



LA BANQUE POSTALE'S GROUP 2016 RESULTS¹ AND BUSINESS ACTIVITY
RESILIENT RESULTS, DRIVEN BY A SOLID COMMERCIAL MOMENTUM

A NBI affected by the low interest rates' environment

- Net banking income: **€5,602 million (-2.5%)**
Excluding the home-savings provision, down 6.3% on a like-for-like basis

A significant reduction in expenses

- Operating expenses²: **€4,587 million (-2.3%)**
i.e. a cost-income ratio of 82.4% (+0.3 point)

A cost of risk under control

- Cost of risk: **€181 million (+0.2%)**
Including a cost of credit risk related to outstandings lowered to a level of 22 basis points (-1 basis point)

Resilient results

- Profit before tax: **€1,023 million (-6.5%)**
- Net income, Group share: **€694 million (-1.8%)**

A solid financial structure

- **Common Equity Tier 1** ratio of 13.7%³
- **Total capital** ratio of 19.4%
- Estimated **leverage** ratio of 4.6%⁴
- Estimated **LCR** liquidity ratio of 260%

Accelerated diversification of business lines, generating sustained commercial momentum

- Portfolio of insurance subsidiary policies up 5.5%
- Production of consumer credits up 5.6%
- Production of corporate and local authority credits up 25.9%
- Outstanding sight deposits up 9%
- Outstanding life insurance up 1.1%
- Outstanding Livret A savings down 1%
- Inflow of €738 million from the new range of flexible allocation funds launched in 2016

Greater commitment to social and civic action

- The world's 4th bank and the 1st French bank in 2017 according to the extra-financial rating agency Oekom⁵
- The banking and fiscal guidance and advisory platform, L'Appui, helped more than 14,000 customers in a situation of financial fragility in 2016, and more than 30,000 since it was set up in 2013
- More than 1,700 micro-entrepreneurs have been referred to the ADIE since implementation of the partnership, with about 350 of these were able to realise their project of setting up their own business
- More than 2,200 small personal loans disbursed in 2016
- More than €2 billion in social home-ownership loans disbursed

¹ Unless otherwise stated, all changes are expressed relative to 31 December 2015.

² General operating expenses and net appropriations to depreciation and impairment of property, plant and equipment and intangible assets.

³ Phased-in CRDIV-CRR ratio. The fully loaded ratio is 14.3%.

⁴ With application of the transitional measures for taking into account savings centralised at the CDC, pursuant to the decision of the European Central Bank of 24 August 2016. Excluding outstanding savings centralised at the CDC in accordance with the Delegated Act of 10 October 2014, the ratio is 5.2%.

⁵ At 23rd February 2017

La Banque Postale Supervisory Board, meeting under the chairmanship of Philippe Wahl on 22 February, examined the audited consolidated financial statements for 2016, approved by the Executive Board of La Banque Postale and presented by its Chairman Rémy Weber.

2016 highlights

La Banque Postale, for ten years now, has successfully completed many steps in the consolidation and development of its historic business lines and the conquest of new clientele. In 2016, in a context of historically low interest rates and volatile financial markets, the Bank, with its strong financial structure, accelerated its development and the diversification of its activities, at the service of all its customers.

The Bank thus **consolidated its partnerships** throughout the year. To this end, it renewed its distribution agreements with CNP Assurances and completed its Non-Life Insurance Division with the buyback from CNP Assurances 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, and to pursue the pooling of its costs in connection with payment means. It finalised its discussions with Natixis leading to closer ties being forged between their real estate asset managers Ciloger and AEW Europe, and the creation of a leader in the management of real estate assets in Europe managing assets worth more than €24 billion⁶. Fédéris Gestion d'Actifs, the management company specialising in Socially Responsible Investment (SRI) bought from Malakoff Médéric in 2015, has been merged with La Banque Postale Asset Management.

The Bank also **stepped up its commercial actions across all its business lines**.

To meet its customers' expectations, La Banque Postale Asset Management created a new range of five risk managed flexible allocation funds. The successful launch of this range 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, 738 million euros have been collected, reflecting customers' strong interest in these flexible products with interest rates remaining low. New life insurance products were created for high net-worth customers (Vie Generation and Euro-croissance), and the SCPI offer was extended through the Ciloger/AEW partnership.

Insurance subsidiaries continued to extend their ranges: new enhanced Vehicle offer, deployment of the ACDS (Assurance Coups Durs Santé) and "Oui Santé" offers for the beneficiaries of supplementary health insurance aid, the latter two resulting in the signature of 78,000 new policies in the year.

The credit option card, which allows access to a revolving credit line, the terms of which are in line with the values put forth by the Group, was launched successfully.

La Banque postale thus continued attracting new individual customers, high-net-worth in particular, bringing all the Bank's high-net-worth customers to more than 605,000 and its total number of main bank account holders to over 8.6 million

In line with its development strategy in the small business segment, La Banque Postale launched its "Dual Relationship" offer for customers, who amalgamate their professional and personal accounts. This solution simplifies their relationship with the Bank and promotes sharing across sales forces. In addition, the deployment of small business account managers has intensified, with almost 220 employees in place at end December 2016.

In accompanying elected officials in a comprehensive approach, La Banque Postale is now a reference bank for the local public sector. In 2016, it implemented more than €9 billion in funding to the customers of this segment, and strengthened its position as leading lender to local authorities and public hospitals with a 29% market share in terms of medium-to-long-term loan production.

⁶ La Banque Postale now consolidating 40% of the new whole on an equity basis.

Finally, in the context of the development of its offers to corporate customers and players in the local public sector, La Banque Postale signed new agreements with the EIB (European Investment Bank) Group: three new refinancing packages for a total of €250 million will support specific programs for SMEs, energy optimisation, or hospitals.

During the year, the Bank's **financial strength** was confirmed through the stress testing exercise conducted by the European Banking Authority (EBA): the effects of the adverse scenario, bringing the phased-in CET1 ratio to a value of 9.7% by the end of year 2018, demonstrated the ability of the Bank to face up to an adverse environment while preserving its solvency position. Meanwhile, the results of the annual SREP exercise for 2016 conducted by the European Central Bank (ECB) resulted in CET1 requirements of 7.625% and Total Capital of 11.125%, applicable from 1 January to 31 December 2017, and well below the actual ratios posted by the Bank.

The Bank, ever committed to satisfying its customers, is improving its **operational efficiency**. To this end it relies on its major transformation programs that are delivering their first benefits: the Cap Client 3.0 program has entered a new phase at the service of business development and customer knowledge, while the Excello program aims to improve processes and tools for the benefit of service quality.

This improved efficiency at the service of the Group's development is accompanied by a **major employee training program** to which the Bank is particularly attached. The EBR (Ecole de la Banque et du Réseau, or the banking and network school) provided nearly 370,000 training days and trained more than 47,000 employees⁷ in new professions during the year, so that everyone can find a place within the Bank of tomorrow.

Active in the area of digital and in phase with its customers' new usages, in 2016 La Banque Postale overhauled its customer space on the labanquepostale.fr website and further developed its mobile application. The website of its investment services subsidiary, Easybourse, has been fully revamped and now runs a simplified, entirely online subscription process. The digitalisation process of consumer credit subscriptions has also been accelerated, notably via the La Banque Postale mobile application. The vocal biometric payment solution, Talk to Pay, was validated by the CNIL. Very active in community management on social media⁸, La Banque Postale also renewed its partnership with Kiss Kiss Bank Bank, a crowdfunding platform.

More than ever the bank for everyone, La Banque Postale reinforces its commitment to customers in a financially fragile situation. As part of its banking accessibility mission recognised by the Modernisation of the economy law (2008), La Banque Postale opens a Livret A account for any person who asks for it, and provides a wide range of complementary services. In addition, since the creation of L'Appui⁹ in 2013, more than 30,000 customers of La Banque Postale received full banking and fiscal support from the managers of this free platform, including 14,000 in 2016. By directing them to the appropriate partners and a network of solidarity offers, the role of these managers is to prevent financial fragility or prevent it from getting worse. In addition, and since the establishment of a partnership with ADIE, more than 1,700 micro-entrepreneurs have received assistance, including 350 who were able to realise their project of setting up a business activity. During the same period, more than 2,200 small personal loans have been disbursed, along with €2 billion in social home-ownership loans.

Aware of the importance of taking climate issues into account in its activity, La Banque Postale pursued its actions in terms of CSR policy. To reduce its direct environmental footprint, the Bank has also expanded its internal Carbon Fund mechanism allowing it to increase the number of CO2 emission reduction projects funded internally and across the land. La Banque Postale was once again rewarded by the OEKOM agency at the start of 2017 for its extra-financial performance, which translates in the world's 4th position and the 1st French bank among credit institutions examined.

⁷ Network, Financial Services and Bank Scope

⁸ 3rd banking community in number of followers and the highest share of voice in the sector on Facebook and Twitter in France (Brandwatch survey, July 2016)

⁹ The banking and fiscal guidance and advisory platform.

On the occasion of its 10th anniversary, and with the strength of the 10.7 million active customers it serves on a daily basis, La Banque Postale reaffirmed its identity and its difference by renewing its logo and its codes of communication. Close to its customers and focusing as always on their interests, it is the incarnation of a strong bank, deploying its civic energy on a daily basis at the service of each and every one, in respect of the women and men who work for it.

La Banque Postale Group's business activities and results

Consolidated income statement (in millions of euros)

Main lines in the income statement*	2016	2015	%
Net banking income	5,602	5,745	-2.5%
Operating expenses	(4,587)	(4,693)	-2.3%
Gross operating income	1,015	1,052	-3.5%
Cost of risk	(181)	(181)	0.2%
Operating income	834	871	-4.3%
Equity associate**	191	207	-7.6%
Pre-tax income	1,023	1,094	-6.5%
Tax	(288)	(350)	-17.6%
Net income	734	744	-1.3%
Net income, Group share	694	707	-1.8%
Cost to income ratio	82.4%	82.1%	+0.3 pt

* Published figures.

* Entity CNP Assurances + entity AEW EUROPE since 2016.

Consolidated net banking income (NBI) was €5,602 million, i.e. a 2.5% decrease on 31 December 2015. Excluding the home savings provision¹⁰ effect and on a like-for-like basis¹¹, it was down by 6.3%. It includes a capital gain of €107 million linked to the transfer of Visa Europe securities.

The Group's operating expenses¹² stood at €4,587 million, a decrease of 2.3%. On a like-for-like basis¹³, they were down 2.5%. They reflect the constant attention paid by the Bank to its operating expenses, particularly through the service agreements with the La Poste network, in a context of investment and development of the activities of its subsidiaries.

The cost-income ratio was up by 0.3 point to 82.4%.

The cost of risk remained controlled and was €181 million (+0.2%). It includes additional provisions, including on home loans, while the cost of risk on current accounts declined strongly. Compared with the commercial banking outstandings, the cost of risk remained at a very low level at 22 basis points (i.e. -1 basis point).

Operating profit was €834 million, down 4.3%. This includes the non-recurring items mentioned previously.

The share of profits of equity associates, now including AEW Europe, fell by 7.6% to stand at €191 million. This decline is due to the accounting restatement of the capital gain realised by CNP Assurances on the sale in June of its stake in La Banque Postale Prévoyance.

Pre-tax income reached €1,023 million, down 6.5%.

Net income was down by 1.3% at €734 million. Net income, Group share, was down 1.8% at €694 million, due to the higher weight of the minority shareholders and the negative accounting effect of the transaction involving La Banque Postale Prévoyance.

¹⁰ Reversal of provision of €141.7 million in 2016 against a provision allowance of €63.5 million in 2015.

¹¹ Ciloger and Fédérés Gestion d'Actifs in the amount of €20 million.

¹² General operating expenses + depreciation, amortisation and impairment.

¹³ Ciloger and Fédérés Gestion d'Actifs in the amount of €13 million.

Retail Banking and Private Banking¹⁴

in millions of euros	2016	2015 ¹⁵	%
Net banking income	5,242	5,415	-3.2%
Operating expenses	(4,389)	(4,519)	-2.9%
Gross operating income	853	895	-4.7%
Cost of risk	(181)	(181)	+0.2%
Operating income	672	715	-6%

Commercial results of Retail Banking: Service take-up¹⁶

The Bank relies on a base of 10.7 million active individual customers, including 8.6 million customers holding their main account with the bank, more than 605,000 high net-worth customers and nearly 400,000 legal entities. Almost 830,000 new account packages (combining cards and services with current account opening) were recorded during the year, the total number reaching 6.7 million¹⁷ and the service take-up rate 58.3%¹⁸. The total number of payment cards continued to rise and reached 8.1 million (+1%), while the service take-up rate in CCP cards rose to 70.6%.

Commercial results of Retail Banking: Savings

Regarding outstanding savings on the balance sheet, sight deposits continued to rise and reached €58.9 billion (+€4.9 billion or +9%). Of these, the sight deposits of individual customers represented €52 billion, improving by €3.1 billion (or +6.4%), while the sight deposits of legal entities rose strongly (+33.9%) to €6.8 billion and reflect the development of the Bank on this customer segment.

Persisting low interest rates impacted investments of ordinary or so-called liquid savings: their outstanding position fell to €80.5 billion (-€0.6 billion or -0.8%). This decline was centred on the Livret A, due to a less attractive rate of return. Home savings deposits on the other hand continued to grow and stood at €31.9 billion (+€1.4 billion, or 4.5%), despite the decrease in the return of the home loan savings plans taken out on or after 1 August 2016 to 1%.

All in all, outstanding savings on the balance sheet¹⁹ increased by €4.9 billion to stand at €171.9 billion (+2.9%).

Regarding financial savings, life insurance outstandings rose 1.1% to €125.9 billion, despite the decline of 3.3% of gross inflows. UCITS outstandings were hit by the impact of low interest rates, thus falling by €1.5 billion, or -11.1% to stand at €11.9 billion.

Overall, deposits in retail banking customer savings (balance sheet savings and non-consolidated financial savings) stood at €309.7 billion, an increase of €4.7 billion (+1.6%).

Commercial results of Retail Banking: Lending

La Banque Postale continued to help its customers finance their projects throughout the year. The production of home loans in 2016 reached €11.2 billion, a 12.8% decline, following a historically high year in 2015. This includes home loan production of the subsidiaries BPE and SOFIAP for €950 million. Prepayments and renegotiations remained high but were down by 37% and 44% over the period respectively. Meanwhile, consumer credit continued to grow, with production of €2.4 billion, an increase of 5.6% with the share of revolving credit of €156 million, rising by almost 18%.

All in all, outstanding loans to individuals rose by 3.5% to €61.5 billion, including €4.9 billion of

¹⁴ Changes in outstandings are expressed relative to 31 December 2015.

¹⁵ La Banque Postale Gestion Privée's activities were transferred from the Asset Management business line to Retail Banking and Private Banking.

¹⁶ LBP SA scope.

¹⁷ Stock of package offers for all clients, data estimated end of 2016.

¹⁸ Service take-up rate for all clients, data estimated end of 2016.

¹⁹ Individuals and legal entities.

outstandings in consumer credit, up 8.4% over the period, while outstandings in home loans were up 3.2% at €55.9 billion.

La Banque Postale in parallel continued the **development of its activities at the service of legal entities**, with a very dynamic loan production of €15.3 billion, an increase of 25.9% over the period²⁰. Issuance of loans is divided between €7.4 billion in short-term loans and €7.9 billion in medium-to-long-term loans. Outstanding loans to corporates and the Local Public Sector came to €14.4 billion, an increase of 48.2% after the transfer to CAFFIL, as part of the loan refinancing agreements for local communities and public health institutions, amounting to nearly €3 billion over the period.

Overall, outstanding loans rose 9.8% (+€6.8 billion) to €75.9 billion, illustrating the role played by the Bank in financing the real economy.

Financial results of Retail Banking

Net banking income

Net Banking Income for Retail Banking was down 3.2% (-€173 million) to stand at €5,242 million. Excluding the effect of the home savings provision, it was down by 6.9% (-€378 million). It incorporates the capital gain from the transfer of Visa securities for €107 million.

Revenues from commissions rose by €41 million (+1.9%) to €2,258 million. This increase is explained by an increase in insurance commissions in connection with the development of the business, and is partially concealed by the decline in commissions on securities, discretionary asset management and UCITS under the effect of less favourable markets; prepayment commissions dropped due to fewer repurchases of home loans than in the year 2015.

Interest and similar income amounted to €3,051 million, down €182 million (-5.6%). Excluding the home savings provision effect, it fell by €387 million. This item was impacted by lower income on centralised outstanding savings related to the decline in the rate of return and the amount of centralised outstandings (one impact being that of decentralisation of half of the outstandings of Savings Accounts (LEP) on 1 July 2016), but also by the decline in revenue from loans in the low interest rate context (notably, the full effect in 2016 of the year 2015 renegotiations) and the decline in income from the assets of financial portfolios, mitigated by the capital gains made on the Visa securities sales.

Other income fell by €32 million to -€67 million.

Operating expenses

Retail Banking operating expenses dropped by 2.9% to €4,389 million. Charges of Banque Postale S.A. are the main component of all operating expenses and they declined by more than 3% while the operating expenses of Retail Banking subsidiaries rose more than 6%, in support of their development.

Cost of risk

The cost of risk for the Retail Banking business line stood at €181 million, almost stable (+0.2%). Reported to loans outstanding, it stood at 22 basis points²¹ (-1 bp).

Operating income

The Retail Banking business line posted an operating profit of €672 million, down 6%.

²⁰ Included business factoring purchases

²¹ Cost of commercial banking credit risk.

Asset Management²²

Asset management (in millions of euros)	2016	2015²³	%
Net banking income	163	144	+12.7%
Operating expenses	(93)	(79)	+17.6%
Gross operating income	70	66	+6.7%
Cost of risk	0	(0.1)	NS
Operating income	70	65	+6.9%

At 31 December, assets under management (€180.6 billion) consisted of those of La Banque Postale Asset Management (including La Banque Postale Structured Asset Management and Fédérés Gestion d'Actifs) for €179.2 billion and those of Tocqueville Finance for €1.4 billion²⁴. On a like-for-like basis²⁵, they rose 1.3% over the period.

Outstandings of La Banque Postale Asset Management (including those of La Banque Postale Structured Asset Management and Fédérés Gestion d'Actifs) rose 1.2%. This performance was driven by a positive market effect offset by net withdrawals centred on institutional clients and funds and mandates invested in short-term assets. Inflows from individual customers were buoyed by the great success of the new range of the five flexible allocation funds with managed risk, launched mid-May 2016, which alone resulted in collecting €738 million.

Tocqueville Finance outstandings (excluding LBPAM management delegation) grew by almost 13% over the period, under the double influence of positive net inflows of €94 million and a generally favourable market.

Net Banking Income for the Asset Management Division stood at €163 million at 31 December 2016, an increase of 12.7%. On a like-for-like basis²⁶, NBI was down 0.9%, mainly reflecting the decline in commissions on mutual fund management linked to the decline of average outstandings negatively impacted by market trend, after a favourable 2015. At year end, market conditions improved however and halted this downward trend.

Operating expenses were up 17.6% to stand at €93 million. On a like-for-like basis²⁷, this represented an increase of 1.1%.

All in all, operating income of the asset management subsidiaries rose by 6.9% to €70 million.

²² Changes in outstandings are expressed relative to 31 December 2015. Excluding AEW Europe contribution.

²³ La Banque Postale Gestion Privée's activities were transferred from the Asset Management business line to Retail Banking and Private Banking.

²⁴ Outstandings of private management included, excluding delegation of management of LBPAM for €339 million, compared with €277 million in 2015.

²⁵ Excluding Ciloger.

²⁶ Ciloger and Fédérés Gestion d'Actifs in the amount of €20 million.

²⁷ Ciloger and Fédérés Gestion d'Actifs in the amount of €13 million.

Insurance (in millions of euros)	2016	2015	%
Net banking income	198	186	+6.3%
Operating expenses	(106)	(95)	+11.6%
Gross operating income	92	91	+0.8%
Cost of risk	(0)	(0)	NS
Operating income	92	91	+0.8%

The overall portfolio of policies numbered almost 4,452,000, an increase of 5.5%.

The health insurance policy portfolio grew by nearly 50% to stand at over 163,000 policies, thanks to the success of ACDS (Assurance Coups Durs Santé, or hard times health insurance) and "Oui Santé" supplementary health insurance assistance) products, which alone accounted for over 78,000 new policies. The revenue of the subsidiary trended favourably, essentially due to a volume effect.

The IARD insurance policy portfolio grew by nearly 14% to more than 1.5 million policies. Growth of the subsidiary's revenue was particularly supported over the year by the Legal Protection and Pocket product ("Produits de poche") offers and was supported both by volume effect and by an average premium effect.

The personal contingency insurance portfolio of La Banque Postale Prévoyance remained almost unchanged at around 2,750,000 (-0.3%) policies, while the production of new business fell, impacted specifically by the end of the marketing of the single premium funeral policy in September 2015, due to regulatory changes, and with the full effect being felt in 2016. The subsidiary's revenue, excluding the effect when sales of the single premium funeral policy ended, was up over the year.

Net banking income for the Insurance Division rose by 6.3% to €198 million.

Insurance subsidiaries' operating expenses were up 11.6% to €106 million.

All in all, the operating income of the insurance subsidiaries was €92 million, up 0.8%.

Balance Sheet and Financial Structure

The consolidated balance sheet at 31 December 2016 stood at €230 billion, versus €219 billion at 31 December 2015, an increase of €10.9 billion.

La Banque Postale has a sound financial structure: regulatory capital rose by €1.4 billion to more than €11.5 billion. The figure includes the issuance of Tier 2 subordinated debt during the year including the public offering of €500 million in June.

- La Banque Postale's Common Equity Tier 1 ratio²⁹ amounted to 13.7%, up 0.5 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.
- The Bank's estimated leverage ratio, considering the transitional measures relating to outstanding centralised savings at the CDC, in application of the European Central Bank decision of 24 August 2016, is 4.6%. Excluding outstanding savings centralised at the CDC in accordance with the Delegated Act of October 10, 2014, it is stable at 5.2%.

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

- a loans-to-deposits ratio of 74, %³⁰ which is near-stable compared to December 2015;

²⁸ Excluding CNP Assurances's contribution by the equity method. Changes in contract portfolios are expressed relative to 31 December 2015.

²⁹ CRR/CRDIV with transition measures. The fully loaded ratio is 14.3%.

- an estimated LCR of 260%, sharply higher compared to December 2015 (218%), notably under the effect of the decentralisation of part of the National Savings Account (LEP) outstandings. It is still significantly higher than the regulatory requirements.

At 31 December 2016, the Bank's credit ratings are:

	Standard & Poor's	Fitch
Long-term ratings	A	A-
Outlook	Stable	Stable
Short-term rating	A-1	F1
Date updated	26 October 2016	4 May 2016

Following the Supervisory Review and Evaluation process (SREP) conducted by the European Central Bank (ECB) in 2016, the level of phased-in CET1 equity required on a consolidated basis was set at 7.625% at 1 January 2017. This requirement includes an "Other systemic institution" buffer (O-SIB) of 0.125%, a capital conservation buffer (CCB) of 1.25% and a Pillar 2 Requirement (P2R) of 1.75%. The "Total capital" requirement stands at 11.125% for 2017. The fully loaded CET1 and Total Capital requirements, excluding the so-called "P2G³¹" requirement, would be 9% and 12.5% respectively, given the increase in the buffers (O-SIB and CCB).

Outlook

La Banque Postale, like all euro zone credit institutions, is facing a double shock:

- an economic context of historically low interest rates which is unfavourable to its business;
- a structural context connected to the digital revolution and its impact on customer behaviour, the consumption of banking services and the nature of the relationship between the customer and its Bank.

Faced with the interest rate risk, it will continue to adapt its model and will further accelerate its conquest and the diversification of its activities. This strategy will continue to be based on the development of all of its clients (individuals including high-net-worth, professionals, corporates, etc.) as well as the development of its three branches of activity (Retail Banking, Asset Management and Insurance). By strengthening its customers' take-up through its partnerships, it will be able to grow its revenues from commissions, which are less sensitive to the interest rate environment. It will continue its climb on the legal entity market, notably with new momentum given over to the specialised credit market, and will develop its high-net-worth sector in all of its Network, in synergy with its private bank, BPE.

La Banque Postale is also actively preparing for its future 100% digital Bank, which will be taken forward by a subsidiary, whose accreditation process has recently been engaged with the ACPR. Natively centred on the mobile usages of customers in general, this Bank will be open to all, simple, useful, close, transparent and responsible, in accordance with the values of the Group. The Bank aims to launch this offering in the autumn of 2018.

Digitalisation of the offer will also involve the implementation, for consumer credit, of a remotely accessible electronic signature, enabling the completion of an entirely paperless loan underwriting and simulation process

For the success of these projects, La Banque Postale will further step up its efforts with training programs to support and move forward its employees.

The EBR (Ecole de la Banque et du Réseau), created just over a year ago, will coordinate the training plan for the new set-up. At the same time, it will continue to train the professional customer managers,

³⁰ 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).

³¹ In accordance with the prudential regulation, failure to comply with the so-called P2G recommendation does not impact the ability of the institutions to distribute dividends and hybrid AT1 subordinated debt coupons.

with the goal of having trained 1,000 managers by 2020, and to train customer advisors for the high net-worth area.

The Bank will also continue to pay constant attention to its costs in a context of investment and development of the activities of its subsidiaries. It will be able to capitalise on the deployment of its major programs for better operational efficiency of the action of advisors, of that of its financial centres and information systems. The Cap Client 3.0, Concerto and Excello programs are key to this quest for efficiency, but also quality of service.

Proud of its banking accessibility mission, ever since it was created La Banque Postale has multiplied actions for banking inclusion, in partnership with registered public associations. In a complex economic and financial context, it wishes to continue these actions and in the first half of 2017 intends to announce new initiatives for its more vulnerable customers.

Dynamic and innovative, La Banque Postale will continue to reinvent itself while reaffirming its unique nature as a “Civic-minded Bank”.

2016 consolidated income statement

(€ '000s)	31.12.2016	31.12.2015
Interest and similar income	4,491,693	4,850,934
Interest and similar expenses	(1,663,822)	(1,726,031)
Commissions (income)	2,674,666	2,567,788
Commissions (expenses)	(285,651)	(275,239)
Net gains or losses on financial instruments at fair value through profit or loss	(12,253)	(73,771)
Net gains and losses on assets available for sale	208,069	135,482
Income from other activities	1,047,496	1,032,411
Expenses from other activities	(857,903)	(766,342)
Net banking income	5,602,295	5,745,232
General operating expense	(4,411,629)	(4,467,672)
Net depreciation, amortisation and impairment of tangible and intangible fixed assets	(175,821)	(225,505)
Gross operating income	1,014,845	1,052,054
Cost of risk	(181,214)	(180,938)
Operating income	833,631	871,116
Share of profits of equity associates	190,981	206,793
Net gains and losses on other assets	(1,936)	15,760
Changes in value of goodwill	0	0
Pre-tax income	1,022,676	1,093,670
Income tax	(288,391)	(349,988)
Net income	734,285	743,681
Non-controlling interests	40,460	36,870
NET INCOME, GROUP SHARE	693,825	706,811
Basic earnings per ordinary share (in euros)	19.72	20.09
Diluted earnings per ordinary share (in euros)	17.46	17.62
Dividend per ordinary share (in euros)	8.87	9.04

Net Income by business segment

Net income by business sector as at 31 December 2016 (excluding cost of equity per sector)

2016

(€ '000s)	Retail Banking	Insurance	Asset management	Total
Net banking income	5,241,792	197,952	162,551	5,602,295
General operating expense	(4,220,858)	(101,382)	(89,389)	(4,411,629)
Net depreciation, amortisation and impairment of tangible and intangible fixed assets	(167,850)	(4,755)	(3,216)	(175,821)
Gross operating income	853,084	91,815	69,946	1,014,845
Cost of risk	(181,214)	0	0	(181,214)
Operating income	671,870	91,815	69,946	833,631
Share of profit of equity associates	0	189,187	1,794	190,981
Gains and losses on other assets	(1,893)	(4)	(39)	(1,936)
Goodwill	0	0	0	0
Pre-tax income	669,977	280,998	71,701	1,022,676
Income tax	(229,301)	(34,751)	(24,339)	(288,391)
Consolidated net income	440,676	246,246	47,362	734,285
Non-controlling interests	21,886	7,777	10,797	40,460
NET INCOME, GROUP SHARE	418,790	238,469	36,565	693,825

Net income by business sector as at 31 December 2015 (excluding cost of equity per sector)

2015

(€ '000s)	Retail Banking	Insurance	Asset management	Total
Net banking income	5,414,728	186,221	144,283	5,745,232
General operating expense	(4,301,254)	(90,929)	(75,489)	(4,467,672)
Net depreciation, amortisation and impairment of tangible and intangible fixed assets	(218,052)	(4,201)	(3,252)	(225,505)
Gross operating income	895,422	91,090	65,542	1,052,054
Cost of risk	(180,829)	0	(109)	(180,938)
Operating income	714,593	91,090	65,433	871,116
Share of profit of equity associates	0	206,793	0	206,793
Gains and losses on other assets	15,782	0	(22)	15,760
Pre-tax income	730,375	297,884	65,411	1,093,670
Income tax	(285,742)	(42,600)	(21,646)	(349,988)
Consolidated net income	444,633	255,283	43,765	743,681
Non-controlling interests	17,048	13,778	6,044	36,870
NET INCOME, GROUP SHARE	427,585	241,505	37,722	706,811

2016 consolidated balance sheet

(€ '000s)	31.12.2016	31.12.2015
ASSETS		
Cash and central banks	2,732,044	1,811,631
Financial assets at fair value through profit and loss	12,329,901	11,035,274
Hedging derivatives	1,577,501	1,228,567
Available-for-sale financial assets	18,879,482	15,610,500
Loans and receivables – credit institutions	84,461,375	83,101,861
Loans and receivables – customers	78,783,991	73,628,314
Revaluation differences on interest rate risk hedged portfolios	137,559	178,258
Financial assets held to maturity	22,270,714	24,157,604
Current tax assets	339,671	229,206
Deferred tax assets	84,450	296,287
Accruals and other assets	3,412,488	3,163,141
Non-current assets held for sale	0	2,349
Deferred profit-sharing	0	0
Investments in associates	3,226,660	2,917,881
Investment property	0	0
Property, plant and equipment	661,900	657,030
Intangible assets	519,456	499,565
Goodwill	160,227	190,510
TOTAL	229,577,420	218,707,978
LIABILITIES		
Central banks	0	0
Financial liabilities at fair value through profit or loss	600,095	657,456
Hedging derivatives	914,107	326,058
Liabilities due to credit institutions	19,003,276	15,741,232
Liabilities to customers	175,994,407	171,771,151
Debt securities	10,483,528	9,054,583
Revaluation differences on interest rate risk hedged portfolios	1,050,505	704,319
Current tax liabilities	17,489	13,787
Deferred tax liabilities	123,126	127,620
Accruals and other liabilities	4,965,332	5,199,159
Underwriting provisions of insurance companies and shadow accounting	2,231,202	2,008,711
Provisions	590,190	770,523
Subordinated debt	3,780,398	3,189,017
Equity, Group share	9,744,578	8,905,790
Capital	4,046,408	4,046,408
Consolidated reserves and others	3,821,817	3,299,020
Gains and losses recognised directly in equity	1,182,528	853,551
Profit/(loss) for the period	693,825	706,811
Non-controlling interests	79,187	238,570
TOTAL	229,577,420	218,707,978

Alternative Performance Measures – Article 223-1 of the General Regulations of the AMF

APM	Definition/Calculation
NBI excluding home savings effect	NBI restated with provisions or write backs of provisions related to commitments related to home loan savings accounts and plans (PEL and CEL)
Operating expenses	Sum of general operating expenses and net appropriations to depreciation and impairment of property, plant and equipment and intangible assets
Cost of risk in basis points	Cost of commercial banking credit risk/average outstanding loans at beginning of period
Cost to income ratio	Ratio of operating expenses to NBI corrected for doubtful interest

La Banque Postale's financial information for the year 2016 is composed of this press release and the slides of the press conference. It will be supplemented by the Registration Document which will be published on the institutional website 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.

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