



## **LA BANQUE POSTALE RESULTS<sup>1</sup> AND BUSINESS ACTIVITY H1 2016**

### **Net Banking Income affected by the low interest rates' environment**

- Net Banking Income: **€2,974 million (+1.6%)**  
Excluding the home-savings provision, down **6.3%** on a like-for-like basis.
- Operating expenses<sup>2</sup>: **€2,388 million (+0.5%)**  
i.e a cost-income ratio of 80.7% (-0.8 points)
- Cost of risk: **€84 million (+14.5%)**  
Including a cost of credit risk related to outstandings at a low level of 19 basis points
- Pre-tax income: **€588 million (-0.2%)**
- Net Income - Group share: **€360 million (-2.6%)**

### **Financial strength confirmed**

- **Common Equity Tier 1** ratio of 13.4%<sup>3</sup>
- **Total capital** ratio of 19.4%
- Estimated **Leverage** ratio of 5.0%<sup>4</sup>
- Estimated **LCR** ratio of 224%, well above regulatory requirements

### **Business activity growing**

- Portfolio of insurance subsidiary policies up 6%
- Life insurance revenue up 15%
- Outstanding Livret A savings down 3.8%
- Outstanding Home savings up 6%
- Outstanding sight deposits up<sup>5</sup> 7.5%
- Outstanding home loans up 0.8%
- Outstanding consumer credit up 9.7%
- Outstanding loans to corporate customers up by 32.5%

<sup>1</sup> Unless otherwise stated, all changes are expressed relative to 30 June 2015.

<sup>2</sup> Operating expenses and depreciation, amortisation and impairment.

<sup>3</sup> Phased-in CRDIV-RRC ratio. The fully loaded ratio is 14.4%.

<sup>4</sup> Taking into account the Delegated Act published by the European Commission on 10 October 2014 concerning the treatment of centralised savings, subject to authorisation by the European Central Bank. Excluding the Delegated Act, the ratio is 3.4%.

<sup>5</sup> Individuals and corporate customers.

The Supervisory Board of La Banque Postale, which met under the chairmanship of Philippe Wahl on 27 July, took note of the presentation of the consolidated financial statements for the first half of 2016, approved by the Executive Board of La Banque Postale and presented by its Chairman Rémy Weber.

## Highlights of H1 2016

Ten years after it was created, La Banque Postale is operating in a context of historically low interest rates and volatile financial markets, notably at the end of the half, due to the British referendum. Despite this adverse environment, the Bank is continuing its development strategy, by diversifying its offer, at the service of all its customers.

It is enhancing its range of services and savings, insurance and credit products to **individual customers and high-net-worth customers**. With 18,000 new banking customers (+3%), the Bank has confirmed its pace of progress, taking the number of all its high-net-worth customers to over 595,000<sup>6</sup> and its total number of customers holding their main account with the bank to over 8.6 million<sup>7</sup>. The rate of equipment packages<sup>8</sup> rose 1.3 point to 57.9% while the card rate rose by 0.9 point to 69.4%.

In response to customer expectations, the Bank provides personalised investment solutions tailored to the low interest rate environment. Thus, La Banque Postale Asset Management created a new range of five flexible allocation funds with managed risk. This launch illustrates the benefits of the new partnership with Aegon Asset Management, meaning that henceforth La Banque Postale Asset Management is positioned as a global investor. Since the launch in mid-May, more than €310 million has been collected, reflecting customers' keen interest in these flexible products. The insurance subsidiaries continue the expansion of their ranges: La Banque Postale IARD launched a new Vehicle offer the impacts of which are expected in the second half while La Banque Postale Assurance Santé continues to roll out its ACDS (*Assurance Coups Durs Santé*, hard times health insurance) offer, along with its Oui Santé (Yes to Health) offer intended for the beneficiaries of ACS (*Aide à la Complémentaire Santé* supplementary health insurance assistance).

In line with its development strategy in the **professional customer** segment, La Banque Postale launched its "Dual Relationship" offer for customers who wish to combine their professional and personal accounts. This solution simplifies their relationship with the Bank and promotes sharing across sales forces. Moreover, the deployment of account managers for professional customers continues, with 170 advisors already on the ground at the end of June, and a target of 1,000 by the end of 2020.

As regards the development of its offer to **corporate customers and local public sector authorities**, La Banque Postale signed new agreements with the EIB (European Investment Bank) Group: an InnovFin guarantee agreement aims to support lending to SMEs and small and innovative intermediate-size companies, and three new refinancing packages totalling €250 million support specific large-scale programmes for SMEs, energy optimisation or hospitals.

The Bank is also strengthening its partnerships, which contribute both to its development and to the sharing of its costs. To this end, it renewed its distribution agreements with CNP Assurances and

---

<sup>6</sup> Estimated data at end June.

<sup>7</sup> Estimated data at end June.

<sup>8</sup> Estimated data at end June.

completed its Non-Life Insurance division with the buyback from CNP of its stake in La Banque Postale Prévoyance. With Société Générale it signed a memorandum of agreement to extend the business of their joint venture Transactis to cover the processing of European and international transfers and direct debits, in partnership with Sopra Banking Software. In addition, it continued its discussions with Natixis aimed at creating closer ties between their real estate asset managers Ciloger and AEW Europe, with a view to creating a European leader in the management of real estate assets in Europe. These discussions resulted in an agreement signed on 21 July.

At the same time, the Bank is improving its **operational efficiency** through the reorganisation of its network, which is now complete, with the appointment on 1 January 2016 of 1,600 Sector Managers, and the roll-out of its major transformation programmes. After the introduction of Interview Preparation Assistance, the Cap Client 3.0 programme which focuses on workstation ergonomics and comfort, entered a new phase of construction of the future portal for banking advisors.

To further organise its business activities and strengthen its links with the La Poste Network, La Banque Postale **enhanced its governance** during the period by expanding its Executive Board to include four members: the Chairman, the Chief Executive Officer of commercial banking and insurance, the General Secretary and the Chief Executive Officer of the La Poste Network in respect of the Network's banking priority.

Finally, deeply invested in its sustainable development approach, La Banque Postale was once again recognised by the extra-financial rating agency Oekom Research in early 2016 for its corporate social responsibility (CSR) performance. La Banque Postale is still ranked as the leading French bank and the second-best bank internationally in terms of its extra-financial performance.

## First half activity and results 2016

The results published by La Banque Postale hold up well overall, though they are impacted by the context of historically low interest rates.

Consolidated income statement (€ millions)	June 2016	June 2015	%
<i>Main items in the income statement</i>			
Net banking income	2,974	2,929	1.6%
Operating expenses <sup>9</sup>	(2,388)	(2,376)	0.5%
Gross operating income	586	552	6.2%
Cost of risk	(84)	(73)	14.5%
Operating income	502	479	4.9%
Equity associate CNP	87	111	-21.9%
Pre-tax income	588	589	-0.2%
Taxes and minority interests	(228)	(219)	+4%
<b>Net income, Group share</b>	<b>360</b>	<b>370</b>	<b>-2.6%</b>
Cost to income ratio	80.7%	81.5%	-0.8 point

Consolidated Net Banking Income (NBI) was €2,974 million, i.e. a 1.6% increase over 30 June 2015. Excluding the home savings provision and on a like-for-like basis<sup>10</sup>, it was down by 6.3%. It includes, in consideration of the transfer of Visa Europe stocks, a capital gain of €107 million.

The Group's operating expenses<sup>11</sup> stood at €2,388 million, a restrained increase of 0.5%. On a like-for-like basis<sup>12</sup>, they are stable (-0.1%), reflecting the continuous focus placed by the Bank on its operating expenses in a context of investments and development of its subsidiaries.

The cost-income ratio was down by 0.8 point to 80.7%.

The cost of risk was €84 million, up 14.5%. This increase primarily reflected methodology effects. Compared to outstandings, the cost of credit risk remained low at 19 basis points<sup>13</sup>.

The operating profit was €502 million, up 4.9%.

The share of profits of equity associates fell by 21.9% to stand at €87 million. The capital gain realised by CNP on the sale of La Banque Postale Prévoyance is eliminated in the consolidated financial statements of La Banque Postale.

Pre-tax income remained stable at €588 million (-0.2%).

Net income, Group share amounted to €360 million, a fall of 2.6%. The larger weight of non-controlling interests, linked to the development of partnerships, is behind the variation relating to pre-tax income.

## Retail Banking and Private Banking<sup>14</sup>

<sup>9</sup> Operating expenses + depreciation, amortisation and impairment.

<sup>10</sup> Ciloger and Fédérés Gestion d'Actifs in the amount of €22 million.

<sup>11</sup> Operating expenses + depreciation, amortisation and impairment.

<sup>12</sup> Ciloger and Fédérés Gestion d'Actifs in the amount of €14 million.

<sup>13</sup> Cost of commercial banking credit risk.

<sup>14</sup> Changes in outstandings are expressed relative to 30 June 2015.

(€ millions)	H1 2016	H1 2015 <sup>15</sup>	%
Net banking income	2,797	2,773	0.9%
Operating expenses	(2,292)	(2,296)	-0.2%
Gross operating income	506	476	6.1%
Cost of risk	(84)	(73)	14.6%
Operating profit/(loss)	421	403	4.6%

### *Commercial results of retail banking customers*

The ongoing context of low interest rates affected standard savings investments (also known as liquid investments), which fell by €2.7 billion reducing their outstandings to €80.4 billion. This fall was focused on the Livret A, which alone saw its own outstandings fall by €2.3 billion.

Conversely, outstanding home savings, whose remuneration remain attractive, continued to grow well (+€1.8 billion to €31.4 billion), despite the fall in the remuneration of Home Savings Plans issued from 1 February 2016 at 1.5%.

Outstanding sight deposits for individual customers also increased to stand at €50.9 billion (+€3.1 billion).

Outstanding savings on the balance sheet<sup>16</sup> increased by €2.8 billion to stand at €169.5 billion (+1.7%).

Life insurance outstandings increased by 1.3% to €123.8 billion. UCITS outstandings were subject to the double impact of low interest rates and a downturn of equity markets, thus falling by €2.4 billion, or -17.2% to stand at €11.5 billion.

Overall, outstanding savings reached €304.9 billion, up €2.0 billion (+0.7%).

After 2015 which was marked by high volumes of external takeovers and the renegotiation of home loans, production for the first half 2016 normalised at €4.2 billion, a fall of 24.9% compared to 30 June 2015, with early repayments and renegotiations down by 40% and 74% respectively over the period. Consumer credit continued to grow, with production of €1.2 billion, up 1.9% compared to 30 June 2015.

Outstanding loans to individuals rose by 1.4% to €60.1 billion, including €4.7 billion of outstandings in consumer credit, up 9.7% over the period, while outstandings in home loans were up 0.8% at €54.6 billion.

### *Commercial activity of the private bank*

The private bank continued to see growth in all its activities. Business is supported by the savings dynamic where outstandings increased by 8% to stand at €2.5 billion thanks to life insurance. Home loan production remained broadly identical to last year, with outstandings reaching just over €2.5 billion, an increase of +1%.

<sup>15</sup> Proforma of the switch of La Banque Postale Gestion Privée business to the Retail Banking unit following the merger with BPE.

<sup>16</sup> Individuals and corporate customers.

Discretionary Asset Management saw stable net inflows for the period of €366 million, focused on life insurance. Assets under management increased by over 10% to stand at €3.3 billion (including euro fund outstandings).

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

La Banque Postale is continuing to develop its activities in respect of corporate customers. At the end of the half year, loan production for corporates stood at €5.3 billion. Issuance of loans is divided between €2.0 billion granted to companies and €3.2 billion granted to the Local Public Sector<sup>17</sup>.

Outstanding loans to corporates reached €10.8 billion overall, an increase of 32.5%. Outstandings granted to CAFFIL stood at €3.5 billion over the period.

Outstanding sight deposits rose sharply (+16.9%), reaching €5.8 billion.

### *Financial results*

#### Net Banking Income

Net Banking Income for Retail Banking was up 0.9% to stand at €2,797 million. Excluding the effect of the home savings provision, it fell by 6.6%. It incorporates the capital gain from the sale of Visa securities for €107 million.

Commissions and other income totalled €1,112 million, up €33 million. This increase is primarily due to an increase in insurance commissions relating to an increase in revenue of +15% and the application of a new distribution agreement with CNP, along with a rise in commissions relating to customer equipment. Commissions on securities, discretionary asset management and UCITS, and early repayment commissions fell under the influence of the markets and lower levels of redemptions.

Interest and similar income amounted to €1,686 million, down €8 million. Excluding the home savings provision effect, they fell by €220 million. They were impacted by lower income on centralised savings deposits, by the fall in income on loans (due to early repayment and prior renegotiations) and by a fall in income from financial assets.

#### Operating expenses

Retail Banking's operating expenses were stable at €2,292 million (-0.2%). Subsidiaries' operating expenses rose 5.1%, in line with their development while expenditure by LBP SA fell by 0.4%, showcasing the cost control efforts made by the Group.

#### Cost of risk

The cost of risk for Retail Banking activities stood at €84 million, up by +4.6%. This increase was specifically the result of a methodological change in the scope of home loans. Compared to outstandings, the cost of credit risk remained low at 19 basis points<sup>18</sup>.

#### Operating income

The Retail Banking business line posted an operating profit of €421 million, up 4.6%.

---

<sup>17</sup> Local authorities, mixed economy partners, social housing associations, public health institutions.

<sup>18</sup> Cost of commercial banking credit risk.

## Asset Management<sup>19</sup>

(€ millions)	H1 2016	H1 2015 <sup>20</sup>	%
Net banking income	80	64	25.8%
Operating expenses	(46)	(33)	38.7%
Gross operating income	34	31	11.8%
Operating income	34	31	12.3%

At 30 June, the assets under management consisted of those of La Banque Postale Asset Management (including La Banque Postale Structured Asset Management and Fédérés Gestion d'Actifs) for €177.6 billion, those of Ciloger<sup>21</sup> for €4.8 billion and those of Tocqueville Finance for €1.3 billion. They rose by more than 18% over the period and by 1.2% on a like-for-like basis.

Assets of La Banque Postale Asset Management increased by 19%, and by 1.2% on a like-for-like basis. This change includes net outflows focused on institutional customers and short-maturity assets, offset by a positive market effect overall. The new flexible allocation range, comprising five funds, launched in mid-May 2016, got off to a dynamic start with €170 million under management<sup>22</sup> by the end of the half year.

Assets in Tocqueville Finance (excluding LBPAM management delegation) stood at €1.3 billion and were stable over the period, due to positive net inflows, offset by a negative market effect.

Net Banking Income for the Asset Management division stood at €80 million at 30 June 2016, an increase of 25.8%. On a like-for-like basis<sup>23</sup>, Net Banking Income fell by 9.3%, impacted by a market environment that affected both outstandings and their associated management and transaction fees.

Operating expenses were up 38.7% to stand at €46 million. On a like-for-like basis<sup>24</sup>, they were down 2.3%.

All in all, operating income of the asset management subsidiaries rose by 12.3% to €34 million.

<sup>19</sup> Changes in outstandings are expressed relative to 30 June 2015.

<sup>20</sup> Pro forma of the switch of La Banque Postale Gestion Privée business to the Retail Banking unit following the merger with BPE.

<sup>21</sup> Net financial assets.

<sup>22</sup> €170 million of assets under management for €310 million collected.

<sup>23</sup> Ciloger and Fédérés Gestion d'Actifs in the amount of €22 million.

<sup>24</sup> Ciloger and Fédérés Gestion d'Actifs in the amount of €14 million.

## Insurance<sup>25</sup>

(€ millions)	H1 2016	H1 2015	%
Net banking income	97	92	4.9%
Operating expenses	-50	-47	7.1%
Gross operating income	47	45	2.7%
Operating income	47	45	2.7%

The overall portfolio of policies numbered almost 4,375,000, an increase of 6%.

The health insurance policy portfolio grew by 52% to stand at over 141,000 policies, thanks to the success of ACDS (*Assurance Coups Durs Santé*, or hard times health insurance) and "Oui Santé" ("Yes to Health" - *Aide à la Complémentaire Santé*, or supplementary health insurance assistance) products, which alone accounted for over 41,000 new policies.

The IARD insurance portfolio grew by 16% to more than 1,470,000 policies. New business, buoyed in 2015 by the success of the marketing campaign for the new Comprehensive Home Insurance offer, fell 5%. It was also affected by the wait-and-see policy linked with changes in the Vehicle offer.

The personal contingency insurance portfolio of La Banque Postale Prévoyance remained almost unchanged at around 2,763,000 while the production of new business fell by 3%, impacted specifically by the end of the marketing of the single premium funeral policy in September 2015, due to regulatory changes.

Net Banking Income for the Insurance division rose by 4.9% to €97 million.

Insurance subsidiaries' operating expenses were up 7.1% to €50 million.

All in all, the operating income of the insurance subsidiaries was €47 million, up 2.7%.

<sup>25</sup> Excluding CNP Assurances's contribution by the equity method. Changes in contract portfolios are expressed relative to 30 June 2015.



## Balance Sheet and Financial Structure

The consolidated balance sheet at 30 June 2016 stood at €226 billion, versus €219 billion at 31 December 2015, an increase of €7 billion.

La Banque Postale has a sound financial structure: prudential equity increased by nearly €500 million to €10.6 billion, including the issuance of €500 million of Tier 2 subordinated debt with a maturity of 12 years in June.

- La Banque Postale's Common Equity Tier 1<sup>26</sup> ratio amounted to 13.4%, up 0.2 points compared with December 2015.
- The total capital ratio of La Banque Postale meanwhile stood at 19.4%, up 0.7 points compared to December 2015.
- When the Delegated Act published in October 2014 by the European Commission is applied, and subject to the authorisation of the European Central Bank, La Banque Postale's estimated leverage ratio is 5.0%. The estimated leverage ratio excluding the Delegated Act stands at 3.4% (down 0.1 point).

La Banque Postale showed a comfortable liquidity position, as shown by:

- a loans-to-deposits ratio of 74%<sup>27</sup>, which is near-stable compared to December 2015;
- an estimated LCR of 224%, up compared with December 2015 (+6 points), but still much higher than the regulatory requirements.

As at 30 June 2016, 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
Short-term rating	A-1	F1
Date updated	3 December 2015	4 May 2016

In May 2016 following its annual rating review, Fitch confirmed the ratings of La Banque Postale.

## Outlook

After the initial shock caused by the outcome of the UK referendum on membership of the European Union, this had a limited short-term impact on La Banque Postale, which is essentially a bank operating in the French market. However, though its direct exposure to the UK, via its financial portfolios, are limited compared to the size of its balance sheet, its asset management subsidiaries may be affected by the repercussions of financial market volatility on their assets under management. However, in the longer term, this new crisis, further highlighting the challenges posed by the sustainably low level of interest rates, may potentially affect the Bank's income, margins and the cost of risk.

In this environment, La Banque Postale will continue to support all its customers and to develop its strategy of progression, as well as diversifying its business.

<sup>26</sup> CRR/CRD 4 with transition measures. The fully loaded ratio is 14.4%.

<sup>27</sup> The loan to deposit ratio for the Group is defined as the ratio between loans and deposits, excluding savings funds centralised within the Caisse des dépôts et consignations (CDC).

In particular, it will intensify its business aimed at companies, while strengthening its status as a regional bank serving the local ecosystem. It will also continue to develop professional banking, with the deployment of 260 account managers for professional customers by the end of the year.

At the same time, it will continue to carry out the major transformation programmes devoted to overhauling its banking distribution model and information systems. With this objective in mind, the Cap Client 3.0 programme will continue to grow and be enriched to improve commercial efficiency, service quality and employees' quality of life at work.

Furthermore, digital innovation will remain a major priority for development, especially in terms of payment facilities. For example, the "my payments" electronic portfolio, proposed since May 2015, will soon benefit from the improvement of the "LBP Pay" service, with vocal biometric authentication for increased security of uses. La Banque Postale has also filed a request for accreditation with the ACPR (French Prudential Supervision and Resolution) to create an electronic money institution.

La Banque Postale's financial information for H1 is contained in this press release. It will be supplemented in the update to the Registration Document which will be published on the institutional website [www.labanquepostale.com](http://www.labanquepostale.com).

### **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.

### **Press contacts:**

#### **Print media**

David Lhote  
[david.lhote@laposte.fr](mailto:david.lhote@laposte.fr)

Florian Pontarollo  
[florian.pontarollo@laposte.fr](mailto:florian.pontarollo@laposte.fr)

#### **Audio-visual**

Jacques Gourier  
[jacques.gourier@laposte.fr](mailto:jacques.gourier@laposte.fr)

### **Investor contact:**

Frédérique Delavaud  
[frederique.delavaud@labanquepostale.fr](mailto:frederique.delavaud@labanquepostale.fr)