 2014 and stable compared to 2013).

New consumer credits amounted to €2.1 billion (+13.0% compared to 2013). This strong production stems from the quality of the bank's offer, developed via a responsible approach. Credits outstanding thus increased 19.2% from 2013 to reach €4.0 billion.

Local public sector, corporate and professional customers business results

La Banque Postale's total **sight deposits of legal entities** posted a significant 41% rise from 2013 amounting to €4.2 billion at year-end 2014.

The local authority financing activity launched at the end of 2012 pursued its rapid growth with almost **€6.8 billion** in loans extended over the year, up 4% from the previous year. This production breaks down into €3.3 billion over the short term and €3.5 billion over the medium/long term.

La Banque Postale also continued its development on the corporate, SME and professionals market, with outstanding loans rising by almost 65.0% compared to 2013 to reach €2.9 billion.

Financial Performance

Retail banking NBI increased by 1.2% and totalled €5,347 million. Excluding the home-savings provision and on a like-for-like basis¹⁹, it was up 3.6%.

Commission

Commission income amounted to €2,123 million, up 7.2% from 2013, driven by the rise in the rate of customer equipment. Commission on means of payment thus increased by €58 million to €1,242 million.

Commission on the distribution of insurance products and financial commission (securities and UCITSs) respectively increased by €85 million to €716 million and by €4.6 million to €159 million, mainly due to the good inflows on Cachemire 2 and Cachemire Patrimoine.

Net interest margin

The net interest margin amounted to €3,346 million as at 31 December 2014, down 2.6%. Excluding the home-savings provision, it reached €3,477 million (+2.0%).

Following a reversal in 2013 (€22.8 million), an amount of €131.7 million was indeed allocated to the home-savings provision in 2014, adversely affecting (€154.5 million) the net interest margin.

This increase is due to the rise in outstanding loans (particularly legal entities) and the good margin performance. Interest income on loans thus rose by €113 million to €2,206 million, whereas income on centralised savings declined by €57.7 million to €630 million impacted by the lower commission rate on savings centralised at the Caisse des Dépôts.

Operating expenses

¹⁹ Change in scope: BPE and Sofiap

Retail banking management expenses were down 1.1% to €4,505 million. On a like-for-like basis and excluding non-recurring items²⁰ in 2013, they increased slightly by 0.7%.

Payroll increased, mainly due to recruitment made necessary by the development of the bank's subsidiaries.

Expenses relating to agreements and services between La Banque Postale and La Poste were almost stable (-0.2%) at €3,129 million, due in particular to a reduction in expenses charged back under the counter services and ATM agreement (down by €11 million to €992 million).

The creation of a single commercial management line (MCU) had no notable impact on expenses in 2014.

Gross operating income

Retail banking gross operating income, amounting to €842 million, recorded a substantial 15.6% increase. Excluding non-recurring items²¹ and on a like-for-like basis, it rose 19.5%, reflecting the good performance in retail banking.

Cost of risk

The cost of risk of retail banking was €152 million, down slightly by 4.3% from 2013 owing to the increase in outstandings.

The cost of credit risk ratio decreased by 2bp to 23bp.

Operating profit

The retail banking business line posted an operating profit of €690 million, up 18.4%. On a like-for-like basis and restated to account for non-recurring items²², it shows a significant 23.3% rise.

Asset management

Asset management (in € million)	2014	2013	%
Net banking income	148	134	10.3%
Operating expenses	73	68	8.2%
Gross operating income	75	66	12.5%

The asset management business line posted sustained performance with €148 million in NBI as at 31 December 2014, up 10.3% from 2013.

²⁰ Including a provision for the penalty risk on the regulated savings audit (2009-2011)

²¹ Excluding home savings provision and penalty on regulated savings in 2013.

²² HS provision, regulated savings penalty and changes of scope - BPE and Sofiap.

Assets under management by the business line's subsidiaries increased 6% to €157.6 billion.

Total assets of La Banque Postale Asset Management reached more than €149.3 billion, up 5.0% compared to 2013 thanks to a positive equity market effect despite the outflow recorded on certain classes of assets (€3 billion in net outflows on money market funds in particular).

La Banque Postale Gestion Privée recorded good business results. Driven by the expanding life-insurance offer and particularly the new premium life-insurance contracts Satinium, Cachemire 2 and Cachemire Patrimoine, gross inflows exceeded €1 billion.

Tocqueville Finance posted a 12% increase in NBI at €15.7 million. The company regained momentum leading to net inflows of €90 million, with assets under management up by 12% compared to 2013, to €1.3 billion.

The business line's management expenses rose 8.2% to €73 million, reflecting the growth in business at La Banque Postale Gestion Privée and La Banque Postale Asset Management.

Gross operating income thus progressed by 12.5%, amounting to €75 million.

Insurance

Insurance (in € million)	2014	2013²³	%
Net banking income	178	158	13.0%
Operating expenses	-94	-81	16.8%
Gross operating income	84	77	9.1%
Cost of risk	11	8	27.8%
Operating income	73	69	6.9%

The insurance business line recorded a net improvement in its business results, driven by the success of the P&C, Health and Personal Risk Insurance offers.

The business line's NBI increased 13.0% to €178 million.

NBI of La Banque Postale Assurances IARD (P&C insurance) recorded a 51% increase, at €40.2 million, with a portfolio exceeding 1.1 million contracts, driven by the deployment of the offer (car insurance, comprehensive home insurance) and the good performance of new products.

NBI of La Banque Postale Assurance Santé (Health Insurance) amounted to €7.8 million in 2014, with a portfolio of more than 80,000 contracts, up 42%. Three years after the launch of the activity, the company has posted a profit.

La Banque Postale Prévoyance (Personal Risk Insurance) recorded more than 365,000 new deals. In individual personal risk insurance, turnover reached €308 million, up 8.2%

²³ Pro forma of LBPP's global consolidation

compared to 2013, due to growth in the stock, particularly of GAV accident insurance contracts²⁴ (+15%).

La Banque Postale Conseil en Assurances (Insurance Advisory Services) posted turnover of €47 million, up 3.5%. The portfolio reached almost 13.5 million contracts at year-end 2014.

The insurance business line's management expenses increased by 16.8% to €94 million owing to growth in the workforce and resources to support the scale-up in P&C and Personal Risk insurance.

The insurance gross operating income thus amounted to €84 million, up 9.1% from 2013.

Outlook

In 2015, La Banque Postale will implement the action plans defined within the framework of its strategic project.

La Banque Postale is pursuing its strategy to build a full retail banking offer across all markets and channels.

Individual customers:

The Bank will continue its major transformation programmes, particularly in IT. A complete overhaul of its distribution and production systems will deliver further commercial impetus while improving the quality of services to customers.

By creating two strong business divisions, the Bank will consolidate its market position on strategic development segments:

- **High net-worth customers:** creation of a high net-worth division responsible for developing the private banking activity of the Bank and the Network La Poste as well as dedicated subsidiaries: BPE, LBPGP and La Banque Postale Immobilier Conseil. This division will enable La Banque Postale to quicken the pace of its commercial development on this customer segment and to optimise synergies with BPE for its clients.
- **Credit:** around La Banque Postale Financement, the dedicated consumer credit subsidiary, La Banque Postale will increase its production of household loans in line with its responsible lending strategy and while pursuing efforts to prevent situations of excessive debt.

Local authorities and businesses:

²⁴ Non-occupational accident insurance

In 2015, La Banque Postale will continue to fulfil its role as a regional bank alongside local authorities. It will pursue the scale-up of its corporate lending activity. In parallel, it has announced the **launch of a range of collective health insurance products**.

Regarding professional customers, the first class of graduates from the Ecole de la Banque et du Réseau is an important milestone in La Banque Postale's development on this market. By 2020, 1,000 professional customer managers will be in position in post offices across the country.

A year for strategic partnership rollout:

1. In collective health insurance with Mutuelle Générale and Malakoff Médéric

On 1 February 2015, Malakoff Médéric, La Mutuelle Générale and La Banque Postale announced a partnership reflecting the three groups' ambition to share their expertise with a view to developing a collective insurance offer for La Banque Postale customers. Available on 1 April 2015, this offer will be tailored to the needs of very small businesses and SMEs within the framework of the compulsory provision of supplementary health insurance to all employees, as of 1 January 2016.

This offer will be proposed by La Banque Postale Assurance Santé, in which the Malakoff Médéric – La Mutuelle Générale consortium will hold 49%, La Banque Postale retaining 51% of the capital. It will be distributed nationwide by La Banque Postale via its local distribution network and the 80 advisors dedicated to this new product range.

2. In asset management with Aegon Asset Management

Following their engagement in exclusive talks on 18 December 2014, La Banque Postale, La Banque Postale Asset Management and Aegon Asset Management signed their capital and industrial agreement in asset management on 18 February 2015.

This agreement aims to develop and expand the expertise of La Banque Postale Asset Management (LBPAM) which, at year-end 2014, managed some €150 billion on behalf of institutional and individual clients. It includes Aegon Asset Management (Aegon AM) acquiring a 25% minority equity interest in LBPAM, for €112.5 million.

Furthermore, thanks to this agreement, La Banque Postale Asset Management will be able to market its recognised expertise in public and private debt on an international scale.

Subject to project approval by the competent authorities, the operation should be completed by the end of Q2 2015.

3. In asset management with Fédéris Gestion d'Actifs

Malakoff Médéric and La Banque Postale have decided to merge their asset management subsidiaries to improve customer service, particularly in the area of SRI. This merger should further enable La Banque Postale Asset Management to develop its asset management operations for mutual insurance companies.

This operation will involve the acquisition by Malakoff Médéric of 5% in the capital of La Banque Postale Asset Management. With Fédéris Gestion d'Actifs (13th French player with €26.1 billion in assets under management), which boasts considerable expertise in SRI funds, La Banque Postale Asset Management will consolidate its position as France's fifth-largest asset manager, handling over €170 billion in assets.

This group will be the fourth-largest player in the institutionals market.

Subject to project approval by the competent authorities, the final agreements should be signed at the end of the first quarter 2015 for implementation by year end.

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Rémy Weber, Chairman of the Executive Board, said: *"In 2014, all of La Banque Postale's business lines demonstrated strong growth and recorded good financial performances. The results of the ECB's asset quality review confirm the solidity of the bank's financial structure with good quality solvency ratios.*

These promising results support the Group's strategic choices, and it will continue its drive to win over the individual, professional, corporate and local public sector markets while developing new strategic partnerships.

I would like to congratulate all of the Group's teams for their significant engagement."

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About La Banque Postale

La Banque Postale, a subsidiary of Le Groupe La Poste, is present in the retail banking, insurance and asset management markets. As a civic-minded bank, it supports its customers by offering a sustainable banking relationship with an extensive range of reasonably priced and accessible products and services. As a local bank providing a public service, La Banque Postale meets the needs of everyone: private individuals, businesses, professionals and the local public sector. It strives to serve its customers through the network of post offices, online and over the telephone as part of a fully multi-channel relationship.

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