

## LA BANQUE POSTALE RESULTS AND ACTIVITIES FOR H1 2015

### Growth in operating profits

- Net banking income **€2,929 million (+2.9%)**  
*Excluding HS provision, on a comparable basis: +3.9%*
- Operating expenses: **€2,376 million (+1.8%)**  
an improvement of 0.9 points in the operating ratio
- Cost of risk: **€73 million (+2.1%)**  
a risk cost of 19 basis points as a percentage of credit outstanding, remaining stable compared to 30 June 2014
- Operating profit: **€479 million (+9.1%)**
- Profit before tax: **€589 million (+6.5%)**
- Net profit – Group share: **€370 million (+2.9%)**

### Solid capital ratios, a comfortable liquidity position

- Common **Equity Tier 1 Capital Ratio** of 13.1%<sup>1</sup>
- Total **capital ratio** of 17.2%
- Leverage **ratio valued** at 5.3%<sup>2</sup>
- **Estimated LCR liquidity ratio of 176%**

### Good commercial momentum

- Sight deposits<sup>3</sup>: **5.9% increase in outstanding loans**
- New **property loans increased by almost 44% to €5.6 billion**
- New consumer credit up **13% to €1.1 billion**
- Issuance of **loans to corporates and local authorities, up nearly 84% to €5.5 billion**
- Production of P&C policies: **293,100 new contracts (+13%)**
- Bankcards in circulation: **more than 8 million units (+4.2%)**

<sup>1</sup> Phased-in CRDIV-CRR. The fully loaded ratio is estimated at 13.9%.

<sup>2</sup> Taking into account the delegated act published by the European Commission on 10 October 2014 regarding savings centralized at CDC, subject to ECB authorization.

<sup>3</sup> Household and business sight deposits.

## 2015 highlights

In a market environment marked by a historically low level of interest rates and increased instability at end of period, La Banque Postale posts solid first half results, an increase on the first half of 2014.

Net banking income, at €2,929 million, showed a 2.9% increase. Excluding the home-savings provision, it increased by 3.9% on a like-for-like basis<sup>4</sup>. The cost to income ratio improved by almost 0.9 points to 81.5%. Net income rose to €370 million, an increase of 2.9%.

**La Banque Postale consolidated its individual customer base in 2015.** Almost 11 million active customers, of whom 8.65 million use La Banque Postale as their main bank (year-on-year increase of 0.8%). Furthermore, the Bank now supports nearly 577,000 high net-worth customers (+4.2%), relying on a broader range of products and services for savings, insurance and credit.

In financing, La Banque Postale showed a significant increase in new loans granted (+37%). Outstanding loans reached €59.3 billion (+4.2%), including almost €3 billion in social home ownership loans, whose outstandings have doubled over the period.

**In business and professionals market,** new products were added to the range, including: a collaborative factoring solution, developed in partnership with UGAP, which offers eligible firms payment conditions and favourable terms, and a group health insurance services, developed as part of a partnership established between LBP Assurance Santé, Malakoff-Mederic and La Mutuelle Générale on 2 April 2015.

La Banque Postale's commercial momentum with companies resulted in strong growth in outstanding sight deposits (+26% between June 2014 and June 2015) and a growth in production loans of €1.3 billion in the first half 2014 to €2.8 billion over the same period in 2015.

**In asset management,** La Banque Postale enhances the range of funds it offers to individual and institutional customers, and complements its expertise through agreements with Aegon and a merger signed today with Federis. New diversified fund and international fund products and services will therefore be established within the framework of the partnership with Aegon, while the Group's SRI range will be enhanced by the merger with Federis. These partnerships result in the acquisition by Aegon of a 25% minority stake in La Banque Postale Asset Management, signed 3 June 2015, and also in the acquisition by Malakoff Mederic of a 5% stake in LBPAM.

The new group is expected to consolidate its position as the No.5 player in the French market, with a volume of over €175 billion in assets under management.

In Private Equity, the agreement concluded on 11 May 2015 between La Banque Postale and Siparex has also resulted in the merger of Xange Private Equity, a Group Asset Management Company and Siparex, a leading private equity company in France, with La Banque Postale selling its entire stake in Xange PE to Siparex (for 70%) and La Poste (at 20%).

Lastly, the expansion of La Banque Postale's property asset management products and services (SCPI and OPCI) enhances the range and allows the Group to offer its customers investment opportunities in a low interest rate environment. This development continued in 2015 with the acquisition of Nexity's stake in Ciloger, a leading non-public property company. La Banque Postale now holds a 90% stake in Ciloger.

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<sup>4</sup>Change in scope: Sofiap

**In the insurance sector,** La Banque Postale, La Mutuelle Générale Malakoff Mederic and UMC Mutual have partnered to design a product that meets the needs of ACS (Complementary Health Insurance) recipients. The 'Oui Santé' service has been selected by the French Ministry of Health as part of its tender. La Banque Postale also launched a new care insurance range in 2015 consisting of two products: Assurance Autonomie and Forfait Autonomie, on the market since January 2015.

## First half activity and results 2015

Consolidated income statement (in € million) <i>Main lines of the income statement</i>	June 2015	June 2014 <sup>5</sup>	%
Net banking income	2,929	2,846	2.9%
Operating expenses	-2,376	-2,335	1.8%
Gross operating income	552	511	8.1%
Cost of risk	73	72	2.1%
Operating profit/(loss)	479	439	9.1%
Equity associate CNP	111	114	-2.7%
Profit before tax	589	553	6.5%
Taxes and minority interests	-219	-193	13.3%
<b>Net profit – Group share</b>	<b>370</b>	<b>360</b>	<b>2.9%</b>
Cost to income ratio	81.5%	82.4%	-0.9 point

Consolidated net banking income (NBI) was €2,929 million, i.e. a 2.9% increase over 30 June 2014.

Excluding the home-savings provision and on a like-for-like basis<sup>6</sup>, NBI is 3.9% higher than in June 2014, reflecting the group's good commercial and financial performance, driven by all of its business lines.

The Group's operating expenses amounted to €2,376 million, up 1.8% over end-June 2014. On a like-for-like basis<sup>7</sup>, this represents an increase of 1.4%.

This trend reflects La Banque Postale's actions in the first half 2015 to implement its information system transformation programme, through a major redesign of its distribution and banking platforms.

The operating ratio improved by almost 0.9 point, totalling 81.5% at end-June 2015.

The cost of risk rose to €73 million, up 2.1% over June 2014. The cost of credit risk ratio rose to 19 basis points and remained stable compared to the first half of 2014, despite the sharp increase in outstanding loans.

Operating profit reached €479 million euros, up 9.1% over June 2014.

The share of results accounted by the equity method was down 2.7% to €111 million.

Overall, pre-tax profit rose by 6.5% to €589 million.

The Group posted net profit totalling €370 million, up 2.9% over 2014.

<sup>5</sup> Pro forma of LBPP's global consolidation

<sup>6</sup> Changes in scope: SOFIAP

<sup>7</sup> Change in scope: Sofiap

## Retail Banking: Operating profits up as of 30 June 2015.

### Individual customer business results

Affected by low interest rates, cash investments were down in favour of medium to long-term investments such as life insurance and Plan Epargne Logement, which still offer attractive returns.

There were significant outflows from Livret A (-3.9% to €62 billion) and UCITSSs (-5.2% to €13.9 billion), and money UCITSSs in particular were heavily impacted by short-term rates, which were in negative territory since the second half of 2014. Conversely, home savings showed strong growth (+8.2% to €29.6 billion), driven by the success of the Home Savings Plan (PEL) whose return rate remains high at 2% despite a reduction applied in early 2015. Outstanding sight deposits of individual customers increased by 4.2% to €47.8 billion.

Life-insurance savings increased 2.4% to €123 billion. The proportion of revenues generated by unit-linked policies rose to 15.6%, an increase of 5 percentage points compared to the first half of 2014.

At the same time, there was also an increase in customer equipment. There were more than 8 million bankcards in circulation, a year-on-year increase of 4.2%, and the equipment rate of sight deposits in bundled offers increased by almost 2 points to 56%. Home loans benefit in 2015 from historically low interest rates, which has enabled a moderate recovery in financing and property transactions, and led to a surge in redemptions and renegotiations. New mortgage loans issued by La Banque Postale therefore rose sharply (+43.6%) with nearly €5.6 billion of loans made available during the period, including a significant proportion of external redemptions. Consumer credit, managed by La Banque Postale Financement, saw great success with production of more than €1.1 billion euros, a 12.6% increase on 2014.

Outstanding loans rose by 4.2% to €59.3 billion euros, including €4.3 billion of outstanding consumer credit, up more than 16% over the period.

## Local public sector, corporate and professional customers business results

In the first half 2015, La Banque Postale reaffirmed its growing role in the financing and provision of equipment for businesses and the local public sector.

Outstanding sight deposits of businesses rose sharply (+26% compared to end-June 2014), reaching €5 billion at 30 June 2015. In 2015, La Banque Postale supports businesses in their financing needs, particularly in property leasing and credit line services. Over €2.8 billion have been made available in the first half, against €1.3 billion in the same period in 2014.

La Banque Postale consolidates its position in the financing of the local public sector with over €2.7 billion in funds made available in the first half, an increase of nearly 61% compared to the first half of 2014.

Outstanding loans to corporates reached €8.1 billion, an increase of over 66% compared to the previous period. A total of €2.5 billion was transferred through CAFFIL over one year as part of the refinancing of credit to local governments and public health institutions.

In total, Retail banking NBI increased by 2.5%, standing at €2,746 million. Excluding allocation to the home savings provision<sup>8</sup> it rose 3.6% on a like-for-like basis<sup>8</sup>.

Retail banking operating expenses rose by 1.8% to €2,292 million. On a like-for-like basis<sup>12</sup> these increased by 1.4%, reflecting the gradual implementation of the bank's major transformation programmes, which focus on the optimisation of operational efficiency and business development. Staff costs rose by 12.6% to €191.6 million, mainly as a result of recruitment in relation to the development of the bank's activities with businesses and the strengthening of risk functions.

The cost of risk of retail banking stood at €73 million, a 9.3% increase on June 2014. The cost of risk at 30 June 2015 includes an additional provision for the strengthening of risk coverage of mortgage loans (€10 million) and consumer credit (€5.9 million). The cost of credit risk ratio was stable at 19 basis points.

The retail banking business line posted an operating profit of €381 million, up 6.0%. On a like-for-like basis and restated to account for non-recurring items<sup>9</sup> this increased by 15%.

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<sup>8</sup> Change in scope: Sofiap

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## **Asset Management: asset management subsidiaries recorded strong growth in results.**

NBI reached €90 million at 30 June 2015, an increase of 19.5% on June 2014. The increase in operating expenses (+2.6% to €38 million) is moderate in relation to the growth in activity. In total, the gross operating income of asset management subsidiaries increased by 35.7% to €52 million.

Assets under management by the business line's subsidiaries increased by 2.3% to €158.7 billion.

Total assets of La Banque Postale Asset Management reached €149.3 billion euros at 30 June 2015, an increase of 1.4% compared to end-June 2014. A favourable market effect has offset the effects of outflows from money market funds in the first half 2015. NBI increased by almost 18% to €49.9 million. La Banque Postale Gestion Privée recorded good business results. Gross inflows, driven by growth in the range of life insurance mandates, amounted to €490 million, 20% lower than the first half of 2014 which benefited from commercial momentum that was strengthened by the launch of the Kashmir and Satinium products. Assets increased by 25% to €3.1 billion.

Tocqueville Finance NBI was up 5.9% to €9 million, benefitting from good market performance and management.

## **Insurance: the operating profit of insurance subsidiaries increased, due to the growth of non-life and health insurance activities.**

NBI is almost stable at €92 million (-0.6%), taking into account the reclassification of outstandings to fall under the casualty and health business lines, previously classified as cost of risk. Excluding this effect, NBI recorded a significant increase (+4.7%). Management costs of insurance subsidiaries were stable at €47 million. The insurance business line's EBITDA therefore amounted to €45 million, up 10.5% from 30 June 2014.

The new business volume of La Banque Postale Assurance IARD is up significantly (+13%, or 293,100 new contracts). The period-end portfolio represents nearly 1,270 million contracts, up 25% compared to 30 June 2014.

The health insurance portfolio reached 93,000 contracts, up 32% compared to 30 June 2014, and the individual insurance portfolio of La Banque Postale Prévoyance rose 0.6% to 2,766 million contracts.

## Financial structure

La Banque Postale has a sound financial structure:

- Its Common Equity Tier 1 Ratio<sup>10</sup> stood at 13.1%, a 0.4 point vs December 2014.
- La Banque Postale's total capital ratio stood at 17.2%, up 4.1 points on 31 December 2014.
- With application of the Delegated Act published in October 2014 by the European Commission, La Banque Postale's estimated leverage ratio<sup>11</sup> was 5.4%, down 0.1 point on 31 December 2014.

La Banque Postale posted a comfortable liquidity position, reflected by:

- A loan-to-deposit ratio of 74%<sup>12</sup>, up 8 points from end June 2014 due to the gradual balance sheet rebalancing linked to developments in lending.
- An LCR estimated at 176% at end-June 2015, down slightly on 31 December 2014 (-12 points), but still well above regulatory requirements.

As at 30 June 2015, La Banque Postale had good credit ratings, reflecting its financial soundness and thorough risk management:

	<b>Standard &amp; Poor's</b>	<b>Fitch</b>
Long-term ratings	A	A-
Outlook	Stable	Stable
Updated on	24 October 2014	21 May 2015
Short-term ratings	A-1	F1

In 2015, Fitch downgraded the long-term rating of La Banque Postale from A to A-. This action was presented in a review by the agency of the evaluation of State support, following the publication of the BRRD Directive and Single Resolution Mechanism. The intrinsic rating of La Banque Postale has been raised from "bbb+" to "a-".

## Outlook

Discussions on the renewal of the partnership between CNP and La Banque Postale continue in a constructive atmosphere, with a view to the conclusion of the Agreement at the start of 2016.

Moreover, in Autumn 2014, La Banque Postale reaffirmed its commitment to the energy transition and was named the No.1 World Bank for CSR by non-financial rating agency Oekom. It complements La Poste's range of products and services through its financing capabilities.

For its customers who are legal entities and involved in the local public sector, La Banque Postale has already implemented green financing, such as a bridging loan to facilitate advances on grants, while long-term loans are used to finance the renovation of public buildings. La Banque Postale, which has taken part in three European Investment Bank

<sup>10</sup>CRR/CRD 4 with phase-in provisions. The fully loaded ratio stood at 13.9%, down 0.1 points on 31 December, 2014

<sup>11</sup>Leverage ratio estimated with application of the Delegated Act of 10 October 2014 regarding savings centralized at CDC, subject to ECB authorization, with application of phase-in provisions for the calculation of Tier 1 equity capital

<sup>12</sup>The Group's loan-to-deposits ratio is determined as the ratio between loans and deposits, excluding outstanding savings centralized at the CDC.

programmes, will finance a fourth programme focusing on energy efficiency. For business customers, la Banque Postale maintains its solution for the lease financing of green car fleets and is also involved in specialised renewable energy projects (photovoltaic, wind, etc.) through the funding of a number of companies.

For individual customers, La Banque Postale offers a wide range of financing solutions for the energy renovation of environmentally adapted buildings in order to cover their basic needs. This range will be expanded in the coming weeks. In Autumn 2015, La Banque Postale, which already markets the new Eco PTZ, will launch a competitive offer of green personal loans for the financing of energy renovation work. This new range will also meet new requirements for sustainable mobility by allowing the financing, at preferential interest rates, of electric or hybrid vehicles. Lastly, La Banque Postale is currently also working towards the development of an energy microcredit solution, in response to the specific needs of lower income households.

#### **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.