



BUSINESS REPORT 2009

LA BANQUE



POSTALE

La Banque Postale. More than just a bank.



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Singular in terms of its roadmap, La Banque Postale is also innately attentive to the needs of its customers. We therefore wanted to illustrate our annual report with photographs taken by our own staff to share their viewpoint on what being attentive really means. Attentive to others, of course, but also attentive to the world around them. We are delighted to be able to share with you this vision of daily life seen through the eyes of the Bank's own staff.

Cover images: Michel Blomme, Lille Financial Centre / Jean-Michel Melat-Couhet, Argelès-Gazost Post Office / Jean-Paul Rauzet, Gradignan Financial Services IT Department.
Contents page images: Flavien Boscher, Rennes Financial Centre / Cyril Blot, Orléans Financial Centre / Pascale Jolivel, Rennes Financial Centre.

LA BANQUE POSTALE IS A UNIQUE AND SINGULAR BANK...


Created on 1 January 2006, La Banque Postale is a bank “like other banks” in terms of its professionalism, efficiency and profitability, at the same time as being a bank “like no other”, driven by the post office values of local presence and delivering service to as many people as possible.

La Banque Postale serves its customers with an attitude of responsibility, openness and professionalism that is both its strength and its most distinguishing feature.

Now more than ever, it is motivated by the momentum created by the men and women of the Bank who work so successfully to serve their customers with kindness, energy and talent, regardless of whether they work in post offices, financial centres, subsidiary companies or head office departments... All understand and appreciate that earning the trust of customers is an everyday commitment.

As the bank for everyone, the Bank serves nearly 30 million customers in total, including 9.9 million active customers. Our customer base is large and feels able to put its trust in us...

... because La Banque Postale **puts customers first, and the Bank second.**

A photograph of two middle-aged men in dark blue pinstriped suits, white shirts, and ties (one purple, one orange) standing and talking. They are positioned in front of a light grey background. A large, semi-transparent grey box with a white quotation mark on the left and right sides is overlaid on the bottom half of the image, containing the text '2009 WAS THE BEST YEAR FOR LA BANQUE POSTALE.'

2009 WAS THE BEST YEAR FOR LA BANQUE POSTALE.

With the deregulation of Livret A account distribution, falling interest rates and the global economic crisis, 2009 looked as if it would be a difficult and uncertain year for La Banque Postale.

But by the balance sheet date, the action taken during the year and the daily commitment shown by everyone who works for, and on behalf of, the Bank to serve its customers, it was clear that 2009 was the best year for La Banque Postale.

Our 2009 results once again confirm the relevance of the Bank's market positioning

La Banque Postale crossed a number of symbolic thresholds in 2009: €5 billion in consolidated net banking income, €100 billion in life insurance assets under management, 2 million personal risk insurance policies issued, €120 billion in assets under management at La Banque Postale Asset Management (now France's fifth-largest asset manager) and 1 million home loan agreements in the portfolio. Home loan advances rose by 16% in 2009, whilst provisions for loan losses remained under tight control, demonstrating the Bank's ability to play a unique role in this market. We also saw strong growth in the overall number of active customers, on the basis of which we can be certain that our target of 10 million active customers will be achieved in 2010.

Combined with excellent control of expenditure, this trend has resulted in an improvement in our cost/income ratio of nearly 5 points, which is substantially ahead of forecast.

Looking beyond the figures themselves, the Bank is preparing actively for the future.

At the same time as delivering significant productivity improvements, the financial centres that provide the core of our banking capabilities have also raised the level of their expertise by upgrading their operating procedures and the remote banking technologies that are crucial to our relationship with customers. Their relationship with the post office network is closer than ever, and Retail operations continue to support Bank strategy even more effectively.

2009 also saw the on-schedule launch in December of consumer lending in two pilot départements, the signature of agreements with Groupama for general insurance and with La Mutuelle Générale for private health insurance.

Lastly, there was the French parliament's vote to change the legal status of La Poste. This decision opens the way in 2010 for a capital increase that is vital to the future growth of the Group. For the Bank, it is an advance that could prove decisive at a time when capital adequacy requirements are being substantially tightened. Moreover, the Bank is committed to growth in all its retail banking areas, including those of business start-ups, companies – with the emphasis on the very smallest – and other legal entities. The provision of funding for these customers is a basic requirement if we need to accelerate growth and put our financial resources to work for the benefit of the economy.

2010: an exciting year for La Banque Postale

In addition to the excellent results achieved, 2009 has given us real momentum. 2010 will see the implementation or extension of initiatives designed to continue the process of improving the way we respond to our customers' needs as their lifestyles and attitudes change.

In 2009, we offered them "a new way of experiencing their bank", with our new banking relationship package. More than just a banking product, this

“
We intend
to reinvent
our businesses.”

package contains a set of services designed to enable our customers to “have the banking relationship they prefer”, and we intend to go further in that direction in 2010.

We are also entering an important new phase in our multichannel structure. We are moving beyond a simple juxtaposition of channels to the point where we are combining them so that our customers can use each channel as they please in ways that suit them best: advisers for face-to-face advice, and remote channels for maximum access and speed. With initial trials focusing on consumer loans and general insurance, this new channel mix will be gradually extended to include all the products and services offered by the Bank.

Lastly, 2010 will be the year in which we market the consumer loans and general insurance products that have been eagerly awaited by the Bank because they put us on an equal footing with our competitors.

With these new business sectors and new ways of doing business, we have set ourselves the goal of reinventing what we do as a company in ways that are totally consistent with the values that have guided the Bank since its creation. More than ever before, La Banque Postale is delivering on its commitment to “put customers first, and the Bank second”.



Jean-Paul Bailly,
Chairman of La Banque Postale's
Supervisory Board,
Chairman of the La Poste Group

Patrick Werner,
Chairman of La Banque Postale's
Executive Board

La Banque Postale Corporate Governance

Since the beginning, La Banque Postale has adopted and applied corporate governance principles compatible with best practice and its status as a public enterprise.

Guiding principles

The Supervisory Board provides management control of La Banque Postale, and ensures that its strategy is properly implemented. Its membership includes the directors of La Poste, employee representatives and independent members.

The Executive Board sets La Banque Postale strategy and policy, and manages the business in accordance with legal and regulatory provisions. It reports regularly to the Supervisory Board on the bank's results, growth plans and changes in strategy.

Management and control structures

The Supervisory Board is chaired by La Poste Group Chairman Jean-Paul Bailly. The board has had fifteen members. Seven members occupy senior management posts at La Poste, three are independent and five were elected by employees. Employee representatives therefore make up one-third of the board, as required by French Public Sector Democratisation legislation.

Supervisory Board members are appointed for a five year term.

The French government has also appointed a Government Commissioner to oversee its public service responsibilities.

The Supervisory Board has created three specialized committees to assist itself:

- ◆ the audit Committee;
- ◆ the strategy Committee;
- ◆ the appointments and remuneration Committee.

The Executive Board has two members: Patrick Werner, President, and Philippe Bajou.

La Banque Postale internal governance involves regular meetings of the Executive Board, the Executive Committee, the Management Committee and seven committees, each chaired by an Executive Board member:

- ◆ the Sales and marketing committee;
- ◆ the ALM committee;
- ◆ the Risks committee;
- ◆ the Compliance and Business Ethics committee;
- ◆ the Customer Quality committee;
- ◆ the Information Systems Strategy committee;
- ◆ the Responsible Development committee.



The Supervisory Board

Members occupying posts within the La Poste group:

- ◆ Jean-Paul Bailly, Chairman of La Banque Postale's Supervisory Board, Chairman of the La Poste group;
- ◆ Marc-André Feffer, Vice-Chairman of the Supervisory Board, Executive Director at the La Poste group responsible for Development Strategy, Legal and International Affairs and Regulations, Chairman of Poste Immo;
- ◆ La Poste, represented by Georges Lefebvre, Executive Director at the La Poste group, Director of Human Resources and Labour Relations;
- ◆ Didier Brune, Director of Strategy at La Poste group;
- ◆ Paul-Marie Chavanne, Executive Director at La Poste, Director of Parcels and Chairman of GeoPost;
- ◆ Bernard Delpit, Executive Director at La Poste, CFO;
- ◆ Didier Négjar, Director of Information Systems, Procurement, Cost Optimisation and Shared Services at La Poste group.

Independent members:

- ◆ Gérard Barbot, Company Director;
- ◆ Sylvain Lemoyne de Forges, Director of Risks and Markets at Veolia Environnement;
- ◆ Didier Ribadeau Dumas, Company Director.

Members representing employees:

- ◆ Jean-Robert Larangé, Marketing Department, sponsored by the CFDT;
- ◆ Steeve Maigne, Business, Institutions and Associations Department, sponsored by the SNB/CFE-CGC;
- ◆ Maryvonne Michelet, Legal Department, sponsored by the CFDT;
- ◆ Françoise Paget Bitsch, Banque Méditerranée Regional Representative, sponsored by the FO;
- ◆ Hélène Wolff, Marketing Department, sponsored by the CFDT.

Government Commissioner:

- ◆ Christian Bodin.

THE EXECUTIVE COMMITTEE*



* At 1 January 2010

1 Patrick Werner
Chairman
of the Executive Board

2 Philippe Bajou
Member
of the Executive Board

3 Bernard Condat
Head of Commercial

**4 Pierre-Manuel
Sroczynski**
Head of Treasury Services

5 Marie Cheval
Head of Operations

6 Yves Brassart
CFO

7 Serge Bayard
Head of Strategy

8 Danielle Wajsbro
Head of Insurance Division

9 François Schwerer
Head of Legal

10 Marc Levy
Head of Compliance

11 Sylvie François
Head of Human Resources

12 Didier Vuillaume
Head of Marketing

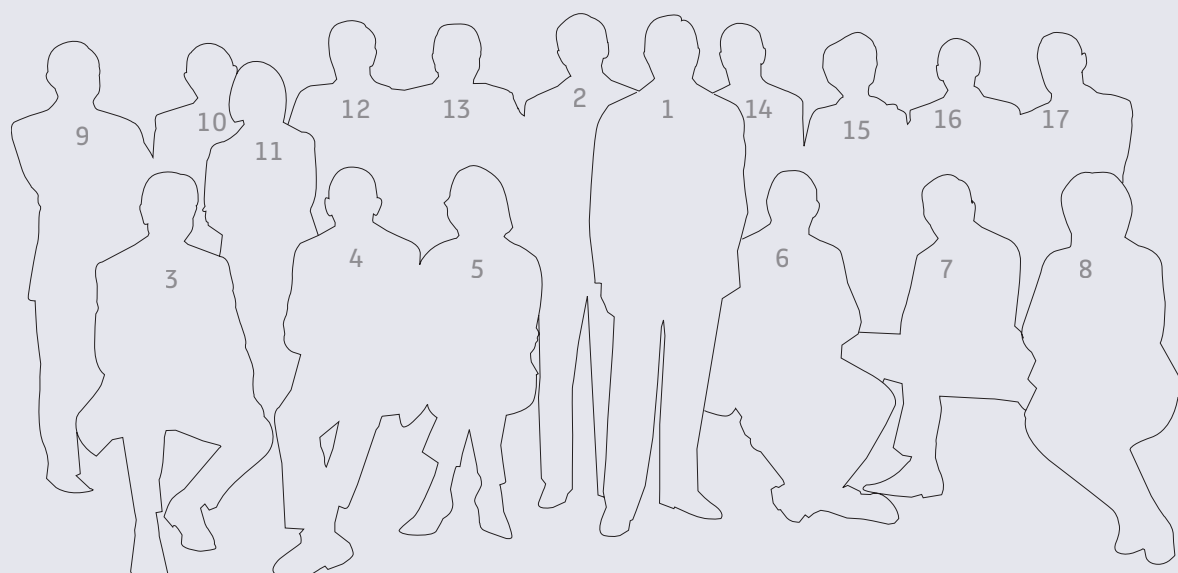
13 Philippe Blin
Head of Information
Systems

14 Philippe Bettinger
Head of Internal Audit

15 Sylvie Lefoll
Head of Communication

16 Jean-Luc Enguéhard
Head of Asset
Management Division

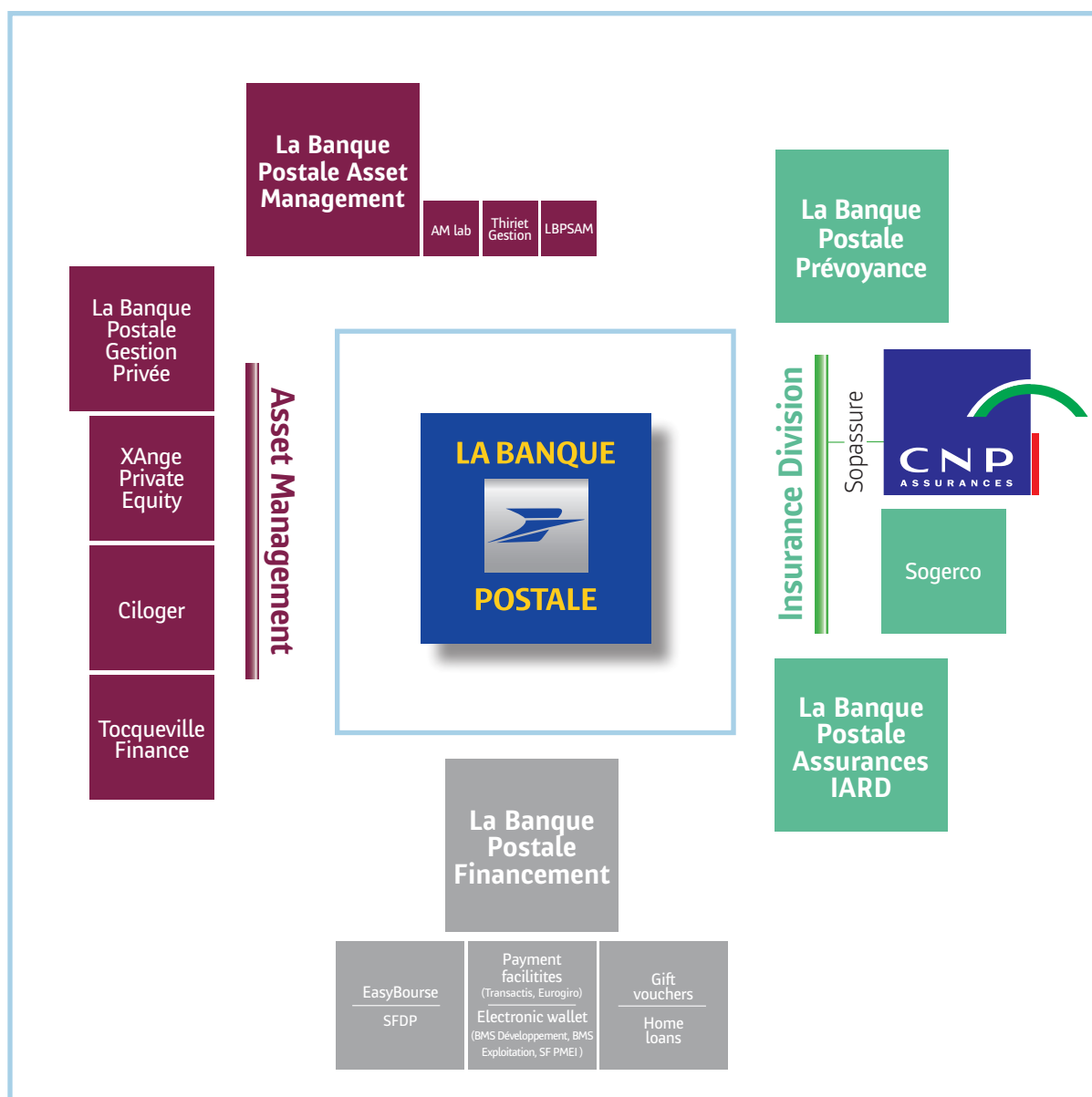
17 Alain Saubole
Head of Risks Management



The Bank Management Committee members include Executive Committee members, the Bank's Regional Representatives (RTBs) Jean-Paul Barré (RTB West and French Overseas Territories), Danièle Faivre (RTB Midi-Atlantique), Bernard Feissat (RTB North-East), Éric Moitié (RTB Paris and Paris Region), André Taboni (RTB Mediterranean and Corsica), Jean-Luc Thiébault (RTB Centre-East) and Philippe Espanol, the Head of Banking for Businesses, Institutions and Associations.

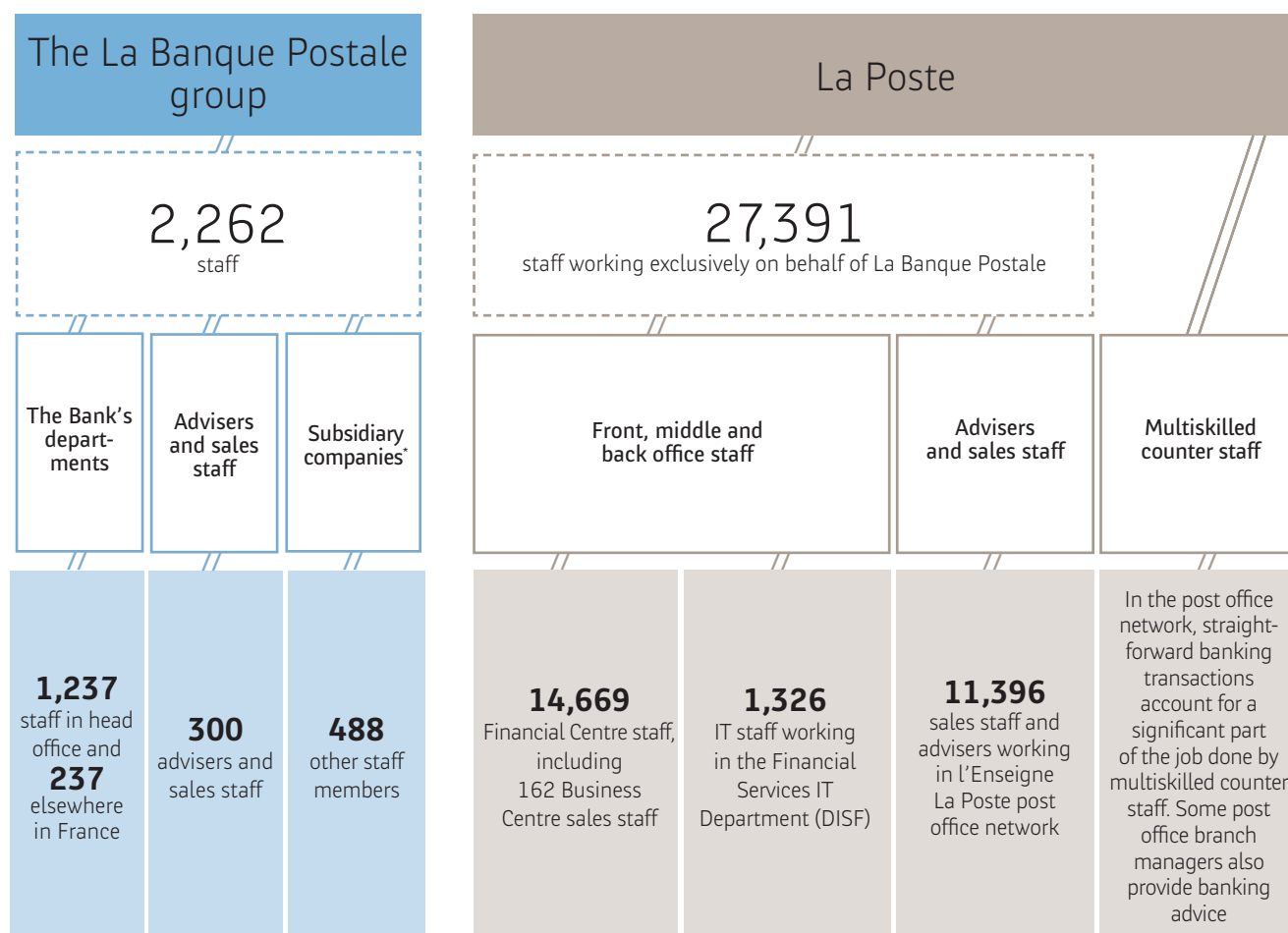
La Banque Postale's business model

La Banque Postale business model is built around a specialist organisational structure. In the centre of the model: La Banque Postale, its customers, its distribution structure and its technical, financial and human resources. All around: subsidiary companies and partnerships which contribute to its growth by delivering its range of products and services. The insurance and asset management divisions strengthen the expertise offered by La Banque Postale in these areas, both of which are subject to a specific regulation.



The people who make up the Bank

La Banque Postale relies on three sets of people in maintaining its customer relationship on a day-to-day basis: its own staff, the staff employed by La Poste Financial Services and the advisers and teams of l'Enseigne La Poste.



* Subsidiary companies in which La Banque Postale holds at least a 50% stake.

2009 in figures

9.9 million

active customers
(3.9% higher than in 2008)

€8.3 billion

advanced in home loans
(8.3% higher than in 2008)

€32 billion

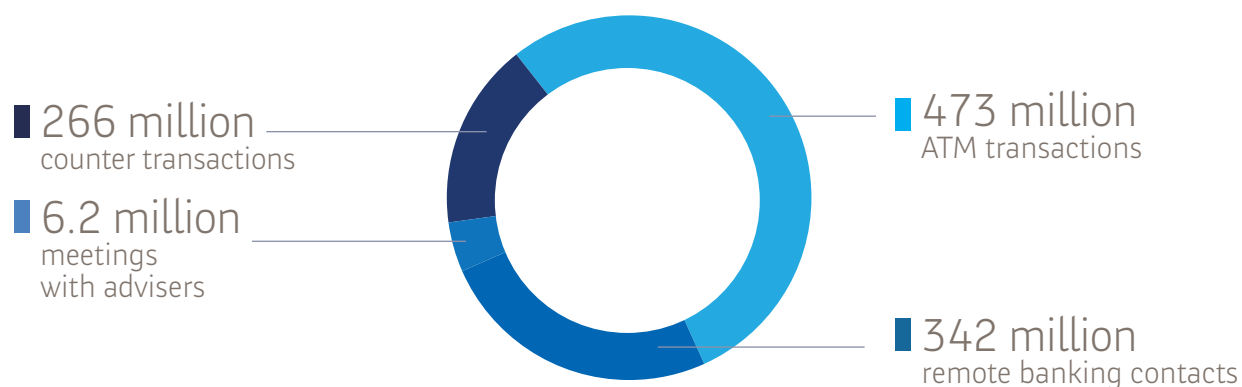
in outstanding home loans
(16% higher than in 2008)

Net banking income rose by 4%* in 2009,
to end the year at €5.019 billion.

* Excluding provisions for PEL home savings plans and CEL home savings accounts, the effect of changes to the Livret A interest rate and long-term or significant impairment provisions.

	2008	2009
Consolidated net banking income (€ billion)	4.815	5.019
Gross operating profit (€ million)	399.9	676.2
Net profit (€ million)	302.6	587.6

Nearly 1.1 billion customer contacts via all channels:



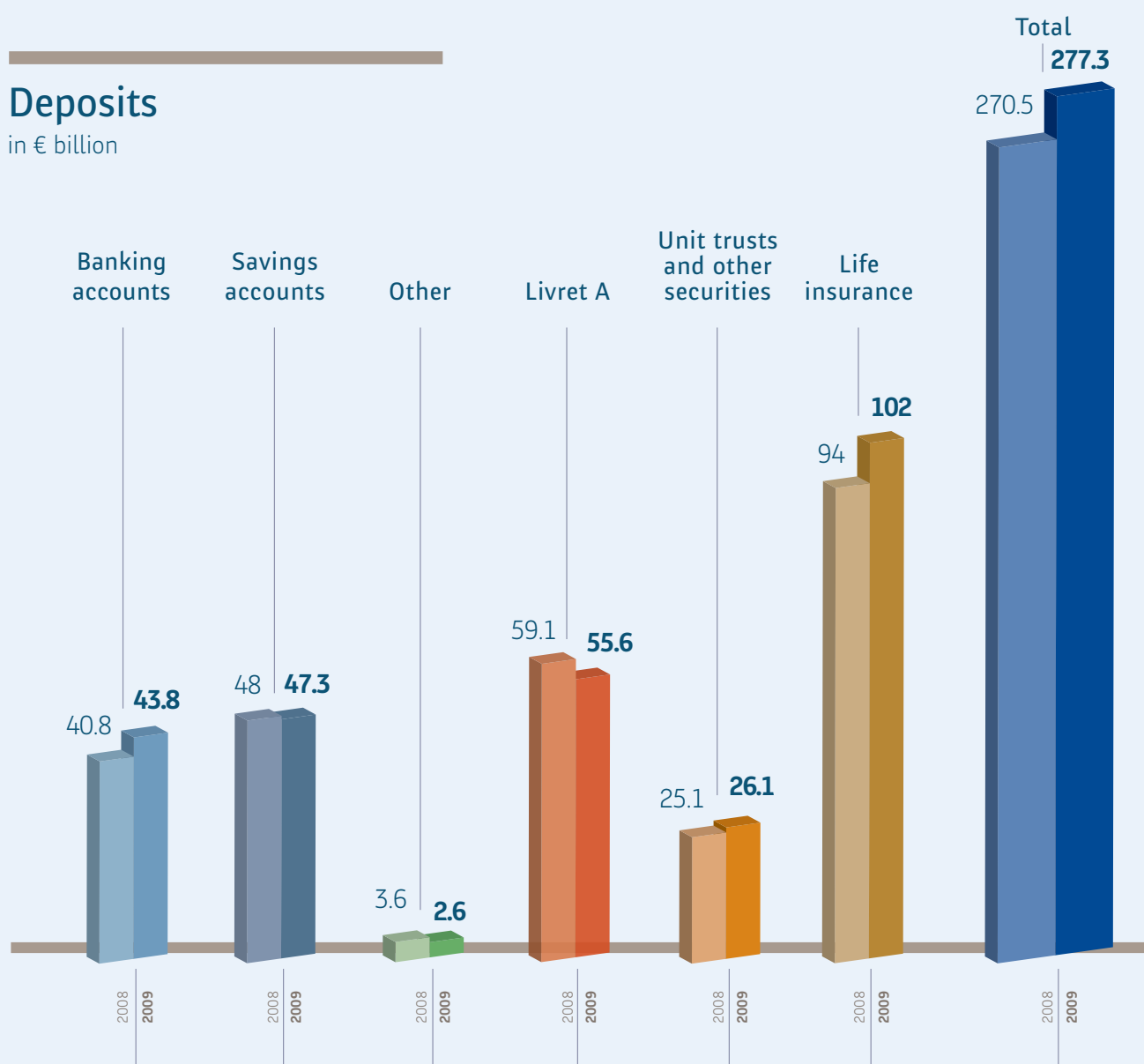
€11 billion
in revenue from life insurance

282 million
website hits

11.3 million
banking accounts

Deposits

in € billion



6.3 million
payment cards issued
(5.1% higher than in 2008)

5,343
banking transaction terminals
and ATMs

For more information Please refer to the Management Report and Consolidated Financial Statements sections of the financial report.

Highlights of 2009

CHANGE OF LEGAL STATUS FOR LA POSTE

THE POSTAL REFORM LEGISLATION IS ADOPTED

As a wholly owned subsidiary of the La Poste group, La Banque Postale supported the draft postal reform legislation adopted by the French Senate and National Assembly in January 2010. This legislation was framed to increase the financial resources available to the La Poste group by changing its status to that of a limited company on 1 March 2010, therefore opening the way to a capital increase of €2.7 billion to be subscribed by the French government and the Caisse des Dépôts et Consignations. The equity injected into La Poste as a result of this change is vital in order to finance innovation and the development of the group's business lines. As a result, the group will have the resources to operate successfully in a variety of competitive markets, and establish itself as France's leading local services provider.



Livret A DISTRIBUTION EXTENDED TO ALL BANKS ON 1 JANUARY 2009

Following the exceptional level achieved in 2008 against the extraordinary background of falling interest rates and the global financial crisis, the level of net new money paid into La Banque Postale Livret A accounts fell slightly in 2009. Nevertheless, the extension of Livret A distribution to all banks has not resulted in any significant erosion of the Bank's customer base. Approximately 120,000 transfer requests were handled in 2009.

External growth: the acquisition of Tocqueville Finance

Having considered a dozen French and international candidates, the shareholders of Tocqueville Finance selected La Banque Postale as the preferred buyer of a majority stake in their company. The two main areas of business operated by this portfolio management company formed in 1991 (collective fund management and private wealth management) complement and strengthen the range of asset management services offered by the Bank.



La Banque Postale supports small entrepreneurs

In response to demand from its customers, who include small entrepreneurs, La Banque Postale signed a draft partnership agreement with the French government at the time the new *auto-entrepreneurs* legislation was introduced in February 2009. This was followed in June by a similar agreement with the *Union des auto-entrepreneurs*. The Bank offers a comprehensive range of tailored bancassurance solutions at very competitive rates.

General insurance and health insurance

LA BANQUE POSTALE PREPARES ITS NEW BUSINESS LINES

La Banque Postale and Groupama finalised their general insurance partnership agreement in October. The two partners have set up a joint venture called La Banque Postale Assurances IARD, and intend to begin marketing general insurance products during 2010. Offered at competitive prices, this comprehensive product range will be accessible, simple and clear. The multichannel range will be distributed initially via remote channels (online and phone) before being gradually rolled out to the post office network.

La Banque Postale and La Mutuelle Générale also entered into partnership in 2009 this time in health insurance. La Banque Postale will be the main shareholder in the future joint venture, which will develop a high-quality product range designed to be accessible to the maximum number of customers.



A new way of experiencing your bank

La Banque Postale is adapting to today's new lifestyles, and extending its range with new products and services designed to meet the needs of all its customers. In May 2009, the Bank offered "a new way of experiencing your bank", with a new banking relationship package. This relationship-focused positioning is a conscious response to new customer attitudes to banking, and allows them to switch, as and when they wish, from one channel to another (post office, phone banking or Internet banking).

La Banque Postale is appointed to deliver the interest-free teachers loan

Appointed following a request for proposals (RFP), the Bank was awarded the exclusive contract to market the French Education Ministry's interest-free teacher loan in 2009. The new loan is intended to enable teachers to finance the purchase of their own homes.

CONSUMER LOANS PILOT SCHEMES LAUNCHED IN DECEMBER 2009

Throughout 2009, the teams of La Banque Postale and La Banque Postale Financement – the joint venture with Société Générale – were hard at work preparing the Bank's range of consumer loans and its marketing strategy. This range of responsible and transparent loans will be offered through multiple channels to give customers the choice of applying in post offices, by phone or online. The first pilot projects got underway on schedule in December 2009 in two départements of France, prior to a national rollout in Quarter 1 of 2010. This launch represents a key stepping stone for the Bank in its ongoing long-term relationship with customers.

Not forgetting...



Awards

• Having made it to the podium of the *Mieux vivre votre argent Corbeille d'Or* award for the third year running, La Banque Postale achieved a double for the first time in 2009, receiving the ***Mieux vivre votre argent Corbeille d'Or 2009*** gold award for the 1-year performance of the range of UCITS and equity-based collective investment funds (FCPs) managed by La Banque Postale Asset Management (performance to 26 June 2009). The Bank also took silver in the 2009 Corbeille Long Terme award (performance of a range of UCITS and equity-based collective investment funds (FCPs) in the 5 years to 26 June 2009)*.

• **Some of the lowest rates in the market, and the quality, transparency and performance of banking products and services...**

The press recognised the consistent performance of La Banque Postale with many awards in 2009:

Top in the *La Tribune* survey of bank charges at 1 January 2010, whilst

Le Revenu magazine awarded the Bank second place "for its competitive home loans, unbeatable rates and close customer relationship".

La Banque Postale shared the top spot for overall customer satisfaction with another leading retail bank (see page 29 for more details).

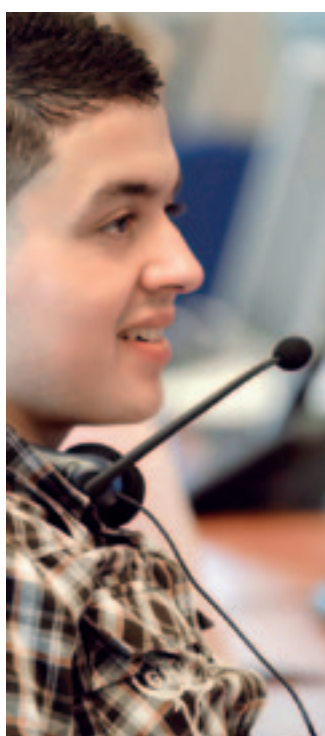
* Past performance is not a guide to future performance. Performance is not consistent over time.

Products and services



February: the new Customer Service Centre concept for post offices is deployed in 25 pilot sites. / April: Excelis is the first premium life insurance policy to assign fund switching to the Bank. / **November:**


La Banque Postale launches its EasyBourse online brokerage service for investor customers. / **December:** launch of La Banque Postale/Solidarité Sida and Unicef **cobranded payment cards.** / **Early 2010:** online launch of the **assoandco.fr** community site and **labanquepostale.mobi**, La Banque Postale's mobile website.






The roadmap for...

Jean-Michel Melat-Couhet, Argelès-Gazost Post Office / Emmanuelle Castillo, Gradignan Financial Services IT Department / Gérard Dutour, Limoges Financial Centre / Isabelle Olivier, Bordeaux Financial Centre / Flavien Aubert, Gradignan Financial Services IT Department.



an inventive & high-performing bank



From La Poste Financial Services to La Banque Postale, and La Banque Postale to the La Banque Postale group... In 2009, the Bank entered a new phase of its history.

What makes it so singular? Dynamic growth and a long-term strategy implemented by a bank that is “like other banks” and yet a bank “like no other”.

Ours is a story of progress for the benefit of customers.



A STORY OF PROGRESS FOR THE BENEFIT OF CUSTOMERS

By applying a unique growth strategy totally focused on customer satisfaction, La Banque Postale has demonstrated the stability of its business model and pursued strong growth throughout its history.

Ever since its formation, La Banque Postale has pursued rapid controlled growth for the benefit of its customers. On 1 January 2006, La Poste Financial Services became a full-service bank: La Banque Postale. Since then, it has grown consistently to become the La Banque Postale group by creating subsidiary companies dedicated to serving its customer base by developing new ranges of products and services.

Accelerated growth

As part of delivering continual service improvements for its personal customers and offering them a comprehensive range of products and services, the Bank has adopted a unique business model that combines organic growth with the launch of new business segments and external growth. Organic growth was particularly strong in 2009, especially in terms of the performance achieved in home loans, a market in which La Banque Postale has doubled its market share in less than four years.

La Banque Postale created two new subsidiary companies in 2009. The first, La Banque Postale Financement, was formed in partnership with Société Générale to offer consumer loans.

The second, La Banque Postale Assurances IARD, is a joint venture with Groupama to market general insurance products. The Bank is also in exclusive discussions with La Mutuelle Générale for the development of a range of health insurance products. Lastly, the Bank added to its asset management expertise during the year with the acquisition of a majority holding in Tocqueville Finance. This strategy of partnership based on openness and mutual respect is built on the same foundation of shared values that has underpinned the long-term success of all the Bank's new ventures. La Banque Postale selects partners that are experts in their own field in order to develop ranges of high-quality products and services that perpetuate and build on the Bank's core values. All these partnerships share the same objective of ensuring that the Bank develops in ways that maximise customer service, whilst retaining full control of its operations and its customer relationships.

La Banque Postale business model

La Banque Postale business model is totally customer-centric. With the support of its distribution channels and its technical, human and financial

resources, the Bank designs and manages its own baseline banking products and services (accounts, payment systems, traditional savings products, home loans, etc.). Its subsidiary companies and partnerships contribute to the growth of the group by designing and managing their own specific ranges of products and services. As part of enabling its customers to access every one of the Bank's distribution opportunities, La Banque Postale has developed its own multichannel system. From 2010 onwards, this system will be developed in ways that interconnect individual channels to offer customers a channel mix that they can use as and when they wish.

A winning long-term strategy

La Banque Postale continues to follow its roadmap to progress for the benefit of its customers. The success of this long-term strategy, first introduced more than 10 years ago, has been built on the fundamental commitment to being bank that is "like other banks" and a bank "like no other". By putting "Customers first, and the Bank second", La Banque Postale has successfully remained loyal to the core values inherited from its origins as the financial services arm of La Poste.



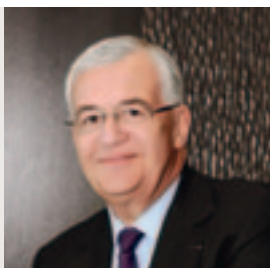
The Bank has adopted a unique business model that combines organic growth, launch of new business segments and external growth.



In 2009, the global financial crisis put the positioning of La Banque Postale into sharp relief, highlighting even more strongly its unique character and sustainable business model built on simplicity, transparency, security and consistency. La Banque Postale has weathered the crisis well. The quality of its management and its sound balance sheet are major advantages in attracting an increasingly diverse range of customers and promoting its values of trust and efficiency.

For more information Please refer to the Management Report and Consolidated Financial Statements sections of the financial report.

A SPECIAL KIND OF PARTNERSHIP



“La Banque Postale Assurances IARD will be the first totally multichannel bancassuranceur.”

JEAN AZÉMA, CEO OF GROUPAMA

“The partnership agreement between La Banque Postale and Groupama was signed on 12 October 2009, well within the deadlines set at the time we entered into exclusive negotiation. The formation of a joint venture subsidiary company is the result of excellent work done by the joint La Banque Postale/Groupama project team.

In just a few months of working together, it became clear that we really do work in the same way and share the same values of respecting our partners, listening to what others have to say and collaborating in constructive ways... and we are both committed to a close customer presence, continual quality improvements and maximum customer service. La Banque Postale Assurances IARD will be a modern and innovative company with a total commitment to service quality. By covering the essential needs of our customers at a reasonable price, our range will be easily accessible, simple to understand and totally multichannel, so for any given transaction, our customers will be able to combine different channels as they wish, from information to policy purchase and claims.

Groupama is delighted and proud to have entered into this partnership. Through this new company, we are contributing our expertise and experience in direct online and phone distribution of insurance products and services. La Banque Postale is contributing its access to customers and the efficiency of its multichannel system.”



CUSTOMERS FIRST

The customer relationship is the main driving force behind the growth of La Banque Postale. The principle of “Customers first, and the Bank second”, is applied in every area of the business, from product design through to customer advice.



La Banque Postale has made the conscious choice to build sustainable relationships with its customers. The Bank applies the principle of “Customers first, and the Bank second”. Ever since its formation, it has worked on this basis to build an unambiguous, transparent, straightforward and open relationship with its customers, continuing the relationship of trust established originally by La Poste.

Accessibility and all the essentials... with none of the frills

As the Bank for everyone, La Banque Postale and the post office network are committed to extending a considerate welcome to everyone, regardless of personal circumstances. The Bank offers a range of simple products and services designed to cover the essential needs of everyone by responding effectively to individual needs. The quality and performance of its payment cards, home loans and life insurance products are frequently reported in the press and feature regularly in industry awards. The La Banque Postale pricing policy ensures that its rates are always amongst the lowest in the market.

A relationship built on trust

La Banque Postale is guided by its values of universal service, accessibility and proximity. Its 10,500 post office banking advisers and 1,900 Financial Centre customer service advisers are there to listen, consider and provide the right advice. Their task is to reinforce the relationship of trust that unites the Bank with its customers.

Every new adviser receives the comprehensive training required to gain a full understanding of the products and services offered by the Bank, and to assess the individual needs of customers in order to offer the best-possible response to their expectations. Once operational, advisers follow a special procedure developed exclusively by La Banque Postale. Built entirely around

60,000

employees trained
in business ethics over
the last two years

identifying the precise needs of the customer, it begins with a detailed analysis (savings ability, nature of personal plans, etc.). And to ensure that the advice given is guided only by customer need, the variable element of advisers' pay is based on a balance between quality criteria (analysis of application, follow-up, etc.) and group indicators. At a time of significant turbulence in financial markets, the Bank's home loan borrowers have benefited more than ever from the expert advice of its 730 specialist property advisers (CSIs).

Tasked with providing advice tailored to individual needs, they paid particularly close attention in 2009 to the situation of customers with bridging loans to cover the gap between selling and buying. In fact, La Banque Postale is one of the very few high street banks with a sales team dedicated to providing specialist property purchase advice.

La Banque Postale has always restricted the term of its home loan to a maximum of 25 years, because it believes that longer periods are not in the best interest of its customers.

Business ethics and compliance: part of normal business life

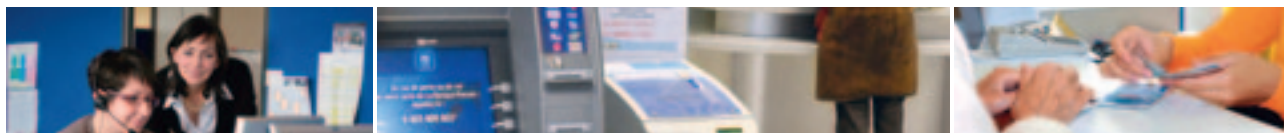
As a socially responsible bank, La Banque Postale attaches great importance to business ethics and full compliance with all industry regulations. Ever since 1 January 2006, it has had its own Head of Business Ethics, supported by a network of contacts and representatives. Having a culture built around the theory and practice of business ethics is no use unless it is fully understood and forms an integral part of daily organisational operation. Approximately 60,000 employees have received training in business ethics over the last two years. The Bank is also committed to leading by example in the fight against money laundering. All Bank staff have received training in how to detect and combat attempted money laundering and terrorist funding transactions. The majority of this training has been delivered via an e-learning platform. Lastly, La Banque Postale has also appointed an Internal Data Protection Officer, who is responsible for ensuring the daily monitoring of personal data protection within the organisation, and for consulting on these issues in respect of new projects launched by the Bank.



Access to banking services: a public good

La Banque Postale is committed to welcoming all its customers without discrimination or favour. Two million of its customers are in a financially vulnerable situation, and more than 50% are in receipt of minimum income benefits. As the bank for everyone, La Banque Postale operates through a network of 12,000 post offices, including branches in rural areas and deprived urban communities. La Banque Postale is the only bank to have been tasked with a mission to provide access to banking services under the law introduced to modernise the French economy in 2008. This required the Bank to "Open a Livret A account for anyone requesting it" (Article L. 221-2 of the French Monetary and Financial Code). It is also the only bank to offer free Livret A deposit and withdrawal transactions for amounts above 1.50 euro (€10 in all other banks) and to accept interbank payments and direct debits for certain transactions (minimum income benefits, electricity bills, etc.).

The presence of interpreters in some post offices, the provision of educational material and the introduction of local partnerships for people in financial difficulty also contribute to supporting low-income and financially vulnerable customer groups. One such partnership is that signed with Ingeus under the French government's *Espoir Banlieues* plan to provide specialist support for young jobseekers. Another is the Bank's partnership with the French National Association of Community Welfare Centres (*Union Nationale des Centres Communaux d'Action Sociale - UNCCAS*) to support people with learning difficulties and those in severe financial hardship. The Bank has also signed more than 50 agreements with regional personal microcredit associations.



CLOSE TO CUSTOMERS EVERYWHERE, ANY TIME

Attuned to the changing attitudes and lifestyles of its customers, La Banque Postale is building on its multichannel system and the complementary relationship between channels to provide greater accessibility everywhere, any time.

New and emerging technologies have profoundly changed the relationship that French people have with their banks. They are increasingly self-reliant in managing their transactions, and want to be able to access products and services 24 hours a day, 7 days a week. In response to these new aspirations, La Banque Postale has a well-established goal of being the multichannel bank that provides its customers with the most personal level of service through a comprehensive package of channels that includes the nationwide network of post offices and their self-service banking terminals, customer telephone service centres and the Internet via the www.labanquepostale.fr gateway website. Each channel allows customers to access information, apply for La Banque Postale banking products and services, manage their accounts and conduct transactions.

The face-to-face relationship across the post office counter

The face-to-face relationship is a key part of any banking relationship. Existing and future customers of the Bank are now welcomed and guided by over 35,000 counter staff, and can turn to 10,500 advisers for expert information. The “e-customer service centre” launched in 25 pilot branches in February 2009 and deployed to a total of 200 locations throughout the year, is designed to improve the customer experience even further by raising the profile of La Banque Postale and reducing customer waiting times. More than a thousand of these customer service centres will be opened between now and the end of 2010.

These new facilities support the role played by counter staff who performed so successfully in the *Livret A puissance 10* campaign in 2008. They also contribute to customer satisfaction and autonomy through **self-service banking**: 5,343 banking terminals are available to give customers easy access to their accounts and allow them to conduct simple transactions, such as withdrawals, recent account history, instant balances, etc. For the convenience of disabled customers, 60% of the Bank’s installed base of external automated banking terminals is accessible for those with reduced mobility: that’s approximately 3,200 units. All terminals installed as new or replacement units comply fully with reduced mobility access standards.

The Financial Centres: pivotal in the remote banking relationship

In 2009, the **23 La Banque Postale Financial Centres** and their 15,000 staff handled 20.1 million incoming calls, 9 million letters and 626,000 e-mails. Sitting at the heart of the multichannel system, they serve, inform and advise customers through many different channels. The customer service staff are pivotal in this remote banking relationship.



The efficiency of its multichannel system allows La Banque Postale to offer its customers “a new way of experiencing your bank” with its new relationship package. This enables customers to switch between channels as and when they wish (post office, phone banking or Internet banking).

21.3

million hits per month
at www.labanquepostale.fr

15.14

million calls via
the 36 39 number

791,000

products purchased
via Financial Centres in 2009

13%

of net income from personal
risk insurance is generated via
the Financial Centres

More than €20

billion was withdrawn from
ATMs and automated banking
terminals in 2009

More than 65%

of customers using the website
visit their secure account management
page at least once every week

Their key goal is to deliver on the commitments made by the Bank and offer the best-possible service to their customers at all times.

The National Customer Relationship Centre was created in 2009 for existing and potential customers seeking information about La Banque Postale products and services or needing online support. Its 80 customer service staff handle around 25,000 customer contacts every week. Their consultancy and recommendation roles are now assuming greater importance with the need, for example, to handle applications for the "Choose Self-Service" option of the new relationship package. Call charges* for the 36 39 number were reduced in 2008, making La Banque Postale one of the cheapest major high street banks to call.

Remote banking via the Internet, landline and mobile phones

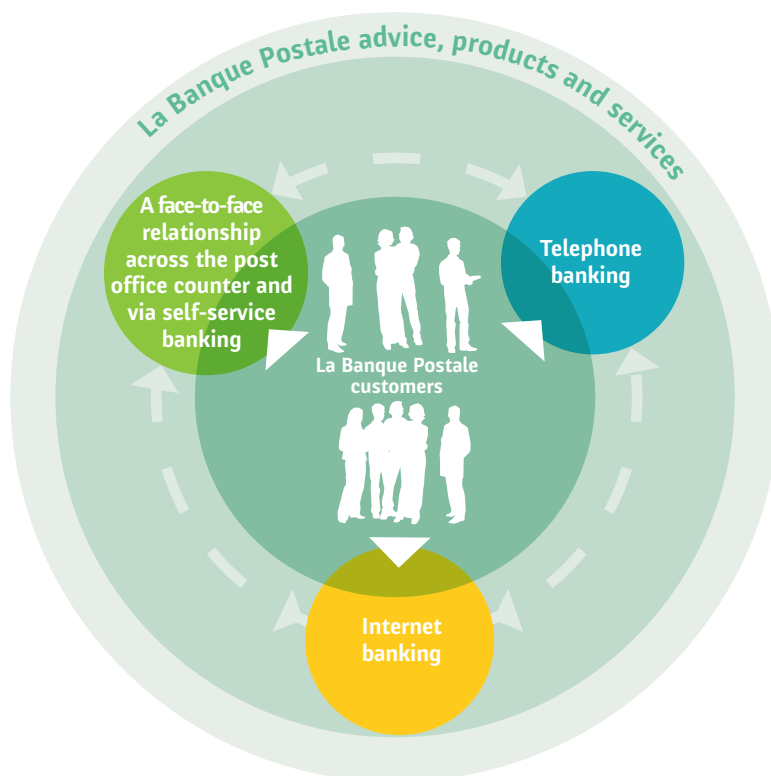
The La Banque Postale **Internet gateway website** at www.labanquepostale.fr offers customers a comprehensive and interactive relationship with their bank. Every month, this site receives 21.3 million hits from 2.7 million individual visitors, and more than 65% of customers using the website visit their secure account management page at least once every week. A number of new functions were added to the site in 2009. As a result, it is now possible to apply for savings products online and request a current account as part of the "Choose Self-Service" package. Customers can now personalise their online account management page, and set individual account balance notifications by text message or e-mail. La Banque Postale is one of the first banks to have offered these services to customers via the mobile phone network.

In 2009, the Bank developed two new applications for third-generation mobile phones: the Carnetimmo iPhone widget and the biendemenager.mobi website.

The launch early in 2010 of the new **labanque-postale.mobi** mobile website provides customers with access to the majority of functions offered by the www.labanquepostale.fr web gateway.

* €0.15 inc. VAT per minute + any additional charge applied by the operator (charges correct at 1 April 2008).

Offering every customer the choice of how they conduct their banking relationship





THE DAILY COMMITMENT OF OUR BANKING TEAMS

A well respected banking industry employer, La Banque Postale pays close attention to all its employees who give their full commitment to the Bank every day, regardless of whether they work in the post office network, the financial centres or head office. The rapid growth of the Bank to become a group of companies has been made possible by building on a careful balance between performance and respect for individuals.



The attention paid by La Banque Postale to its customers is matched only by that paid to the teams of staff who embody and deliver its key values on a daily basis. Every aspect of this consideration is expressed through its human resources policy.

Recruiting talented people

The La Banque Postale values of simplicity, local presence and accessibility, and the consideration with which it treats its customers and staff, have made it a sought-after employer in the jobs market, and particularly so in the banking industry.

On average, its www.labanquepostale.fr website receives at least 2,000 unsolicited applications every month. As a fast-growing bank, it can offer a broad range of motivating career opportunities, and currently operates an ambitious recruitment policy. 979 new employees joined the La Banque Postale group in 2009.

Supporting change and growth at La Banque Postale

La Banque Postale is growing strongly and consistently. In addition to the two subsidiary companies formed in 2009, the Bank continues to implement its skills and the specialisation

979

new employees have joined the La Banque Postale group

1 million

hours of training were delivered in 2009

development project first introduced in 2007 for the financial centres that provide its front, middle and back office services. As part of supporting its staff in adapting to these changes, the Bank has introduced a special structure built around action plans to encourage individual commitment to change projects. These action plans include training designed to help team leaders and managers support their teams on a day-to-day basis.

And once a project is launched, key financial centre staff, referred to as “Ambassadors”, act as the point of contact to relay information to every member of staff.

Developing every talent and skill

In 2009, La Banque Postale extended its career management resources. The relationship between employees, line managers and human resources staff has been redefined and strengthened to clarify individual roles. Convinced that mobility and continued employability are extremely powerful factors in adapting its human resources and developing its business sectors, La Banque Postale introduced new processes and resources to support the growth of the bank and its subsidiary companies in 2009.

In today's highly competitive environment, training also poses a major challenge. So every year the Bank invests very substantially in in-service training projects designed to address organisational challenges and the introduction of new products and services. Individual training resources, like the DIF personal training entitlement scheme, qualification-based courses and skills training, are also promoted amongst all staff.

Ensuring a fair remuneration policy based on actual performance

Throughout its history, La Banque Postale has given its staff a real stake in its growth and success by applying a remuneration policy based on principles of transparency and fairness. During that time, it has constantly improved its remuneration structure by providing its managers with new indicators designed to give a comprehensive overview of staff pay over several years.

The social commitment shown by La Banque Postale and its people

Faithful to its values of sharing and solidarity, La Banque Postale encourages the social commitment shown by its staff. In 2009, it signed annual corporate sponsorship agreements with two partner NGOs: Planète Urgence and France Volontaires. The many projects developed jointly by local charities and these NGOs to promote development in the southern hemisphere are encouraging staff members to practice and share the values of La Banque Postale with some of the world's most vulnerable people. For the last four years, it has partnered the GoodPlanet Foundation in raising awareness of sustainable development issues amongst 10 million school students. The 2009 topic of Water encouraged teachers and students to consider and discuss the issues surrounding this vital resource. La Banque Postale donates vaccines to Unicef, and continues to support the Fondation Greffe de Vie and Solidarité Sida. It also takes part every year in the Téléthon de la Bourse et de la Finance.



These developments ensure ongoing consistency between individual performance, career development and reward.

Maintaining a high level of social dialogue

Once again this year, La Banque Postale and its staff unions have maintained a consistently high and detailed level of social dialogue.

In April, the voting to elect new staff representatives was conducted electronically, encouraging a participation rate of 74%. In the first half of the year, employee representatives focused primarily on individual and group remuneration in the context of pay negotiations and the renegotiation of the statutory and voluntary company profit sharing schemes.

A quality criterion was introduced into this procedure as part of supporting the customer relationship and satisfaction commitments central to the Bank in everything it does.

The year was also marked by the renegotiation of the social dialogue agreement, the exercise of

the union rights agreed in 2006 and the December signature of an agreement covering diversity, gender equality in the workplace and the employment of over 55s. Employee representative bodies were also involved in all the changes introduced at the Bank's financial centres. The Bank's operations department and financial centres continued a high level of social dialogue at national and local levels throughout the year.

In 2009, there were 715 bilateral meetings, 63 employee relations committee meetings at La Poste, 245 plenary meetings, 127 health safety and working conditions committee meetings (CHSCT), and five new agreements were signed.

At the Bank, four agreements covering salaries, employee profit sharing, employee relations and workplace diversity were signed unanimously by all four unions.

Promoting diversity

As an organisation fully committed to diversity and equality of opportunity, La Banque Postale recruits its staff on the basis of their talents and skills, and does not allow individual differences to stand in the way of recruitment or career development.

It pays special attention to equality of opportunity regardless of social background through its partnership with *IMS-Entreprendre pour la Cité*.

La Banque Postale is also alert to the issues surrounding gender equality in the workplace, and does not differentiate in terms of pay between men and women in comparable jobs.

23% female

representation on the Bank's Executive Committee



Leading by example

The core values of La Banque Postale are central to the relationship it has with its customers, and are conveyed by its staff and managers in the work they do every day. As the people responsible for delivering on the Bank's commitments to diversity, equality of opportunity and respect for individual differences, managers fulfil their responsibilities with consideration for people and in accordance with the company's ethical behaviour regulations and business ethics. La Banque Postale supports them in this respect by providing them with a working environment that allows them to exercise their responsibilities without restriction. It also monitors and develops individual skills and abilities through appropriate high-quality training.

The fundamental management issues and techniques required to respond to the specific expectations of its business lines (sales, IT, etc.) and managers are covered by specific training courses, as well as the Bank's training catalogue. Individual change management support is provided for financial centre managers.

40 applicants

attended preliminary recruitment interviews following the week-long *Semaine de l'emploi des personnes en situation de handicap* initiative

Women also have a significant presence in decision-making bodies (23% of the Bank's Executive Committee members are women) and management roles (44.3% of managers are women).

La Banque Postale wishes to lead by example in the challenge posed by bringing people with disabilities into the workplace, both within the Bank (target: 6% by 2015) and in financial services (through the *Fondation HandiFormaBanques*). It also hosted the first *Rencontres Tremplin* meeting held to give jobseekers with disabilities the opportunity to meet 30 French companies. It also took part in the week-long *Semaine pour l'emploi des personnes en situation de handicap* initiative for the third year running.

Lastly, the Diversity, Disability and Equality of Opportunity mission also introduced a series of initiatives during the year to raise staff awareness of these issues using a variety of educational and entertaining media, including cartoon strips.

La Banque Postale also helps to promote job opportunities for people with disabilities through its responsible purchasing policy.

The target of increasing by 20% the amount of purchases it makes from the protected employment sector and disability-friendly companies between 2008 and 2010 was achieved in 2009.

For more information Please refer to the NRE appendix of the financial report.

Raising staff awareness of environmental protection issues

As part of controlling its CO₂ emissions, La Banque Postale pays special attention to the energy performance of its buildings, and has implemented a series of initiatives to reduce its carbon footprint. It encourages its staff to use clean or less polluting methods of transport through company travel plans designed to optimise journeys between home and work. It provides training courses in eco-driving, and monitors vehicle quality standards on the basis of criteria governing CO₂ emissions and European production facilities.

The Bank also applies environmental criteria to its choice of materials, from TCO-labelled IT hardware to recyclable office equipment and stationery produced with pulp from sustainably managed forests. It also applies exacting controls through its reporting of environmental indicators.



La Banque Postale uses eco-responsible paper for 94% of its needs.



The roadmap for...

Pierre Mohr, Ivry Financial Services IT Department / Éric Ravaute, Bordeaux Financial Centre / Géraud Bonnetier, Bordeaux Financial Centre / Éric Villoing, Orléans La Source Financial Centre / Bertrand Charneca, Gradignan Financial Services IT Department.



... an accessible

& professional bank

La Banque Postale offers its personal and business customers an accessible range of products and services to cover all their essential needs at the best-possible price.

What makes the bank so singular is that it puts “Customers first, and the Bank second”.

It is with this commitment in mind that La Banque Postale now advises its 9.9 million active customers and 480,000 business and association customers.

It's a business model unique in the French retail banking market.



9.9 MILLION ACTIVE CUSTOMERS PUT THEIR TRUST IN LA BANQUE POSTALE

In 2010, La Banque Postale will achieve one of the key goals set out its strategic plan: 10 million active customers. This success confirms its positioning as the bank for everyone that is “like other banks” and “like no other”, and always puts “Customers first, and the Bank second”.

Now, more than ever, La Banque Postale is the bank for everyone, and the bank that listens to all its customers.

At the end of 2009, La Banque Postale was serving more than 9.9 million active customers through an intensively managed banking relationship covering everyday financial services (current accounts, payment cards, etc.), home loans, personal risk insurance policies and asset management services.

Putting customers at the heart of innovation

La Banque Postale has been able consistently to increase its number of active customers because it understands how to listen to customer needs, how to anticipate those needs and how to adapt itself to suit their changing expectations and lifestyles. The Bank knows that its growth and performance are driven by its customers. The new banking relationship package launched in May 2009 symbolises this attitude by offering customers the relationship they want and prefer for their banking services. The efficiency of its multichannel system allows La Banque Postale to take the

innovative step of offering customers “a new way of experiencing your bank”, built around the degree of personal attention, face-to-face advice and involvement each customer is comfortable with. Targeted squarely at the Bank’s personal customers, this new relationship package has already attracted over 775,000 customers, including more than 180,000 new customers (57.5% aged between 18 and 34).

Other innovations introduced in 2009 include new products and services for people starting their own small businesses, the guaranteed Pulseo and Evoléo funds, online brokerage through EasyBourse, Securalys online share trading and the interest-free eco-loan. All of these new products and services have been designed to deliver the same simple, transparent access at reasonable rates by serving the new attitudes and expectations of customers.

Asset management customers are attracted by sound advice and a great product range

The Bank’s asset management customer base grew strongly in 2009. This substantial increase

reflects its ability to provide its customers with individual advice tailored to their personal circumstances. The vast majority of this good advice is provided by the Bank's 800 asset and asset management advisers. Attracted by its core values, these new customers are looking to diversify their investment strategies by investing in one or more La Banque Postale financial services products. As part of delivering a consistently high quality of service, La Banque Postale extended its ranges of products and services during the year, with particular focus on life insurance (with Cachemire and Excelis) and portfolio management via La Banque Postale Gestion Privée.

Against the background of the global financial crisis and the crisis of confidence in the banking system, La Banque Postale has been able to attract new customers by demonstrating its dependability and uncompromising management standards, as well as the quality of its products and services.

Supporting financially vulnerable customers and those on low incomes

La Banque Postale is attentive to the needs of its financially vulnerable and low-income customers. It continues to put service and support first in order to encourage them to join the banking system and become financially autonomous.

It is one of the Bank's missions to combat exclusion from the banking system and provide easier access to high-quality banking services for the maximum number of people by offering account packages and payment facilities suitable for all customers, regardless of their financial circumstances. Since 2007, it has also signed more than



La Banque Postale is growing because it listens to all its customers so that it can understand and respond to their needs.



50 agreements with regional personal microcredit associations.

In this way, it is able to finance the personal plans of people excluded from access to credit as a result of poor creditworthiness or irregular income. These loans are designed to encourage social inclusion and/or employment by granting advances within a fixed range in terms of both amount and period (€300 to €3,000 over periods from 6 months to 36 months). The Bank pursues a policy built around partnerships with local stakeholders and equity investment in social economy and social support funds to encourage social cohesion and contribute to local economic growth. These partnerships include organisations such as the *Union nationale des associations familiales*, the *Union nationale des centres communaux d'action sociale* and CMP Banque.

Recognition in the marketplace

In its special edition of September 2009, **Le Revenu** magazine revealed its awards for the top financial institutions of the year. La Banque Postale came second in recognition of its competitive home loans, unbeatable rates and attentive customer service. La Banque Postale tied with another major retail bank at the top of the ranking for overall customer satisfaction. In the ninth edition of its annual survey of bank charges published in February 2009, **Le Monde Argent**, found that La Banque Postale was one of the two cheapest banks in the market; the other being a 100% online service. La Banque Postale headed the ranking published by **La Tribune** following its survey of bank charges conducted on 1 January 2010.

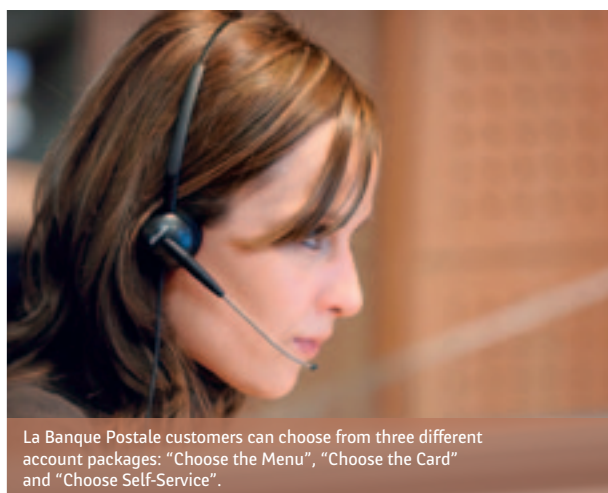
Of the 13 banks reviewed by the magazine **60 millions de consommateurs** in its survey of charges, only those of La Banque Postale were rated as "acceptable".

Les Dossiers de l'Épargne awarded La Banque Postale a number of its labels of excellence in 2009 for its Pactys loans, its current accounts, its Badoo accounts for 16/17 year-olds, its standard Adispo Essentiel account agreement, Adispo Privilège (with the Adésio service) and its premium account agreements (Adispo Premier with Adésio).



THE BANK FOR EVERYONE THAT LISTENS TO EVERY CUSTOMER

La Banque Postale offers all its customers an accessible range of products and services tailored to meet their essential needs at the best-possible price. Every day, it serves millions of customers through a relationship built on trust and transparency.



La Banque Postale customers can choose from three different account packages: "Choose the Menu", "Choose the Card" and "Choose Self-Service".

The growth in new technologies, the changing aspirations of the French and consumer lifestyles encouraged La Banque Postale to launch an innovative package of products and services in May 2009. Unique in today's market, this package is based on the type of relationship that each individual customer wishes to have with his or her bank.

"A new way of experiencing your bank"

In order to offer everyone the opportunity to select the type of relationship they would like to have with their bank on the basis of their knowledge of banking issues, lifestyle and expectations, La Banque Postale has launched "A new way of experiencing your bank".

The new package has been made possible by the Bank's multichannel system. Reflecting the La Banque Postale core values of accessibility and simplicity, it allows customers to access products and services anywhere any time by switching from one channel to another (post office, phone banking or Internet banking) in ways that suit their customer profile, their needs and the amount of time they have available.

La Banque Postale customers can choose from three different account packages: "Choose the Menu", "Choose the Card" and "Choose Self-Service". The difference between these options is the method of contact chosen by the customer (occasional on a drop-in basis, regular meetings with a dedicated

LA BANQUE POSTALE INVENTE UNE NOUVELLE FAÇON DE VIVRE SA BANQUE.

Certains veulent le minimum de formalités,
d'autres le maximum d'informations.
Certains aiment se déplacer, d'autres
que la banque vienne à eux.
Certains veulent juste qu'on les écoute, d'autres
qu'on leur explique.
Certains aiment tout planifier, d'autres
vivre au jour le jour.
Certains veulent un conseiller très présent,
d'autres une banque qui soit se faire oublier.

Et si tout le monde vivait enfin la banque comme
il aime, dans la confiance et le respect mutuel ?

Pour plus de renseignements ou pour ouvrir un compte,
certains nous ont demandé au 11 11 11, par Internet ou
directement à l'agence. C'est ainsi qu'on a commencé à vivre
ensemble de mieux en mieux. C'est aussi la nouvelle façon de vivre ensemble.
LA BANQUE POSTALE. BIEN PLUS QU'UNE BANQUE.



adviser or remote banking by phone or Internet) and the practical banking products and services he or she wishes to access.

There are also other new features to assist customers in their day-to-day money management. The www.labanquepostale.fr online banking website has extended its functions to include the addition of new interbank transfer recipients (using the Certicode service), e-statements for current accounts, multimedia service alerts and remote current account opening. For even greater peace of mind, La Banque Postale has also introduced a new authentication method called 3D Secure for secure online card payments.

In response to the socially supportive values expressed by its customers, La Banque Postale introduced co-branded Solidarité Sida and Unicef payment cards in December 2009. This move further confirms the Bank's commitment to these humanitarian organisations, which it has been actively supporting for 10 years and 5 years respectively, and with which it shares the essential values of commitment, responsibility and solidarity.

The total number of cards issued also increased during the year to 6.3 million, making life more convenient for even more customers. As part of further reducing waiting times in post offices and making life easier for its customers, La Banque Postale has also raised the maximum amount for ATM withdrawals.

Life insurance unanimously acclaimed by personal and asset management customers

In 2009, life insurance and its associated euro-denominated funds returned strongly to favour amongst French savers, as they turned away from low-interest cash deposits, at the same time as keeping a prudent distance from stock market investments.



Solidarité Sida and Unicef co-branded cards.

791,000 products

(service packages, everyday savings accounts, etc) were sold directly via Financial Centres in 2009



A peculiar year for the Livret A account

As the preferred product of French savers, some 21.3 million La Banque Postale customers have Livret A accounts. In many respects, 2009 was a peculiar year for this type of account, because Livret A distribution was extended to include all French banks, and its interest rate was cut on three separate occasions.

This deregulation of Livret A distribution has not led to erosion of the La Banque Postale customer base. La Banque Postale received just over 120,000 transfer requests in 2009. Created following the identification of many loopholes in the market, the files of illicit multiple account holdings (held in the Ficoba account database) triggered only 129,000 requests to close accounts. After an exceptional year for new Livret A account openings in 2008 (1 million), 2009 was still very dynamic in this respect, with some 562,000 new Livret A accounts opened at La Banque Postale. The background of falling short-term rates had a particularly negative effect on cash savings, as the rate offered by the Livret A account fell from 4% at the start of 2009 to 1.25% at 1 August 2009. As normally happens in such circumstances, customers switched between La Banque Postale savings products in favour of longer-term products, like home savings and life insurance. 2009 was also marked by the inclusion of Livret A deposits in the Bank's balance sheet from 1 January 2009 onwards, the effect of which was to add just under €59 billion to the La Banque Postale overall balance sheet.



The quality and diversity of its life insurance product range have established La Banque Postale as a leading player in this market, which generated revenue of nearly €11 billion for the Bank in 2009. The milestone of €100 billion in assets under management was passed at the end of the year. This dynamic performance remains consistent with the exceptional year experienced in 2008. The Cachemire life insurance policy made a major contribution to this success. With an entry point of €25,000, this multi-fund, multi-manager life insurance policy has proved very popular with investment customers, to the point where 75,000 policies had been issued by the end of 2009.

At the same time as the Cachemire launch, La Banque Postale expanded its life insurance range to offer its customers even greater flexibility and product personalisation. As part of its expansion, three new options were introduced for the Ascendo range: lock-in of capital gains, progressive investment and annual revaluation fund switching.

With Excelis, La Banque Postale has introduced its first-ever premium life insurance product with delegated fund switching. Offering a personalised investment strategy, this product features two types of package, each with four management profiles: Defensive, Diversified, International Equity and European Equity. Marketed by La Banque Postale asset management advisers, this new policy with its €75,000 entry point has got off to a promising start, with more than 600 Excelis policies contracted since its launch in April 2009, representing assets under management of €60 million.

Lastly, the Vivaccio policy designed for the majority of personal customers has proved extremely successful, with over 1 million policies already issued. This policy has an entry point of just €75, and is designed to evolve through five packages designed meet customer needs at every stage of life.

It also offers capital protection guarantees, personalisation options and a range of useful customer telephone support services.



For customers, quality makes all the difference

In order to deliver the best-possible service to its customers every day, La Banque Postale introduced a wide-ranging quality programme called CQFD (*pour le Client, la Qualité Fait la Différence* – For customers, quality makes all the difference) in 2007. The programme is based on listening attentively to customers in order to identify the level of quality required to meet their expectations. Eleven priority areas were identified, including the customer/adviser relationship, home loans and cheque payments. A number of improvements were introduced during 2009. These included changes to ensure that cheques paid in by personal customers are now credited to the account one day earlier than was previously the case. The procedure for processing home loan applications has been changed to deliver a faster speed of response for customers in the home purchasing process. An initial survey conducted in May 2009 demonstrated a high level of satisfaction amongst home loan borrowers.



La Banque Postale introduces more online brokerage services at EasyBourse

The EasyBourse financial information website operated by La Banque Postale has expanded its range of services, and in November 2009 introduced an online brokerage platform for customers who prefer to manage their stock market investments directly online. This new facility complements the Bourse en Ligne service offered by La Banque Postale, and provides simple access to stock markets outside France, an extensive range of products and financial instruments, and a great deal of information in the form of articles, special reports and interviews with analysts. Its goal of providing maximum access to the financial world and stock markets has in many ways already been achieved, with more than 300,000 hits every month.

www.easybourse.com

A comprehensive and diverse range of savings products

La Banque Postale has continued to offer secure, high-performing products against a background of financial market uncertainty. The Bank added to its range of guaranteed funds with the end-of-year market launch of Pulseo (indexed against the CAC 40 index of top French companies) and Evoléo (indexed against the FTSEurofirst 80 index).

As part of extending its asset management range, La Banque Postale has begun marketing an innovation mutual fund (FCPI – ISF) invested in innovative SMEs meeting the criteria set out in the French TEPA work, employment and purchasing power legislation, as well as the new Scellier REIT for investment in new residential property.

Lastly, La Banque Postale also played an active role in the EDF bond issue, which created a great deal of interest amongst its customers.

Personal risk insurance to meet the essential need for family protection

Attentive to changes in society and the needs of its customers, La Banque Postale has developed one of the most comprehensive ranges of personal risk insurance in the market. The personal risk insurance solutions developed by its subsidiary company La Banque Postale Prévoyance cover the protection needs of its customers in terms of life protection, dependency, death, funeral expenses and healthcare. In addition to financial benefits, these products also offer a broad range of services, advice, help and support to enable families to overcome unexpected life events.



La Banque Postale
Prévoyance has broken the

2 million

personal risk insurance
policy barrier

In 2009, La Banque Postale worked closely with La Banque Postale Prévoyance to address the issue of dependency and raise awareness of this social challenge amongst the French public. The number of personal risk insurance policies managed by La Banque Postale Prévoyance broke through the symbolic 2 million barrier in 2009. The results achieved demonstrate how well the Bank's ranges of products and services fit with the needs of its customers, and highlight the commitment of its advisers in post offices and financial centres. As the linchpin in the remote customer relationship, financial centre customer service staff play an important role in recommending personal risk insurance products. And the results of their efforts are clear to see in the 25% rise in product take-up reported for this channel in 2009.

Home loans... making a difference that customers recognise and appreciate

Despite the global financial crisis and reduced access to credit, the home loan conditions applied by La Banque Postale remained unchanged in 2008 and in 2009.

With liquidity totally underpinned by its balance sheet, La Banque Postale is able to continue granting its customers unrestricted access to home loans, whilst keeping its cost of risk fully under control. La Banque Postale is therefore able to report exceptional performance in the home loans sector. Its total amount of lending against residential property is now in excess of €30 billion. La Banque Postale granted €8.35 billion in home loans during 2009.

These excellent results reflect the Bank's policy of continually adapting its range of home loans, its competitive rates (both for home loans and creditor insurance) and the outstanding professionalism of its specialist property advisers. La Banque Postale is one of the very few high street banks to have a nationwide team of 730 advisers dedicated to providing specialist property purchase advice.

These advisers support their customers in making their property plans a reality by providing personalised advice based on their individual profile, plans and borrowing needs. Thanks to this expertise, more than 123,000 new borrowers were able to make their plans a reality during the year.

Having tendered successfully for the contract, La Banque Postale was appointed in 2009 by the French Ministry of Education to market its interest-free loan to students. Intended to fund the purchase of a principal residence, this loan is designed to allow young teachers to get on the property ladder successfully. More than 700 interest-free teacher loans have been granted since the scheme was launched in September 2009.

Lastly, as part of its commitment to responsible development, La Banque Postale is also distributing the interest-free eco-loan recently added to its *Pactys Environnement* and *Livret de Développement Durable* products.

730 advisers

dedicated exclusively to providing specialist property purchase advice



€358.5 million

invested in socially responsible funds by personal customers (42.5% higher than in 2008)



A diverse range of socially responsible investment opportunities

With its finger on the pulse of changes in social currents, La Banque Postale is providing a response to the increasing number of customers interested in adding social responsibility to their investment criteria. By drawing on the expertise of its subsidiary company La Banque Postale Asset Management, La Banque Postale has extended its range of Socially Responsible Investment (SRI) funds with the launch of two new funds designed for personal customers: LBPAM Responsable Actions Monde and LBPAM Responsable Actions Environnement. The *Investir autrement* alternative investment range therefore now offers four funds: three ISR equity funds (which received Novethic approval in 2009) and a *Partage Libertés et Solidarité* fund approved by Finansol. In addition to obtaining these approvals in recognition of the transparency offered to customers, the Bank's range of special products includes the *Décisiel Actions 70 Solidaire* solidarity-based employee savings plan. Since 2009, the Bank has also been using an ESG (Environmental, Social and Governance issues) checklist designed by its own teams to ensure that environmental and social criteria are met, from product design right through to distribution.

For more information Please refer to the NRE appendix of the financial report.

A SPECIAL KIND OF PARTNERSHIP



“La Banque Postale Financement will be able to rely on the impressive level of trust in La Banque Postale.”

FRÉDÉRIC OUDÉA, CHAIRMAN AND CEO OF SOCIÉTÉ GÉNÉRALE

“Following on from the formation of Transactis, the joint venture created to manage our electronic banking systems, La Banque Postale and Société Générale have entered into a new partnership built around consumer loans. Clearly, it's a matter of great pride for Société Générale to contribute to this unique project. We are very happy with the level of cooperation established between our two teams. The professionalism and commitment of everyone involved have enabled us to meet an ambitious schedule for a launch at the end of Quarter 1 of 2010.

La Banque Postale Financement is launching into a market where the regulatory landscape is moving towards greater transparency and more advice and support for customers.

We are particularly optimistic about the success of this new venture into consumer loans.

As well as its substantial customer base and the extensive reach of its distribution network, La Banque Postale has the support of the impressive level of trust it has been able to build and maintain amongst the people of France.”

Taking a new approach to consumer loans

The legislative and regulatory framework governing the consumer loans market in France is set to change substantially in 2010, so La Banque Postale spent 2009 preparing for its entry into this market with a product range and proposition based on transparency, responsibility and professionalism. By making the prevention of over-indebtedness a key element of its entry into this market, La Banque Postale sees it as a mission to bring confidence back to the consumer loans market by putting the best interests of customers at the heart of its new venture. As part of the sustainable relationship it has with its customers, it will be offering them support and guidance throughout the period of their loan. To achieve this, the Bank has got together with Société Générale to set up a joint venture dedicated to this market: La Banque Postale Financement (see inset above). A pilot phase in two French départements (Côte-d'Or and Gironde) began in December 2009 in preparation for the national rollout scheduled for Quarter 1 of 2010.

This rollout involves the training of over 17,000 members of staff throughout the Group, although the majority are those working in the La Poste retail team (managers, advisers, call centre advisers, etc.).

General insurance: a comprehensive, accessible and multichannel range

As part of extending its range, La Banque Postale entered into an exclusive partnership with Groupama in 2009, with the aim of developing a range of general insurance products and services to be marketed from 2010 onwards. As the new arrival in this market, La Banque Postale aims to establish its credentials straight away by offering its customers a simple, clear and easily accessible range. Offered through the Bank's multichannel system, the new range will combine La Banque Postale's customary reasonable pricing with an exemplary level of service in terms of claims handling and speed of payment.

Health insurance is a major concern for French customers

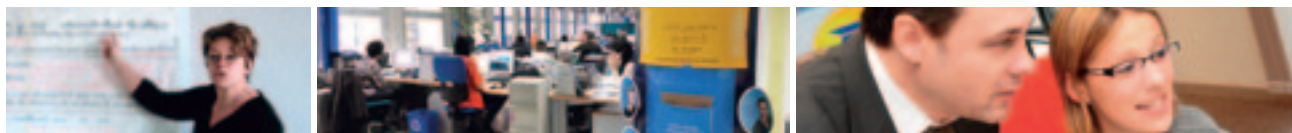
Since La Banque Postale is committed to offering its customers peace of mind and real convenience, the Bank is in exclusive discussion with France's second-largest mutual insurer La Mutuelle Générale with the aim of putting together a comprehensive high-quality range accessible to the maximum number of customers. It is expected that this partnership will result in the formation of a joint venture in 2010, with La Banque Postale as the major shareholder.

LA BANQUE POSTALE RÉINVENTE LE CRÉDIT À LA CONSOMMATION.

- Un crédit qui n'est ni un début, mais aussi une fin.
- Un crédit transparent qui affiche clairement son coût et ses modalités.
- Un crédit pour lequel vous êtes accompagné et vous le souhaitez.
- Un crédit qui vous laisse le choix du mode de relation que vous préférez : en bureau de poste, par téléphone ou sur Internet.

Rencontrez-vous ici.

LA BANQUE POSTALE. BIENTÔT EN TOUTES BANQUES.



TAILOR-MADE BUSINESS BANKING SERVICES

As the partner for businesses of all sizes, as well as associations and the social economy, La Banque Postale supports and advises more than 480,000 business customers and associations. The Bank is committed to the active development of its range in three key product areas, although it is not currently possible to offer loans to legal entities.



Although widely known as a retail bank for personal customers, La Banque Postale is also a leading business bank. Its ability to handle and manage high-volume transactional flows and its close relationship with its personal customers enable the bank to deliver an effective response to the expectations of companies with large-scale billing operations (such as telecoms and energy providers), at the same time as addressing the needs of independent professionals and very small businesses.

As a “Bank like other banks” and yet “like no other”, La Banque Postale is also a close partner of the social economy and the associations sector.

Nearly
17,000 SMES
and 99,000 VSEs/professionals bank
with La Banque Postale



Official opening of the Marseille Business Centre in January 2010: La Banque Postale Chairman Patrick Werner is accompanied (left to right) by Solange Biaggi, Deputy Mayor of Marseille with responsibility for trade, crafts, the professions and the city centre, Denis Tixier, Marseille Business Centre manager, and André Bendano, Chairman of the Bouches-du-Rhône Chamber of Trades & Crafts.



La Banque Postale offers products in three key areas, although it is not currently possible to offer loans to legal entities.

Offering every customer a designated point of contact

In a move to address its customer segments individually and provide each with personalised advice, the businesses, institutions and associations department (DECA) expanded its sales organisation in 2009.

A new business centre concept has also been introduced to improve service to business customers. Building on the success of the first centre opened in Bordeaux during 2008, a second was opened in Marseille in January 2010. These business centres are designed to support customers throughout the life of their business by providing reception facilities, information points, meeting rooms and other dedicated services. Centres are staffed by specialist business banking advisers trained to respond to the needs of this customer group. Where required, they work alongside asset management advisers to assist business customers in managing their personal assets.

The key accounts division advises some 200 national key account customers, whilst customer management team in the poste offices provides support for the 358,500 associations that bank with the Group.

The La Banque Postale range focuses on three key product areas:

- payment processing and flow management;
- cash investment and management;
- social engineering plans.



Innovative new products and services

In 2009, La Banque Postale extended its range of account management and payment services for business customers. The start of 2010 saw the launch of a business payment card supported by a range of practical services tailored to the needs of business and professional users (assistance, warranties, etc.).

In response to market expectations in terms of performance and responsible development, the Bank has also introduced a range of Socially Responsible Investment (SRI) mutual funds that includes two bond funds and a two-year guaranteed capital SRI fund.

La Banque Postale also made a significant contribution to marketing the recent EDF bond issue. It has also introduced a range of bancassurance products designed to support the French government launch of the new official status of *auto-*



2,000

major companies, including 200 key account customers, put their trust in La Banque Postale

entrepreneur (small entrepreneur). As part of this commitment, the Bank signed a draft partnership agreement with the government in February, followed by a similar agreement with the *Union des auto-entrepreneurs* in June 2009 (see inset below).

As a leading player in the provision of banking services for associations, which in France accounts for 1 million different organisations and 12 million volunteers, La Banque Postale launched the **www.assoandco.fr** affinity website for this customer group in Quarter 1 of 2010. This new site acts as a central point for information on a wide range of issues, from accountancy and management to marketing, employment and recruitment. La Banque Postale has also been working alongside the *Fondation du Bénévolat* (voluntary sector foundation) for two years now. Nearly 20,000 volunteers currently receive free public liability insurance from the *Fondation du Bénévolat* via La Banque Postale.

In March 2009, La Banque Postale added new retirement benefit and key man insurance products to its existing range of social engineering products, which range from employee savings plans to group insurance and pension schemes, personal risk insurance and service vouchers.

Put together in collaboration with La Banque Postale Prévoyance, this simple and accessible range helps to protect VSEs and SMEs against the loss of a director and/or key member of staff, which could otherwise threaten the future of the business.

“

60% of social landlords operate at least one La Banque Postale account.”

Anticipating change

La Banque Postale provides ongoing support for its customers as they seek to come to terms with a fast-changing banking environment. Perhaps one of the most important changes currently is the introduction of the SEPA (Single European Payment Area). Some 90,000 businesses in France are now involved in switching from the Etebac banking communication protocol to the new Ebics and SwiftNet standards. In 2009, La Banque Postale was one of the very first banks to provide support and advice for its customers in advance of this important migration, which must be completed by 2011. Only one year after the launch of the SwiftNet service, Swift rated La Banque Postale as the world's Number 16 bank (out of 277) in terms of transactions processed.



La Banque Postale backs *auto-entrepreneurs*

The La Banque Postale customer base includes future entrepreneurs; a group which the Bank is committed to supporting as they develop their businesses.

As part of helping them, La Banque Postale was keen to support the new *auto-entrepreneurs* scheme, and signed a draft partnership agreement with the French government in February. This was followed in June by a similar agreement with the *Union des auto-entrepreneurs*. The Bank is using all its distribution channels, from post offices to financial centres, websites and call centres, to handle enquiries from small entrepreneurs and provide them with information. The Bank's range of tailored products and services was launched in March 2009, and in accordance with its fair pricing policy, the rates offered are amongst the lowest of any major French high street bank. The range has been designed to provide quick and easy access to make life simpler for small entrepreneurs entering the world of business. The range is also supported by a business all-risks insurance policy launched at the end of the year and offered online. The Bank's range also comes with special offers on letter and parcel post rates from the La Poste Group. Launched by French Secretary of State for Trade, Crafts and Small and Medium-Sized Businesses Hervé Novelli, the new *auto-entrepreneur* scheme has proved hugely successful. 10% of those *auto-entrepreneurs* taking advantage of the new scheme to set up their own business have put their trust in La Banque Postale.

€267.5 million

in net new money for SRI funds (175% higher than in 2008)

358,500

associations bank with La Banque Postale

Integral to the social economy

As a recognised force in the social economy, the Bank's customers include a very large number of social landlords. 60% of them operate at least one La Banque Postale account, and approximately 9% of their combined rental income is processed through these accounts: that's a total of around €650 million every year. In addition to the facility to pay rents in cash at all post office branches, La Banque Postale also offers payment terminal installation, secure online payment (via Scellius Net), automatic direct debiting and payment by interbank payment order (TIP). In 2009, the Bank launched a new generation of innovative payment terminals that accept cash as well as payment cards, and can be installed either in social landlords' branches or in residences themselves.

Lastly, La Banque Postale has also played an active role in the distribution of the *Chèques emploi service universel* (universal services vouchers) issued by the French government to 1.5 million beneficiaries as part of the national economic recovery plan. La Banque Postale was allocated 10% of the total volume of distribution. The fact that it had almost completed distribution by the end of July provided a powerful demonstration of the Bank's expertise, not only to central government via the *Agence nationale des services à la personne*, but also to the general and regional councils that act as major funding institutions for the Cesu voucher programme.

Remote banking services for every business

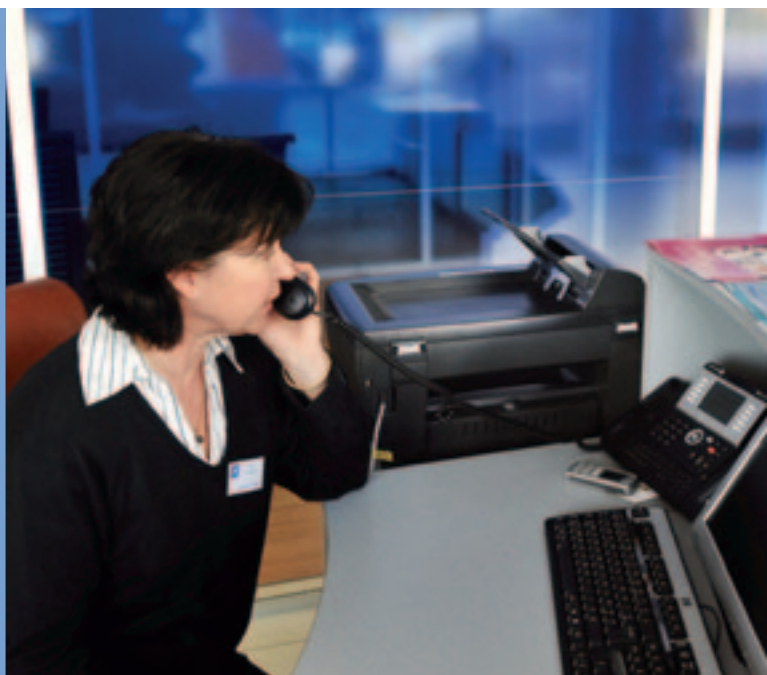
La Banque Postale offers its business customers two types of remote banking service. LBP Net Entreprise is designed for larger companies and SMEs, whilst LBP @ccess 24 is more suitable for independent professionals, very small companies and small associations, and is available in post office branches. Totally secure and easy to use, both services give customers 24/7 online account management. Other functions include account viewing, interbank transfers, mutual fund applications and a range of other services designed to meet the needs of these two types of customer. Nearly 20,000 customers have signed up to use these services in the past year.

1,900

government departments and public bodies choose La Banque Postale



www.assoandco.fr:
the La Banque
Postale website
for associations.





THE DIVISIONS OF LA BANQUE POSTALE

The role of the La Banque Postale insurance and asset management divisions is to strengthen the expertise offered by the Group in these areas, both of which are subject to specific regulation. They help to ensure consistency of the Group's activities in both areas through the pooling of support services and the development of synergies. The majority of the work they do focuses on the services provided to La Banque Postale customers.

Asset management: expertise and trust

The asset management division coordinates the asset management activities of the Bank, responds to new customer expectations, and monitors consistency and synergies between subsidiary companies. It also ensures that the asset management products and services offered to La Banque Postale customers are of the right quality.

The asset management division was created to handle expansion of the asset management services offered to Bank customers. In addition to La Banque Postale Asset Management and its subsidiaries, the division also includes Tocqueville Finance, Ciloger, XAnge Private Equity and La Banque Postale Gestion Privée, together providing La Banque Postale with a specialist core of expertise to ensure that its customers receive the best-possible service in terms of asset management. The team is responsible for a range of key missions that includes supervising management procedures and ranges, identifying synergies within the division and between La Banque Postale and its subsidiary companies, and implementing new products, services and partnerships.

In 2009, the division was closely involved in supporting the rapid growth of La Banque Postale and meeting the security, transparency and performance expectations of its customers.

Asset management: institutional customers choose La Banque Postale

As the asset management division's largest entity **La Banque Postale Asset Management (LBPAM)** provides third-party management services for its personal and business customers. In 2009, it consolidated its market status

€121 billion

in assets are managed by La Banque Postale Asset Management (LBPAM)

as France's fifth-largest mutual fund manager, with more than €121 billion under management. The company also continues to grow in the institutional investors market that represents 34% of its mutual funds under management. The high quality of its management, the transparency of its products and services and its high level of responsiveness to financial market trends have all contributed to continual growth since 2008. In order to offset the reduced yields of very short-term money market products, the teams launched a number of new products during the year to address the new expectations of investors, including the LBPAM Eonia 6-12 month fund. Net new money from personal customers has been impacted by the relative unattractiveness of cash-based funds following the reductions seen in money market yields. Nevertheless, 2009 marked the return of these customers to longer-term asset classes, such as equity funds and guaranteed funds.

For example, the Evoleo Décembre 2015 packaged fund attracted investment of nearly €280 million in the three months during which it was marketed.

Managed by LBPAM subsidiary company La Banque Postale Structured Asset Management, it offers customers a capital investment guarantee (subject to certain conditions).

More than
230 investors

make up the La Banque Postale Asset Management key account portfolio



LBPAM is appointed by the *Fonds de Réserve pour les Retraites*

In April 2009, the *Fonds de Réserve pour les Retraites* (FRR) invited RFPs from a restricted number of institutions with the intention of renewing some of its existing bond mandates.

On completion of the selection process for euro-denominated investment grade credit bonds (active management), the FRR appointed six management companies, including LBPAM. This appointment confirms the company's status as a credible contender for even the largest RFPs in the French market.



Offering a diverse range of skills for many different customers

The other La Banque Postale asset management subsidiary companies also reported very good performances in 2009. **La Banque Postale Gestion Privée (LBPGP)**, the company owned jointly by La Banque Postale and Oddo & Cie, manages portfolios and wealth management services for La Banque Postale asset management customers. Despite the difficult economic environment of 2009, it was able to attract more than double the amount of net new money collected in 2008, thanks to the dynamic performance delivered by its asset management advisers. The Excelis premium life insurance policy also got off to a remarkably good start. With an entry point of €75,000, it offers delegated fund switching and all the benefits of professional asset manage-

€275 million

That's the amount of net new money secured by La Banque Postale Gestion Privée. More than double the total for 2008.

Multiple awards for asset management



Having made it to the podium of the **Mieux vivre votre argent Corbeille d'Or** award for the third year running, La Banque Postale achieved a double for the first time in 2009, receiving the **Mieux vivre votre argent Corbeille d'Or** 2009 gold award for the 1-year performance of the range of UCITS and equity-based collective investment funds (FCPs) managed by La Banque Postale Asset Management (performance to 26 June 2009). The Bank also took silver in the 2009 **Corbeille Long Terme** award*. For the fourth year running, La Banque Postale Asset Management was once again on the podium for the **Investir Magazine Lauriers**** awards for the performance over 5 years of its equity and diversified unit trusts in the Network Bank category. In 2009, the company was awarded the top award... the **Laurier d'Or**. Thiriet Gestion (owned 33.4% by La Banque Postale Asset Management) took the **Laurier d'Argent**** silver award for the second year in a row for its equity and diversified management in the Other Institutions category.

The quality of management provided by La Banque Postale Asset Management also brought La Banque Postale three **Trophées***** awarded by **Le Revenu**, magazine in the Network Bank category for the performance delivered by its mutual funds: the **Trophée d'Or** gold award for the 3-year performance of its eurozone equity range of funds, the **Trophée de Bronze** award for the 10-year performance of its range of funds as a whole and the **Trophée de Bronze** for the 3-year performance of its diversified fund range.

* 5-year performance for the full range of UCITS and equity-based collective investment funds (FCPs) to 26 June 2009.

** Performance to 30 September 2009.

*** Performance to 31 March 2009.

Past performance is not a guide to future performance. Performance is not consistent over time.

A SPECIAL KIND OF PARTNERSHIP



“La Banque Postale Gestion Privée offers access to premium products at an entry point of €75,000.”

PHILIPPE ODDO, MANAGING PARTNER OF ODDO & CIE

“Ever since we formed our La Banque Postale Gestion Privée joint venture in 2007, we’ve been working alongside La Banque Postale on this very exciting business opportunity. Together, we are committed to consolidating the close relationship we have with La Banque Postale customers.

La Banque Postale Gestion Privée opens up the possibility of accessing premium investment products to a much larger group of asset management customers in return for a minimum investment of €75,000. The service we offer is unique in France. La Banque Postale Gestion Privée is supported by the expertise of Oddo, which invests 20% of its annual revenue in research and information systems. That expertise is then delivered by La Banque Postale to its asset management customers.”

ment within the special tax conditions applicable to life insurance products.

Owned 90% by La Banque Postale, **XAnge Private Equity** specialises in managing investments in unlisted SMEs. The company focuses specifically on managing innovation mutual funds (FCPIs).

In 2009, XAnge Private Equity launched an FCPI that invests in the shares of innovative SMEs meeting the criteria set out in the French TEPA (work, employment and purchasing power) legislation, as well as a more traditional FCPI at the end of the year. At the end of 2009, the total value of funds under management by the company was approaching €350 million.

Owned 45% by La Banque Postale, Ciloger designs and develops French real estate investment trusts (SCPIs) investing in commercial and residential property, as well as OPCI collective property investment vehicles for personal and institutional customers. As a result of the rapid growth in its volume of funds under management, Ciloger became France’s second-largest OPCI management company during 2009, as well as a leader in the SCPI market. As a result of the new tax framework introduced by the Scellier legislation, one SCPI achieved a very high level of sales success via La Banque Postale to end the year with net new money of €33.5 million. Ciloger is France’s third-largest manager of this type of investment in terms of net new money.

Tocqueville Finance delivers expertise in value management

La Banque Postale acquired a majority holding in Tocqueville Finance at the end of 2009.

This portfolio management company specialises in value management, where the aim is to exploit the potential upside of undervalued equities. Tocqueville Finance chose La Banque Postale as its majority shareholder on the basis of the Bank’s proposed industrial plan, which is built around retaining the identity of the company, its teams and the independence of its management ethos. This acquisition enables La Banque Postale to capitalise on the Tocqueville Finance brand, diversify its customer base and add another complementary business line to its range of products and services. It also gives the Bank access to a new distribution channel in the form of the Independent Financial Advisers who currently contribute nearly 10% of all new savings-related investments in France.



Tocqueville Finance chose La Banque Postale on the basis of the Bank’s proposed industrial plan, which retains the identity of the company, its teams and the independence of its management ethos.”



Insurance: at the heart of Group development

Coordination, market monitoring, interfacing with the Bank's partners and departments, and ensuring regulatory compliance: the insurance division coordinates every aspect of the insurance and assistance business lines as part of building a comprehensive and persuasive range of products and services for its customers.



In 2009, the insurance division played a key role in contributing internal expertise to support the dynamic growth of La Banque Postale.

Anticipating social trends

Focused monitoring of the market and lifestyle trends enables the insurance division of La Banque Postale to anticipate future trends in insurance and assistance services. It examines the major issues facing society; issues like personal services and dependency. It designs new products on the basis of joint discussion and consultation with the Bank's partners and departments. Are proposed new insurance and assistance products consistent with the positioning and values of La Banque Postale? Do customers find the entire range to be simple, accessible and reasonably priced? The division is responsible for ensuring the consistency and compliance of the product range: on the one hand, it must ensure that insurance products reflect the core values of the Bank and provide good levels of cover for customers; on the other,

it must guarantee compliance with regulatory requirements and the efficiency of insurance and assistance management processes.

Contributing to Bank growth

As a contributor to the multi-partnership strategy of La Banque Postale, this division was involved in three major projects during 2009, the first being the range of borrower insurance products for consumer loans.

Always focused on the best interests and peace of mind of La Banque Postale customers, the divisional teams provided the ongoing supervision required to ensure that borrower insurance cover is as comprehensive for consumer loans as it is for home loans.

The division has also applied its expertise to the design of the general insurance range developed for La Banque Postale Assurances IARD, the joint venture subsidiary company formed with Groupama. Lastly, the divisional team was closely involved during 2009 in the exclusive discussions entered into with La Mutuelle Générale to develop a range of health insurance products that will be accessible to as many people as possible.

Amongst the flagship products launched in 2009, the division contributed to the development of the business all-risks insurance product designed to meet the needs of small entrepreneurs under the French government's *auto-entrepreneurs* scheme. Working in partnership with La Mutuelle des sportifs, the division also designed the personal risk and health insurance offered to skippers competing in the *Route du Rhum* – La Banque Postale 2010 singlehanded transatlantic yacht race. Responding to the needs expressed by the sailors and their families, the Bank extended cover to include the relocation of boats, training and qualifying races.

A level of expertise recognised in the market

The role of this division is to guide and coordinate the insurance subsidiaries of La Banque Postale in all their shared projects. In 2009, La Banque Postale partner **CNP Assurances**, reported good results, with annual revenue totalling €32.6 billion (15.1% higher than in 2008).

During the year, the number of personal risk policies held in the portfolio of **La Banque Postale**



The insurance division designs new products on the basis of joint discussion and consultation with the Bank's partners and departments.



Prévoyance, the subsidiary owned 50/50 with CNP Assurances, exceeded 2 million for the first time. This achievement puts it amongst France's leading players in this market.

It is also active in the business insurance market with its Key Man Cover policy.

With its finger on the pulse of French opinion, La Banque Postale Prévoyance initiated the TNS Sofres health and dependency survey conducted in partnership with *La Tribune*, which now sets the benchmark for the market.

Sogerco, the insurance brokerage wholly owned by the Bank, was also closely involved in developing the La Banque Postale range of general insurance products.

Lastly, the division contributed to the design of the insurance product training programmes for La Banque Postale advisers. These programmes were completely updated in 2009 as part of ensuring that customers receive the best-possible advice when the general insurance products are launched in 2010.

€102 billion

of life insurance assets under management



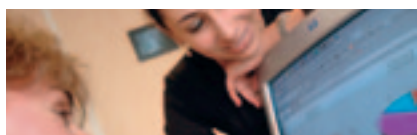
The roadmap for...

Patrick Millour, Issy-les-Moulineaux Operations Department / Jean-François Scaianski, Gradignan Financial Services IT Department / Agnès Pradier, Les Martres-de-Veyre Post Office / Jean-Pierre Garlenq, Toulouse Financial Centre / Caroline Sala, Internal Audit.



... a stable & vigilant bank...

La Banque Postale has posted the best financial results in its history against a background of financial and economic crisis. **What makes it so singular?** It's the choice of sound financial management strictly applied that has proved the value of a business model built on simplicity, transparency, security and consistency.



A BALANCE SHEET THAT REFLECTS THE CONTRIBUTION MADE BY LA BANQUE POSTALE TO FINANCING THE FRENCH ECONOMY

The excellent financial health of La Banque Postale, combined with its strong balance sheet and high-quality financial management, enabled the Bank to make a significant contribution to financing the French economy in 2009 through an unprecedented rise in the level of home loans advanced to its customers and the contribution of significant liquidity to the national banking system.

The singular structure of the La Banque Postale balance sheet, in which the amount represented by deposits significantly exceeds the amount of loans advanced to customers, was further strengthened on 1 January 2009 with the inclusion of Livret A account deposits following the deregulation of distribution for this savings product.

Although these deposits are currently held centrally at *La Caisse des Dépôts et Consignations*, the Bank has significantly intervened to the financial markets. In 2009, it pursued a financial management policy based on asset liquidity, quality and simplicity, and it is this policy that has enabled the Bank to weather the financial crisis unscathed without the need to rely on any external support whatsoever. Quite the contrary in fact, since La Banque Postale has made a significant contribution to financing the banking system as a regular investor in Société de Financement de l'Économie Française (SFEF) public sector issues.

It is this combination of needing no market funding to continue its retail banking activities and the liquidity and quality of the financial assets it holds that has enabled La Banque Postale to increase its volume of home loan lending to customers very significantly (16% higher than in 2008) without changing its lending conditions.

With the exception of these special features, the financial management of the La Banque Postale balance sheet addresses the same objectives as any other retail bank:

- to generate financial margins in line with the Bank's strategic targets for NBI (Net Banking Income);
- to ensure that these margins remain consistent by limiting the impact of volatility in the interest rates to which they are naturally exposed.

Consequently, the financial management policy always seeks to anticipate medium-term changes in the Bank's assets and liabilities, most of which are driven by changes in customer behaviour.

From this point of view, 2009 was marked by stable inflows of net new money (to PEL home savings plans and CCP postal bank accounts) that exceeded forecast, although short-term funds began to suffer in the second half of the year as a result of historically low rates.

Liabilities

Customer transactions represented total deposits of €149.8 billion at 31 December 2009.

Excluding instant-access deposits (€43.8 billion), the majority of these deposits consist of savings accounts, of which the most significant are as follows:

- Livret A and Livret de Développement Durable accounts (€59.7 billion);
- Livrets d'Épargne Populaire (popular savings passbook) accounts (€11.4 billion);
- Épargne Logement home savings (€18.4 billion in PEL home savings plans and €6.4 billion in CEL home savings accounts);
- Compte sur Livret (launched 2008), Livret B and Livret Jeune savings accounts (€5.7 billion).

Livret A deposits fell in 2009 as a whole, and particularly so in the second half of the year as a result of the product losing some of its attraction following mid-year interest rate reductions. It should be noted that all Livret A and Livret de Développement Durable (€4.1 billion) deposits are centralised with La Caisse des Dépôts et Consignations, compared with only 85% for LEP popular savings passbook account deposits.

On the other hand, the decline in PEL home savings plan deposits that began in 2005 following the change in tax treatment and the state-funded bonus was interrupted in 2009.

This trend reflects the reduced appeal of regulated cash savings accounts against a background of lower short-term interest rates consistent with the strong downward trend in the interest rate curve. From the midpoint of the year onwards, customers therefore turned to longer-term savings (life insurance, home savings products, etc.) or elected to keep their assets in cash in CCP postal bank accounts.

The challenge posed by financial management is determining the average period over which these funds can be committed. Although the majority of deposits are contractually “on-demand”, historic trends show these deposits to be substantially stable in reality. Following statistical analysis and simulations, these deposits are split into two sections:

- a volatile section, invested short-term to meet customers’ day-to-day cash requirements;
- a larger stable section which can be invested long-term, having taken account of any unfavourable macro-economic and/or commercial scenarios.

Given the structure of its balance sheet, La Banque Postale has no need to issue long-term securities to finance its own operation. On the other hand, the Bank does pursue an active programme of short-term security issues, largely in the form of certificates of deposit.

Assets

Constituted essentially of home loans, **customer transactions** represented total lending of €33 billion at 31 December 2009.

This figure is substantially higher than in the previous year, representing an increase of €4.4 billion, which is nearly 16% above the figure for the end of 2008. This contribution to household funding was achieved without La Banque Postale needing state aid or market funding during this period.

Nevertheless, the gap between customer-related assets and liabilities remains significant, and reflects the atypical nature of the La Banque Postale balance sheet. The practice of investing excess liquidity is a key component of the Bank’s financial management policy.

As a result, the total amount of financial assets totalled €130.6 billion at the year end.

These assets are of fundamental importance in terms both of amounts handled and net banking income, and form a large component of La Banque Postale’s balance sheet risk management. Quality was further improved in 2009 by reducing banking exposure and focusing commitments on the eurozone. The fact that the portfolios suffered no significant loss in 2009 reflects the high quality of the assets they contain.

Excluding resources centralised at *La Caisse des Dépôts et Consignations* and central bank deposits, they break down as follows:

- a held-to-maturity portfolio valued at €34.6 billion, containing very high-quality bonds (mostly government bonds or similar) recognised at their amortised cost to offset financial margin volatility. This amount was €3 billion lower than in the previous year as a result of fewer transactions being renewed on reaching maturity in favour of funding home loan advances;
- a held-for-sale portfolio valued at €11.2 billion recognised at fair value in equity on the basis of strategic allocation following return/risk analysis. This portfolio contains not only government and corporate bonds, but also other asset classes, including equity indices, alternative management and private equity. The increase seen in this portfolio reflects the fact that in 2009, La Banque Postale made a significant contribution to financing the French economy by investing €2.4 billion in Société de Financement de l'Économie Française (SFEF), the entity created to provide medium- and long-term funding for French banks at a time when market liquidity had dried up;
- a cash portfolio, recognised at fair value in the profit & loss account, and valued at €6.6 billion. Backed by the volatile section of deposits and market funding secured under beneficial conditions, it provides the ability to manage bank liquidity.

Hedging derivatives

These derivatives represent notional deposits of €9.2 billion. They are interest rate swaps intended to limit the sensitivity of the Bank's future margins. The accounting treatment of these long-term (more than one year) swaps as current account or financial asset cash flow hedges limits the impact of fluctuations in their value on the profit and loss account. For customer liabilities with no maturity date subject to an assumed fixed rate, hedges are based on a prudent analysis of customer behaviour as the basis for defining the flow rules applied to the stable section of assets under management.

In this way, financial assets and hedging instruments help to ensure margin consistency by limiting the impact of interest rate volatility on profit. They also contribute to managing the overall risk posed by interest rates.



RESULTS ADVANCE FURTHER

The effects of the financial crisis on La Banque Postale decreased throughout 2009 as the Bank felt the benefit of its prudent management policy in terms of the dynamic financial management applied to the ranges of products and services it offers to its customers.

In 2009, La Banque Postale continued to promote its range of home loans during the year. Despite the global financial crisis, the Bank was able to continue lending without making any changes to its already-prudent lending conditions. As in 2008, total lending progressed very significantly, as the €8 billion advanced in 2009 took total lending across the €30 billion threshold.

The total amount of net new cash flowing into savings marked time in 2009. The effects of de-regulating Livret A account distribution were limited, and the number of accounts transferred during the year remained moderate.

On the other hand, the marked decline in the amount of interest paid by regulated savings products significantly reduced the attraction of these investments. Home savings deposits remained stable overall in 2009, having fallen back sharply in 2008.

There were significant movements towards life insurance and asset management products, where assets under management grew strongly in 2009.

The total number of active customers continues to rise, and ended 2009 at 9.9 million (compared with 9.5 million at the end of 2008), reflecting the efforts made by La Banque Postale in customer relations.

In 2009, these included the launch of a new relationship package and the expansion of the multichannel system to provide customers with access to their accounts anywhere, any time.



Financial asset management had a mixed year, reflecting market trends over the 12-month period. Downward movements in interest rates had the effect of moderating the return offered by new investments, reducing the contribution made to net banking income by financial investments. The growth in home lending was counterbalanced by contraction in the portfolio of securities held to maturity, and therefore the income generated by these instruments.

Having seen stock market indices bottom out in March, the markets recovered strongly in the second quarter of the year, and continued to perform well through the second half of the year.

La Banque Postale results for 2009 are characterised by a €204 million increase in NBI (Net Banking Income), reflecting a rise of 4.2% compared with 2008. After correction for the variance in home loan provision, neutralisation of the effects of changes made to the Livret A interest rate and the recognition of long-term or significant impairments, NBI rose by 4.0% during the year.

Operating expenses fell by €73 million (-1.6%) for a number of different reasons. Employee costs rose as a result of the increasing number of staff employed by the Bank. Much of this recruitment relates to preparations for the launch of new partnerships in the consumer loans and general insurance markets.

On the other hand, expenses related to service agreements fell very significantly for counter and bank back-office staff as a result of process optimisation, and also for customer advisers as a result of structural improvements made to the network. IT investment rose in response to the increasing workload of the business lines, and the IT expenditure made necessary by major business line projects and partnerships.

Gross operating profit for the year totalled €676 million, representing a rise of €276 million on the figure for 2008. Provisions for loan losses fell significantly by €60.8 million as a result of the underlying effect of provisions totalling €78 million recognised in 2008 following the collapse of Lehman Brothers bank. Excluding this effect, the trend in provisions for loan losses remained in line with the growth in customer lending, and without any significant deviation from the Bank's normal rate of risk on lending.

The cost/income ratio ended the year at 86.6%, compared with 91.8% in 2008.

Net income from companies accounted for by the equity method was €55.2 million higher than the 2008 figure, as a result of the profit recovery seen at CNP Assurances. The Group share of net annual profit for the year was €587.6 million.



Consolidated balance sheet

Assets

(€000)	12.31.2009	12.31.2008
Cash, central banks	3,699,660	2,138,554
Financial assets at fair value through profit and loss	6,580,587	8,468,249
Derivatives used for hedging purpose	363,254	272,400
Financial assets available for sale	11,240,968	8,821,901
Loans & receivables – credit institutions	73,966,537	18,889,024
Loans & receivables – customers	33,074,805	28,795,903
Remeasurement adjustment on interest rate risk hedged portfolios	94,944	147,548
Financial assets held to maturity	34,626,622	37,649,538
Tax and other assets	5,009,470	4,545,543
Long-term assets	2,594,183	2,216,520
Total	171,251,030	111,945,180

Liabilities

(€000)	12.31.2009	12.31.2008
Financial liabilities at fair value through profit and loss	388,228	270,550
Derivatives used for hedging purpose	218,095	174,668
Due to credit institutions	5,618,828	6,904,765
Due to customers	149,830,946	92,302,124
Debts represented by securities	3,806,899	2,620,113
Tax and other liabilities	5,730,552	4,897,401
Insurance company technical provisions	383,343	307,690
Provisions	325,793	389,312
Subordinated debt	502,232	500,993
Group share of equity	4,445,284	3,577,478
Minority interests	830	86
Total	171,251,030	111,945,180

Consolidated Profit & Loss account

(€000)	12.31.2009	12.31.2008
Net banking income	5,018,914	4,815,409
General operating expenses	(4,224,638)	(4,305,579)
Net amortization and depreciation of tangible and intangible assets	(118,097)	(109,833)
Gross operating profit	676,179	399,997
Cost of Risk	(51,570)	(112,328)
Operating profit	624,609	287,669
Share of earnings of associates	185,792	130,580
Net gains or losses on other assets	(1,795)	(731)
Pre-tax profit	808,606	417,518
Corporate Income Tax	(220,908)	(114,851)
Consolidated net profit	587,698	302,667
Minority interests	105	85
Net profit	587,593	302,582



Vincent Zemb, Gradignan Financial Services IT Department / Philippe Chassaing, Paris Bank Sales and Marketing Department.

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