



La Banque Postale. More than just a bank.



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La Banque Postale pursues rapid controlled growth for the benefit of its customers.

For the last five years,

La Banque Postale has used photographs taken by its staff to illustrate its annual report.

This year, they bring us their vision of vivacity, through movement, energy, facial expression, sparkling smiles and landscapes.

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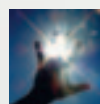
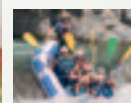
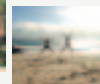
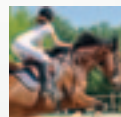
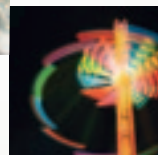
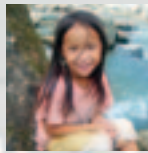
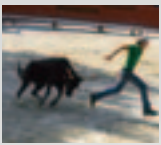
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A bank “like no other”

Welcome & accessibility

Trust & advice

Transparency & choice



Welcome & accessibility

10,300

POST OFFICES NATIONWIDE

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.

La Banque Postale and the post office network are committed to extending a respectful welcome to everyone, regardless of personal circumstances. Post offices are accessible to everyone in the community, from those with asset portfolios to those who are financially vulnerable or on low incomes. The new post office layouts introduced in 2010 have significantly improved the welcome we extend to our customers, as well as reducing waiting times.

As the Bank for everyone, we offer a range of products and services tailored to meet the essential needs of all our customers at the best-possible price.

Trust & advice



9,700 BANKING ADVISERS
BASED IN POST OFFICES & **2,500 CUSTOMER**
SERVICE ADVISERS
IN FINANCIAL CENTRES.

> Maintaining long-term relationships with its customers provides the main impetus for Bank growth. The principle of 'Customers first' is applied at every stage, from product design through to customer advice.

As heir to La Poste Financial Services, La Banque Postale is committed to strengthening the trust-based relationship that connects it with its customers.

Transparency & choice

1.77 MILLION
LA BANQUE POSTALE
CUSTOMERS HAVE CHOSEN
THE 'NEW BANKING RELATIONSHIP
PACKAGE'.



> La Banque Postale is committed to transparency and straightforwardness in its customer relationships. So it offers customers the opportunity to 'have the banking relationship they prefer' by using each channel as they please in ways that suit them best: Advisers for face-to-face advice, and distance banking channels for maximum access and speed.

Customers are therefore free to choose whichever of our three account packages suit them best: 'Choose the Menu', 'Choose the Card' and 'Choose Self-Service'.

PROFILE

La Banque Postale is a 'bank like no other',

driven by the post office values of local presence and service. As heir to La Poste Financial Services, it 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.

Accessible, straightforward, local, transparent, useful, substantial and supportive... La Banque Postale is the bank for everyone: nearly half of the French population has at least one of the Bank's products. It serves more 10 million active personal customers and 475,000 business customers. More and more customers join La Banque Postale every day, attracted by its commitment to build a long-term relationship with each individual on the basis of sound advice and trust. This trust is earned and strengthened on a day-to-day basis by the Bank's teams working in post offices, financial centres, subsidiary companies and central services departments.

Because it is a 'bank like no other', La Banque Postale puts the interest of its customers above all other considerations at the heart of its organisational structure.

Being a 'bank like no other' means being useful by offering a range of no-frills products and services tailored to meet the essential needs of all customers at affordable prices.

It also means supporting everyone in achieving their life goals, offering everyday financial management products and delivering a more comfortable life with real peace of mind.

A large, approachable bank working for the benefit of its customers,”

A bank “like no other”

As we enter the post-crisis period, there can be no doubt that there is a clear need for direction. What should the role of banks actually be? What is the purpose of what they do? What makes them useful?

The values of La Banque Postale echo and respond to all these questions. Its commitment to serving everyone, its mission to provide access to the banking system, its values of trust and simplicity, its local presence for customers, its policy of charging some of the lowest prices in the market, its supportive attitude and the sound basis of its business model... La Banque Postale pays close attention to its 27.4 million customers and the 30,000 staff who work in the Bank, its subsidiary companies, the La Poste Financial Services networks and La Poste Retail. It is indeed a “bank like no other”, driven by post office values of local presence and universal service. Ever since it was created on 1 January 2006, it has consistently said that, done that and proved that.

In its fifth anniversary year, the Bank has made its entire range of products and services available to its personal customers. The ranges of consumer loans and casualty insurance products launched in April and December 2010 have got off to an excellent start: in less than nine months, the Bank was already helping more than 100,000 customers to achieve their life goals, and in less than three months, more than 10,000 customers had chosen one of its casualty insurance packages.

La Banque Postale has also been granted government approval to provide business finance. A new range of products and services is now being prepared to enable the Bank to contribute to funding the national economy, with the focus on loans to small and medium-size enterprises.



PHILIPPE WAHL

Chairman of the La Banque Postale Executive Board



JEAN-PAUL BAILLY

La Poste Chairman and CEO

Chairman of the La Banque Postale Supervisory Board

Being responsible also means being efficient and profitable

Since 2006, La Banque Postale has delivered consistent 4%* growth in net banking income. Without imposing any restrictive conditions on its lending policy, in 2010, La Banque Postale supported 120,000 households in their home purchasing plans, and helped its customers to save (788,500 savings accounts opened), prepare for retirement (85,000 new pensions policies) and plan for life's unforeseen events (423,800 personal risk policies).

La Banque Postale continues to demonstrate the quality and stability of its business model, whilst maintaining consistent growth. Its balance sheet is sound, its capital structure robust, and at 11%, its Core Tier 1 Ratio is one of the best in the industry. Its cost/income ratio has also improved by 1.5%, and La Banque Postale still boasts one of the highest ratings in the banking sector**.

Lastly, a word about the post office network... La Poste Retail has made a very considerable effort to keep its costs under control, at the same time as remodelling its branches. The scale of the modernisation plan is totally unprecedented, with nearly 800 post offices refurbished to reflect the Customer Service Centre concept in less than two years. They will be joined eventually by a further 1,000 branches. Never before has such a plan proved so successful: customer satisfaction is 92%, and waiting times for straightforward transactions continue to get shorter. The post offices and their in-branch advisers are the core strength of the La Poste Group and a major asset of La Banque Postale. In line with its commitment to continual improvement in the way it responds to customer expectations and to technology-driven changes in consumer behaviour, the Bank has also added new functionality to its multichannel structure to ensure that it is accessible to everyone, everywhere, at all times.

We exist to serve our customers

We have a duty to listen attentively to our customers, provide them with high-quality advice and service, and to do so efficiently, profitably and robustly. Continuing to put customers' interests first and ensuring that they remain at the heart of the Bank's organizational structure involves obligations, duties and demanding levels of professionalism at all times. Going further still and doing even more for our customers... that is our principle, our commitment and our ambition.

All the Bank's team members are united by a single voice and the shared dedication to being A bank "like no other", and continue to work together to build a large, approachable bank that operates for the benefit of its customers, the La Poste Group and our national economy.

* Excluding home loans provision.

** A+ long-term rating from Standard & Poor's (04/02/2010).

AA- from Fitch (07/20/2010).

Governance at La Banque Postale

From the very 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, bank 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 SA Chairman and CEO Jean-Paul Bailly. There are fifteen board members. Seven members occupy senior management posts in the La Poste Group, three are independent and the remaining five are 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 La Banque Postale Government Commissioner to oversee its public service responsibilities. The Works Council Secretary also attends board meetings.

The Supervisory Board has created three specialist committees to assist it:

- the Audit Committee;
- the Strategy Committee;
- the Appointments and Remuneration Committee.

The Members of the Supervisory Board

Members occupying posts within the La Poste Group:

- Jean-Paul Bailly, Chairman of the La Banque Postale Supervisory Board and Chairman & CEO of La Poste SA;
- Marc-André Feffer, Deputy Chairman of the La Banque Postale Supervisory Board, Executive Director of La Poste SA with responsibility for Strategy, Development, Legal and International Affairs and Regulation, and Chairman of Poste Immo;
- La Poste, represented by Georges Lefebvre, Executive Director of La Poste SA, Director of Human Resources and Employee Relations;
- Didier Brune, Director with responsibility for European and national regulation at La Poste SA;
- Paul-Marie Chavanne, Executive Director of La Poste SA, Director of Parcels and Chairman of GeoPost;
- Bernard Delpit, Executive Director at La Poste and CFO;
- Didier Négier, Director of Shared Services, Procurement, Information Systems and Cost Optimisation at La Poste SA (until 31 December 2010). Dung Pham Tran, Director of Strategy at La Poste SA, succeeded him with effect from 18 January 2011.

* The Viénot Reports (1995 and 1999), the Bouton Report (2002) and the AFEP/MEDEF code in the main.



Independent members:

- Gérard Barbot, Company Director;
- Sylvain Lemoyne de Forges, Deputy CEO of AG2R LA MONDIALE with responsibility for finance, strategy and business development;
- Didier Ribadeau-Dumas, Company Director.

Employee representative members:

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

Government Commissioner:

- Christian Bodin.

The Banque Postale Executive Board

The Executive Board has two members:

Philippe Wahl, Chairman (who succeeded Patrick Werner on 18 January 2011) and Philippe Bajou.

La Banque Postale **internal governance** involves regular meetings of the Executive Board, the Executive Committee, the Management Committee and the following 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 Executive Committee*



** At 18 January 2011.*

1 Philippe Wahl
Executive Board Chairman

2 Philippe Bajou
Executive Board Member

3 Jean-Luc Enguéhard
Head of the Asset
Management Division

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

5 Marie Cheval
Head of Operations

6 Bernard Condat
Head of Sales

7 Danielle Wajsbrot
Head of the Insurance
Division

8 Alain Saubole
Head of Risk Management

9 François Schwerer
Head of Legal Affairs

10 Marc Levy
Head of Compliance

11 Sylvie François
Head of Human Resources

12 Philippe Blin
Head of Information Systems

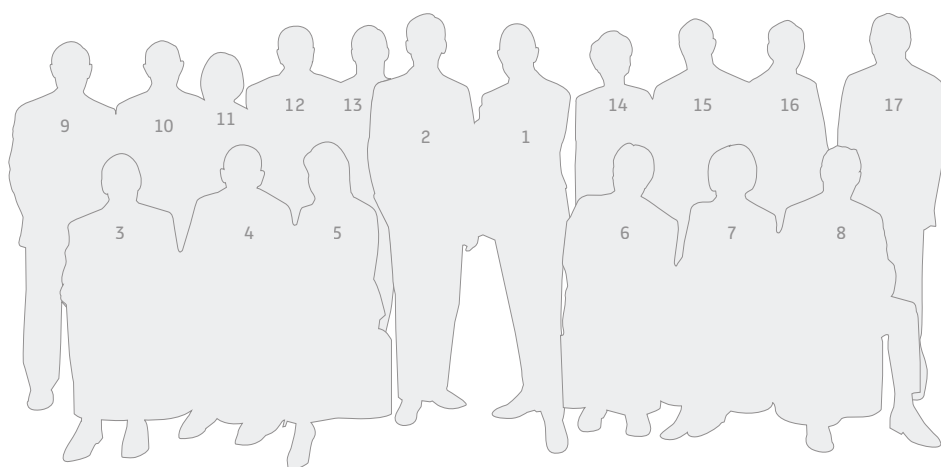
13 Yves Brassart
Chief Financial Officer

14 Sylvie Lefoll
Head of Communication

15 Philippe Bettinger
Head of Internal Audit

16 Serge Bayard
Head of Strategy

17 Didier Vuillaume
Head of Marketing



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

A compact group of companies structured for the benefit of its customers

In less than five years, La Banque Postale has succeeded in bringing together valuable expertise in retail banking, insurance and asset management. The entire Group is structured for the benefit of La Banque Postale customers.

Within just a few years, La Banque Postale has succeeded in building a compact group of companies by bringing together valuable expertise in a number of key areas. To achieve this, it has formed a series of subsidiaries and taken equity holdings in companies with a wide range of complementary skills.

At the heart of the model are La Banque Postale, its customers, its distribution structure and its technical, financial and human resources.

This central core is surrounded by all the subsidiary companies and partnerships that contribute to its growth by delivering a range of products and services dedicated to Bank customers.

Retail banking

Retail banking is the core expertise of La Banque Postale. Everyday money management, home loans, savings and – since 2010 – consumer loans via La Banque Postale Financement. Ever-attentive to the needs of its customers, La Banque Postale designs all its products and services on the basis of the same philosophy: identifying and meeting essential needs – and nothing but essential needs – at the same time as offering maximum accessibility to all at affordable rates.

Asset Management

La Banque Postale has chosen to provide functional and financial support to the subsidiary companies and holdings of its Asset Management Division. It is within this supportive environment that the division focuses exclusively on its core business. This unique model reconciles the independence of each management group with the strength of individual brands, the pooling of certain functions and the security of the La Banque Postale Group.

Insurance

The structure and scope of the Group's insurance subsidiaries is a central plank of La Banque Postale strategy, which is focused on continuing the process of improving the way we respond to our customers' needs as their lifestyles and attitudes change. In 2010, the division launched the range of casualty insurance products developed by La Banque Postale Assurances IARD.

Also in 2010, La Banque Postale submitted an application for approval of its subsidiary company La Banque Postale Assurance Santé, which was granted in January 2011.

**LA BANQUE
POSTALE**
HAS SUCCEEDED IN BUILDING
A COMPACT GROUP OF
COMPANIES BY BRINGING
TOGETHER VALUABLE
EXPERTISE IN A NUMBER
OF KEY AREAS.

Asset Management



La Banque Postale Private Banking

Ciloger

XAnge Private Equity

Tocqueville Finance

Retail banking



La Banque Postale Financement



Insurance

La Banque Postale Prévoyance

La Banque Postale Conseil en Assurances



La Banque Postale Assurances IARD

La Banque Postale Assurance Santé

2010 in figures

Net banking income:
€5.215 billion (up 4.2%)*.

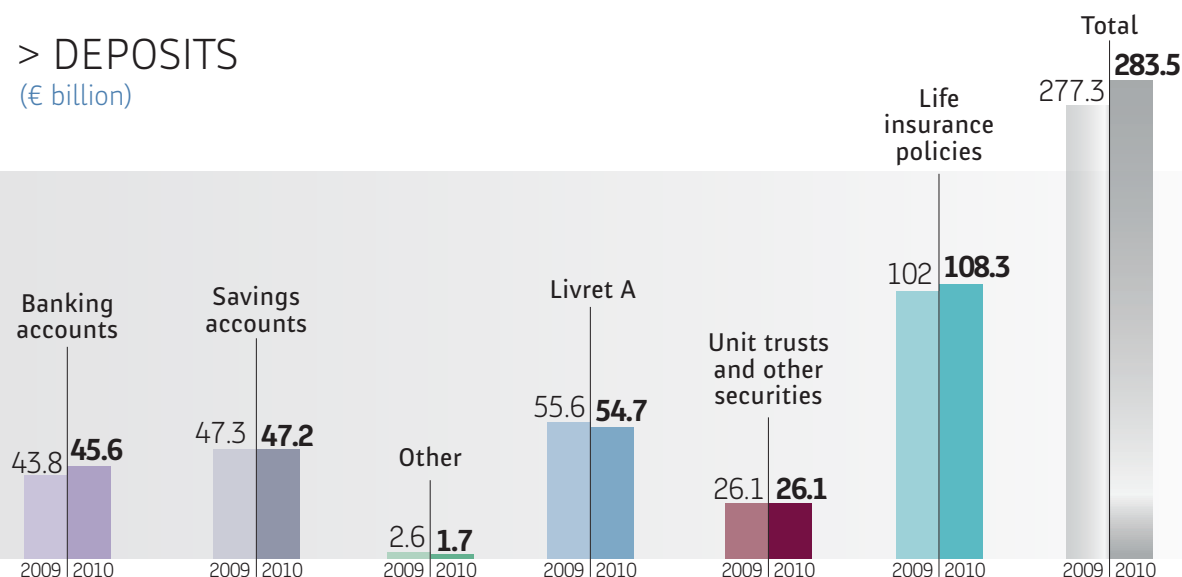
* Excluding home purchase savings plans.

| ACTIVITY (€ million) | 2010 | 2009 | Change |
|--|---------|---------|------------|
| Consolidated net banking income | 5,215.3 | 5,018.9 | +4.2%* |
| Operating profit | 719.5 | 624.6 | +15.2% |
| Net profit, attributable to equity holders of parent | 651.3 | 587.6 | +10.8% |
| Core tier 1 Ratio | 11% | 11.3% | -0.3 point |

LONG-TERM RATINGS

| | | | |
|-------------------|-----|----------------|------------|
| Standard & Poor's | A+ | Stable outlook | 04/02/2010 |
| Fitch | AA- | Stable outlook | 07/20/2010 |

> DEPOSITS (€ billion)





1.1 billion
customer
contacts via
all channels

6.3
million
meetings with
advisers

218
million
counter
transactions

398
million
distance banking
contacts

472
million transactions
(withdrawals,
account balances, etc.)
via bank ATMs

10.04

million active customers
(up 140,000 on 2009)

327

million website hits

18.7

million calls
via the 36 39* number

* €0.15 inc. VAT per minute + any additional charge applied by the operator.

10,300

Post offices, nearly 800 of which have
Customer Service Centres

€10.2

billion advanced in home loans
(up 22% on 2009)

€37.3

billion in outstanding home loans
(up 16.8% on 2009)

Highlights

2010 was a special year for La Banque Postale, because its total number of active customers topped 10 million for the first time. It completed its preparatory work on the comprehensive range of products and services for personal customers, and prepared actively for business banking.

1

10 million active customers

In July 2010, La Banque Postale achieved one of the key goals set out its 2006-2010 strategic plan: 10 million active customers. The crossing of this symbolic threshold underlines the effectiveness of the bank's positioning as the bank 'like no other'. More and more customers join La Banque Postale every day, because it listens to their needs, advises them, anticipates their expectations and adapts to the way they want to do things. More than ever in its history, it is now the bank for everyone.

2

The La Poste Group

The draft postal legislation adopted by the National Assembly on 12 January 2010 led to La Poste assuming the status of a 100% publicly-owned limited liability company on 1 March 2010. This change of status opens the way to a capital increase of €2.7 billion now being prepared jointly by La Poste, La Caisse des Dépôts et Consignations and the French government.



3

Consumer loans

In April 2010, La Banque Postale launched a range of consumer loans developed in accordance with its core values and practices. The new range was offered through all distribution channels, including the post office network, the Internet and the 36 39 number. La Banque Postale has set itself the mission of restoring customer trust in consumer loans through the provision of information, responsible lending and a simple, easily-accessible and totally-transparent range of products. La Banque Postale wishes to contribute to expanding and developing the consumer loans market in France.



4

Casualty insurance

In December 2010, La Banque Postale launched its first range of casualty insurance products and services for personal customers; a range developed in accordance with its core values and practices. Its ambition is nothing less than to 'invent' the new model for the next 10 years. This specific model is built on a wholly

multichannel approach to distribution, management and customer relations, rates amongst the lowest in the market and high quality of service. In more general terms, it puts the emphasis on transparency and clarity of information designed to enable customers to select the policy and covers best suited to their circumstances.



Working towards a comprehensive range of products and services for business

Consistent with the commitments outlined by the French President in February 2010, La Banque Postale received the green light at the beginning of August last year from Christine Lagarde, the French Minister for the Economy, Finance and Industry, to prepare a range of financial products and services for business customers.

La Banque Postale plans to approach this market progressively. Medium-term loans for the creation and purchase of small companies will be provided through the Bank's local partners. With this in view, the Bank has signed a non-exclusive partnership agreement with France Initiative, the country's leading Federation of local organisations providing support and funding for small business start-ups and purchases.

6 A new employment agreement for Financial Centre staff

The *Avenir des métiers bancaires en Centre financier 2011-2015* (Future Path for Financial Centre Banking Careers 2011-2015) agreement signed in June 2010 sets out the company's five-year commitment to its financial centre staff in what is a singular commitment in today's unstable banking world. It will enable staff to continue the process of adapting to change and continuing to play their central role in the success of the Bank.

7 Three Business Centres opened

The Marseille Business Centre was officially opened in January 2010, followed by Lyon in June and Paris in November. These new centres join those already in place in Bordeaux, Martinique, Guadeloupe and La Réunion. The introduction of these centres dedicated to the needs of business customers reflects the commitment of La Banque Postale to establishing itself as an alternative bank in this market.



8 Customer Service Centres: delivering satisfaction for existing and future customers

The new post office concept known as Customer Service Centres (CSC) is designed to improve the welcome we extend to our customers and the ways in which we address their needs. Tested in 2009, this concept is now a reality in nearly 800 post offices. Its benefits for customers include shorter waiting times, a higher profile for the advice centre, and the routing of customers to those channels most appropriate for their needs.

2010 in brief

Products & services

- **April 2010:** launch of the consumer loans range. La Banque Postale chose Saint-Denis near Paris as the location for its Customer Relationship Centre (CRC). Nearly 200 specialist advisers were recruited to staff the new centre; 25% of them live in Seine-Saint-Denis.
- **September 2010:** La Banque Postale markets a range of products for buy-to-let property investment

tailored to the needs of asset management customers seeking to benefit from the related tax incentives.

- **December 2010:** Launch of the casualty insurance range in association with the La Banque Postale Assurances IARD Customer Relationship Centre in Nantes. 200 staff will be recruited between now and the end of 2011.

In 2010, the bank signed 26 partnership agreements

with support networks in France to promote personal microcredit. A total of 78 such agreements have been signed since 2007.

- **2011:** Creation of La Banque Postale Assurance Santé, which will market a comprehensive range of health insurance products and services by the end of 2011.

Recognition

- **La Banque Postale topped a brand value survey conducted by Euro RSCG**

based on functional criteria (products, innovation, customer relations, etc.) and symbolic criteria (contribution to national heritage, image, social commitment, brand prospects, etc.).

- **For the second consecutive year, La Banque Postale is seen as France's leading bank in terms of commitment to sustainable development,** according to the IFOP Observatoire du Développement Durable® survey.

- **2010 Revenu awards:** as in 2009, La Banque Postale scored the highest rating, with 83% customer satisfaction. La Banque Postale came second overall: "the bank remains unbeatable in terms of rates".

- **The Baromètre de L'Argus de l'Assurance survey** puts La Banque Postale at the head of its rankings, which are based on four criteria: ethics/innovation, customers, innovation and personal relationships.



[1]



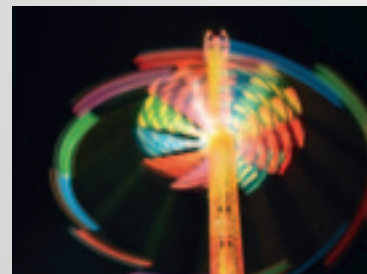
[5]



[2]



[3]



[4]

Strategy

Being a “bank like no other” means...

CULTIVATING A NEW GROWTH MODEL

As everyone’s bank, and a bank close to its customers, La Banque Postale has once again demonstrated the long-term stability of its business model. In 2010, it continued its expansion by focusing more than ever on serving its customers and acting in their best interests. It’s a way of doing business that’s unique to La Banque Postale.



[10]

[9]



[7]

[6]



[11]



[8]



Everyone's bank listens to every individual

As the heir to La Poste Financial Services, La Banque Postale is proud of its local, straightforward relationship with each and every one of its customers. Everything the Bank does is designed to reinforce the trust of its customers to maintain this key asset unique in today's banking market.

La Banque Postale is a "bank like no other", driven by post office values of local presence and service. By putting the interests of its customers first, La Banque Postale continues its tradition of trust, straightforwardness and listening to all its customers. Customers and their satisfaction are central to everything it does. They are the driving force behind its organisational structure and its growth.

Everyone is welcome

From those customers on the most modest incomes to the very wealthiest, from the youngest to the oldest, whether urban or rural, and regardless of whether they are personal or business customers...

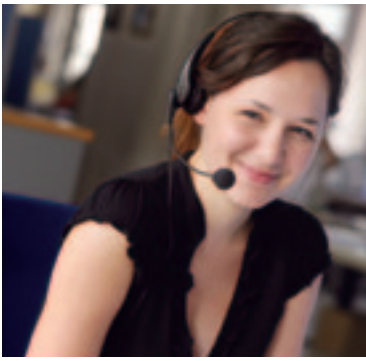
La Banque Postale is the bank for everyone that listens to every individual, with a commitment to extending a considerate welcome to everyone, regardless of personal circumstances. In 2010, the Bank crossed the 10 million active customer threshold. It responds professionally and personally to the expectations of every customer. With support from specialist asset management and property colleagues, the Bank's advisers meet customers face-to-face in post offices, whilst the customer service staff working in its financial centres and specialist (casualty insurance and consumer loans) centres maintain the distance banking relationship. In post offices, customer managers and counter staff pay special attention to financially-vulnerable customers through the provision of banking and other information. Their counterparts in financial and specialist centres do the same for distance banking customers. Asset management advisers trained and coordinated by La Banque Postale Gestion Privée (the subsidiary company owned jointly with Oddo & Cie) provide specialist advice to the bank's asset management customers.

A sustainable relationship...

The bank maintains a sustainable relationship with its customers; a relationship that has always been built on its core values and a way of doing business unique to La Banque Postale. It offers a range of simple products and services designed to cover the essential needs of everyone – and nothing but their essential needs – at the most reasonable cost. La Banque Postale designs its products and services around the principle of transparency: going beyond simply the need to ensure compliance of its products, it is committed to making them understandable by customers through the provision of printed information and sales communication.

Accessibility, straightforward, unambiguous customer relationships and price positioning are therefore the key elements in the design of La Banque Postale products and services. That commitment is clearly borne out in the many comparisons and listings published in the press (*see inset on page 29*).





... maintained by the bank's teams

Listen, understand, advise... Whether face-to-face or in a call centre, the Bank's Advisers and Customer Service Staff apply the basic principles of La Banque Postale to offer the 'right product' on the basis of individual circumstances. The fact that the bank gains more customers every day is a direct result of its commitment to a continual process of improving the way it responds to their needs – and to changes in their lifestyles and attitudes – to offer them much more than simply financial products: peace of mind and convenience at every stage of life.

LA BANQUE
POSTALE SERVES
MORE THAN
10 MILLION
ACTIVE CUSTOMERS.

A bank “like no other” in terms of access to banking services



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. It is legally obliged to “open a Livret A account for anyone requesting it” and to offer free deposit and withdrawal transactions for amounts above €1.50 for these accounts (compared with €10 in other banks) and to accept interbank payments and direct debits for certain transactions (social benefits, electricity bills, etc.).

In addition to this public service mission, La Banque Postale has always, and quite naturally, encouraged access to banking services for financially-vulnerable individuals:

- **access to bank accounts.** The bank offers account packages and payment methods tailored to every type of personal circumstance, including for those customers who have no cheque book, where the bank

suggests alternative methods of payment available with the Initiale account package;

- **access to personal microcredit loans.** In 2010, the bank signed 26 partnership agreements with support networks in France, bringing to 78 the total of such agreements signed since 2007;
- **access to organisations specialising in supporting customers to achieve greater banking autonomy.** The bank concludes partnerships with organisations involved in combating social exclusion (including Uncass*, Crésus**, Ingeus and others);
- **access to money transfer services.** Those without bank accounts can still make payment orders. La Banque Postale acts on behalf of its financially-vulnerable customers by helping them to learn how to use the payment services and resources best suited to their circumstances;
- **access to instructional information** on issues such as savings and budget management.

* National Union of Community Social Action Centre).
** Regional Chamber of Social Overindebtedness.

The growth strategy of a bank “like no other”

In 2010, La Banque Postale once again demonstrated the stability of its business model, which is proving more successful than ever in serving its customers.

Ever since 2006, the Bank has grown consistently to offer them today's comprehensive range of banking and insurance products and services.

La Banque Postale applies a long-term strategy underpinned by customer satisfaction and the provision of products and services to a broad and committed customer base unique in the market.

In terms of organic growth, customer take-up of products and services is as dynamic as ever. New business from home loans is growing very quickly (up 22%). The bank's consumer loans launched in April 2010 have already attracted 100,000 customers. Livret A passbook account openings were particularly dynamic during the year (440,000 accounts opened in 2010).

The Bank's personal risk products and services also proved extremely successful. La Banque Postale Prévoyance now leads the dependency insurance market, with a 25% share of all new policies purchased during the year*.

Faster growth delivered by an original partnership strategy

La Banque Postale has implemented an original partnership strategy designed to build a comprehensive range of products and services for its customers as quickly as possible. By selecting the best people and practices in the market, the bank is able to offer accessible products and services focused on essential needs at reasonable prices.

In accordance with its development timetable, the Bank launched two new areas of business in 2010: consumer loans through La Banque Postale Financement (a subsidiary company owned jointly with Société Générale) and casualty insurance products and services (designed and managed by La Banque Postale Assurances IARD, the company formed in partnership with Groupama).

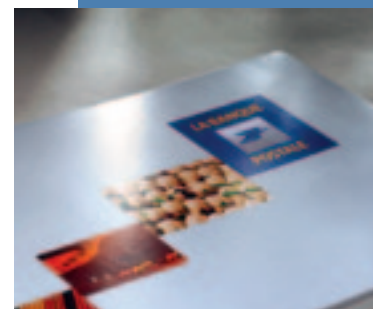
A bank “like no other” in terms of the way it designs its products and services



La Banque Postale is the only Bank to offer a range of personal loans designed from the outset to reflect the provisions introduced by the French consumer credit reform law (published in the *Journal officiel* of 2 July 2010). In fact, the new legislative environment is totally compatible with the values of the bank and the responsible approach it takes to conducting its business. As soon as the range was launched on 1 April 2010, the bank introduced an associated series of support resources for borrowers (information-based application systems, responsible lending procedures and support throughout the period of the loan).

The range itself is simple, accessible and modular, backed up by tailored creditor insurance and some of the lowest rates in the market. La Banque Postale Financement has also entered into an experimental agreement with Crésus (*Chambre Régionale du Surendettement Social* - Regional Chamber of Social Overindebtedness), the organisation set up to prevent the risk of overindebtedness and provide support for those caught up in debt.

Lastly, the bank offers its range of consumer loans through every distribution channel (post offices, phone and online) to enable its customers to use each channel as and when they wish.



These ranges combine the very best of the expertise and skills offered by its partners, together with the values, methods and potential of La Banque Postale itself. Their launch into the market completes the process of establishing a comprehensive range of banking and insurance products and services for personal customers.

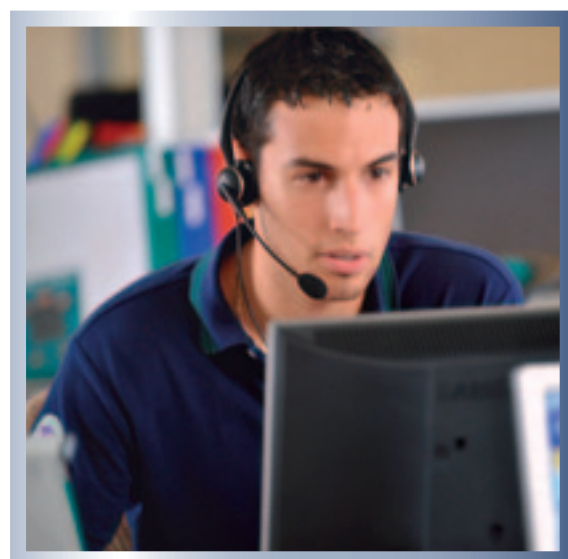
Delivering more than just financial services

The bank has taken over the personal services business originally launched by La Poste. Focused on the six services most expected by customers, this range was designed in partnership with a Groupama subsidiary company. At the end of 2010, the Bank signed an agreement with Attijariwafa Bank, the leading North African banking and financial services group, to develop a range tailored to the needs of customers on either side of the Mediterranean. The services involved

will enable money transfers to be made between accounts (France/Morocco and France/Tunisia) at reasonable cost. These services are also backed up by protection, and the bank plans to extend its Health range to address the concerns of French customers in terms of gaining repayment for healthcare charges. This product will be marketed by La Banque Postale Assurance Santé, the subsidiary company set up jointly with La Mutuelle Générale, the long-established partner of La Poste with which the bank shares the same values of social supportiveness and accessibility.

* Source: the French Federation of Insurers (*Fédération Française des Sociétés d'Assurances FFSA*).

IN 2010, THE BANK LAUNCHED TWO NEW AREAS OF BUSINESS – CONSUMER LOANS AND CASUALTY INSURANCE – TO COMPLETE ITS COMPREHENSIVE RANGE OF SERVICES FOR PERSONAL CUSTOMERS.



A multichannel, personal banking relationship

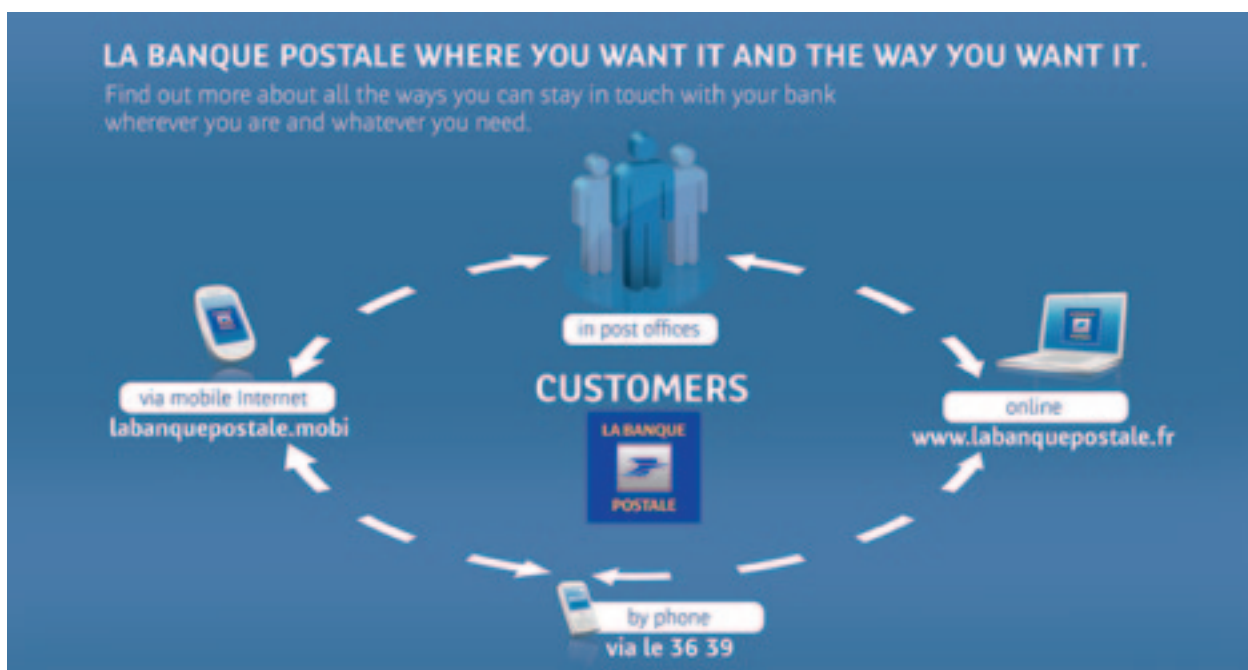
With the local presence provided by the post office network, a website, mobile Internet connectivity and nearly 6,000 financial centre staff, La Banque Postale offers its customers the choice of contacting it by whichever channel suits them best in order to manage their accounts, find information, receive advice and select the products and services they need.

La Banque Postale prefers to leave the choice to its customers by operating an efficient multichannel contact system. With its finger on the pulse of new consumer patterns as they evolve every year, the bank puts in place every resource required to simplify the lives of its customers by offering them the opportunity to mix and match contact channels to suit their own needs and to build the kind of relationship that suits them best.

The post office face-to-face relationship: a key element in customer relations

The 10,300 post offices, where more than 31,200 counter staff welcome La Banque Postale customers and 9,700 advisers provide them with information and options, provide the framework for the face-to-face banking relationship. By listening to their customers, they all provide personal advice to every individual.

La Banque Postale is also the only bank to offer its customers specialist property advisers. These 724 experts analyse their customers' circumstances and home ownership plans in order to offer the best-possible solution. The new customer reception and efficiency model – the Customer Service Centre (CSC) concept – has now been introduced into the 800 largest post offices. They will be joined eventually by a further 1,000 branches. This decisive improvement in the way the bank welcomes its customers promotes the profile of La Banque Postale, smoothes customer traffic flow, accelerates service and achieved a satisfaction rate of 92% amongst customers, according to a survey conducted by TNS Sofres in November 2010. The average length of time customers have to wait to speak confidentially to a member of bank staff is now 4 minutes and 7 seconds in the 1,000 largest post offices*. Now welcomed as soon as they enter the post office, customers are directed towards the fastest and most appropriate solution for their needs.



Key figures...

17,000

points of contact,
including 10,300 post offices

800,000

banking transactions
conducted every day in post offices

27.25

million hits per month
at www.labanquepostale.fr

18,7

million calls
to the 36 39 number

705,000

hits on labanquepostale.mobi
in December 2010

842,200

products purchased via
the 36 39 number and Financial
Centres in 2010 (up 6%)

Incorporating all the elements of the Customer Service Centre concept, the post office located next to the future La Banque Postale head office in the Rue de Sèvres, Paris, opened at the end of October 2010. Designed as a showcase of customer service technology innovation, it features interactive touch-screens incorporated into the glazed facade, a touch-screen video wall providing profile-specific visitor and customer information (for personal, association and business customers), touch-screen table computer and terminals for customers to conduct account transactions in a dedicated transactions area.

The *Assises des territoires ruraux* rural communities consultation process of 2010 identified the presence of ATMs as a key factor in the appeal of rural areas. La Poste is currently installing ATMs in the post offices of rural centres not already equipped with these facilities. This programme will see the installation of 32 ATMs in 25 French départements.

Overall, the total number of bank ATMs rose by 12% in 2010 to 5,981.

36 39**: enabling a personal relationship with the bank's financial centres

Having pioneered the principle of distance customer relationship management in the 1960s, La Banque Postale has consolidated the central role played by its 23 financial centres over many years by developing the banking expertise of nearly 14,000 members of staff, 6,000 of whom are responsible for the front office and middle office coordination of customer relationships. This asset is unique in the banking industry.

As the single point of entry for phone-based customer relationships, the 36 39 number now offers a greater range of functions. This short and easily-memorable number allows previously-authenticated customers to call their financial centre and conduct instant, secure everyday banking transactions by speaking to a member of customer service or business development staff on issues such as interbank transfers, overdraft extensions, savings solutions and personal risk cover.

* Source: Quality Inspections by the Retail Division in September 2010.

** €0.15 inc. VAT per minute + any additional charge applied by the operator.



Customers may call the 36 39 number to open a postal current account (since October 2010) or to apply for a home loan (since February 2011).

The 36 39 number is also a direct link to the Customer Relationship Centres of La Banque Postale Financement for consumer loans and La Banque Postale Assurances IARD for casualty insurance.

The reception, information and meeting services provided by the National Customer Relationship Centre continue to be in high demand: the volume of calls from existing and potential customers increased by 30% in 2010 and 185,000 meetings with post office advisers were held by phone. Demand also increased during the year for the online banking support service operated by the National Customer Relationship Centre and some Financial Centres. The National Customer Relationship Centre is also responsible for following up customers completing online requests for information or meetings.

Fixed and mobile Internet services: a 24/7 relationship

The **www.labanquepostale.fr** web gateway is the fourth most-visited banking website in France*. In 2010, it recorded an average of 27.25 million hits every month. The functionality of the site has been extended to include personal data management, voluntary contributions to life-insurance and pensions policies, scheduled interbank transfers, secure Digital mail service and a secure chat facility for interactive dialogue with an adviser or customer service manager.

The mobile website at **labanquepostale.mobi** further extended the range of distance customer relationship options in February 2010. Usable from all smartphones, it provides free access to corporate information (post office locations, calculators, products and services) and secure account access with the option to make transfers between accounts.



31,200 Multitasking counter staff conduct straightforward banking transactions in post office branches.

The '*biendemenager.mobi*' mini-site and '*Carnet immo*' property purchase and rental search app have made this mobile web gateway site even more attractive. By the end of 2010, it was receiving more than 700,000 hits per month. Three iPhone, iPod and iPad apps complete the range of mobile options: '*Accès Compte*' and '*Idée Projet*' launched at the end of 2010, and '*Gestion budgétaire*' introduced at the beginning of 2011.

* Source: Nielsen/NetRatings Panel.

A bank "like no other" in terms of its clear, transparent customer relationship

Ever since its launch in May 2009, the new banking relationship that offers 'a new way of experiencing your bank' in everyday money-management has already attracted 1.77 million customers to sign up for one of the three packages on offer: **le Menu, la Carte and le Self-service.**

In addition to the services they need (current account, payment card, insurance, overdraft, etc.), customers are free to choose the banking relationship they prefer, depending on the level of personal contact they require.

Depending on their requirements, they then use whichever channel they believe will be more effective: face-to-face advice from post office advisers, or the instant availability and responsiveness of distance channels (the 36 39 number, fixed Internet and mobile Internet).



30,000 employees dedicated to customers

La Banque Postale listens to every member of staff without exception, regardless of whether they are employed by La Banque Postale, La Poste Financial Services or La Poste Retail. It operates an employee relations plan and implements a fair human resources policy designed to deliver the motivation required to support the accelerating rate of Group growth.

La Banque Postale teams put their heart, soul, energy and talent into serving their customers. A total of 29,242 employees* are engaged in delivering customer service every day, regardless of whether they are employed by the bank (1,823) or its subsidiary companies (834), work in Financial Centres (13,976), are IT specialists in the Financial Services and Retail IT Departments (1,674) or are La Poste Retail banking advisers (10,935).

Recruiting the best people

In support of its recruitment policy (1,120 staff recruited in 2010), La Banque Postale has further confirmed its status as a responsible and professional bank through a new employer brand. As a fast-growing business, the bank has raised its recruitment requirements and diversified its sourcing of applicants.

In 2010, it established links with some fifteen further education institutions, including a special partnership with Audencia, one of France's leading business schools.

* Full-time equivalent unit at 31 December 2010.



A bank “like no other” in terms of its commitment to business ethics



Integrity, objectivity, confidentiality and professionalism: La Banque Postale puts its ethical values into action every day.

This mindset extends beyond regulation and is deeply rooted in its people, continuing the tradition of trust inherited from La Poste Financial Services. In accordance with its principle to put the interests of customers first, La Banque Postale attaches priority importance to compliance with customer-related regulations.

Advisers therefore apply a method based on listening to customers and understanding their personal circumstances in order to recommend the products and services best suited to the requirements of each individual.

Published ever since the bank was formed, the business ethics rules that bring together all its current good conduct guidelines were updated in 2010 following regulatory changes. Accompanied by an enormous range of accessibility resources, it has been distributed to all La Banque Postale and La Poste staff involved in banking, financial and insurance transactions (nearly 60,000 people, from post office advisers to financial centre staff, financial centre management and counter staff) to deliver the highest level of information about the business ethics principles they are committed to respecting.

Skills development

Developing the personal skills of its people and supporting their career development are the linchpins of La Banque Postale management policy. They encourage and strengthen the commitment shown by bank staff. They also underpin the personal and professional development of individuals, as well as providing a guarantee of improved customer service. The goal is also to build management expertise in order to unite all staff around the core values and ambitions of the Bank. Training is a major commitment at La Banque Postale, which delivered 910,000 hours (130,000 days) of training in 2010. Nearly 260 bank and financial services staff have also been studying for banking qualifications since 2009.

In 2010, 74 of them graduated with a *Brevet Professionnel Banque* from the *Institut Technique de Banque* and *Centre d'Études Supérieures de Banque Management*.

On 1 July 2010, the French market regulator (the *Autorité des Marchés Financiers*) introduced a professional proficiency certification process as part of improving protection of customer interests and market integrity. Nearly 10,000 La Banque Postale employees in 83 La Poste Retail, Financial Centre, subsidiary company and bank head office job profiles are now in the process of certification under the AMF scheme.

Committed to diversity

In 2010, the bank reaffirmed its commitment to promoting diversity through its active participation in French Disability Employment Week, during which



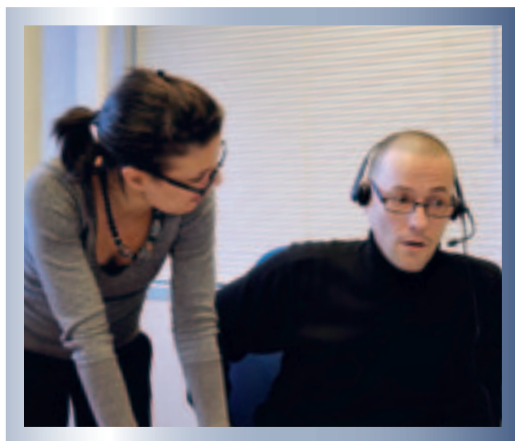
300 applicants were interviewed and 41 shortlisted. A new agreement setting out a series of more powerful resources in favour of integrating and training disabled people was signed in November 2010 with the bank's employee representative unions (CFDT, CGT, FO and SNB-CFE-CGC). The Bank's responsible purchasing policy completes the picture, with nearly €430,000 of purchases made from the protected disabled employment sector in 2010. Convinced of the wealth of diversity opportunities and committed to equality of opportunity, the Bank is actively seeking to attract talented people who share its values. All are selected solely on their merits. In terms of equality in the workplace, the Bank implements and monitors a policy of non-discrimination and gender equality in training and promotion (50.3% of bank executive staff are women).

Supporting change

As part of the financial centre development programme set out in its 2011-2015 master plan, the company has given its commitment to centre staff under the terms of the *Avenir des métiers bancaires en Centre financier 2011-2015* (Future Path for Financial Centre Banking Careers 2011-2015) agreement signed with trade unions in June 2010. This agreement reflects the commitment of a people-focused responsible management style that promotes quality of life in the workplace in return for adaptation to suit customer expectations (no compulsory geographic mobility, open career paths and motivating career opportunities at all ages, etc.). In addition, the professional development counsellors introduced in 2010 have the task of developing employee skills and careers and supporting individuals in their career plans.

In 2010, the Bank also became involved in a group-wide La Poste project to reform the administrative management of financial services staff with the aim of optimising the quality and productivity of services supplied to members of staff and managers.

Lastly, La Banque Postale is bringing forward innovative initiatives for mobility and career path diversification. These involve enhancing the banking skills of staff for the benefit of customer relations and personal development. Courses based on the shadowing principle are currently being developed jointly by La Banque Postale,



5,562
FINANCIAL CENTRE
STAFF TRAINED AND
SUPPORTED IN CUSTOMER
SERVICE DEVELOPMENT.



La Poste Retail and La Poste Financial Services. Once introduced, they will enable all La Banque Postale and La Poste employees, regardless of status and reporting structure, to diversify and enrich their experience on the basis of their own preferences. This policy therefore encourages people to alternate between expertise-based and management functions and between front, middle and back office operational functions.

Developing every individual...

La Banque Postale continues to implement the initiatives introduced at the time the business was formed to develop individual performance as a lever for collective success, and as a way of recognising the skills development and potential of every employee. This approach continues to energise careers management within the Bank.

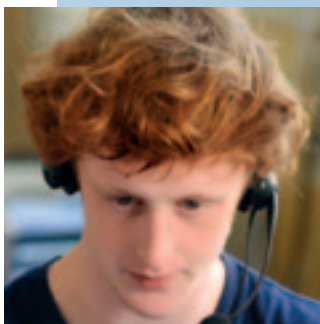
In 2010, the Bank introduced changes to the variable remuneration

structure of its advisers. Under the new arrangement, their performance is evaluated on the basis of collective and individual criteria, as well as on the quality of advice required by the company. The move is designed to put the best interests of customers at the heart of professional motivation. Since the success of the company relies chiefly on the efficiency of its people and their willingness and ability to make their best-possible contribution, La Banque Postale has signed five across-the-board agreements on health and wellbeing in the workplace, disability, exceptional working hours, remuneration and company profit-sharing. Together with the nature of the social dialogue underlying all these agreements, their innovative content provides financial services and bank staff with essential guarantees that allow them to commit confidently to the company's plans for the future.

... and sharing our success

Having sponsored the international NGOs *Planète Urgence* and *France Volontaires* since 2008, La Banque Postale encourages its staff to become involved in working for good causes by providing volunteer leave (*congés solidaires*). In 2010, 40 new volunteers from amongst the Bank's workforce increased the total number of those involved in practical social commitment to 122. Together, they devoted 8,540 hours to environmental protection and social inclusion projects. From 2011 onwards, bank staff in France will also be able to share their professional skills in socially-supportive ways under a partnership with the *Passerelles & Compétences* organisation.

A bank "like no other" in terms of its recruitment policy



The Customer Relationship Centre (CRC) of La Banque Postale Financement, the subsidiary company set up to offer the Bank's personal loan products, is based in Saint-Denis near Paris in a fast-growing urban regeneration area where many people are actively seeking work. The centre has contributed to strengthening the local economy by inviting the *Plaine Commune* conurbation authority and the *Pôle Emploi* national employment service to help in the recruitment of 200 specialist customer service and application assessment staff. Nearly 25% of those recruited live in Seine-Saint-Denis. Since April 2010, this team has been involved in the distance marketing of consumer loans, managing the process of assessing

applications, granting loans and providing after-sales service, regardless of the distribution channel chosen by individual customers.

2010 was also a year of recruitment at La Banque Postale Assurances IARD, the subsidiary company that looks after the Bank's casualty insurance business. The La Banque Postale Assurances IARD CRC in the La Chapelle-sur-Erdre community of greater Nantes concentrates all the company's operational skills in this area of insurance. In 2010, a campaign was launched to recruit customer advisers for the CRC, with the target of recruiting nearly 200 new members of staff by the end of 2011.



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Business sectors

Being a “bank like no other” means...

**OFFERING EVERYONE
PRODUCTS AND SERVICES
FOCUSED ON ESSENTIAL
NEEDS**

More than 10,000,000 active customers and 475,000 business customers put their trust in La Banque Postale. The Bank advises each and every one of them, offering a range of accessible products and services designed to meet their essential needs – and nothing but their essential needs – at reasonable cost.



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Responses tailored to essential needs

La Banque Postale maintains a personal relationship with each and every customer. Its range was extended in 2010 with the addition of new products and services tailored to the needs of its customer profiles: young, employed, seniors, asset management customers and the financially-vulnerable. More than ever in its history, it is now the bank for everyone.

La Banque Postale ended 2010 with more than 10 million active customers. Every year, more customers make the move to a bank “like no other” in the French retail banking market. Like no other, because its range of products and services is focused on meeting essential needs at the best-possible cost. Like no other, because this bank listens to its customers, addresses their expectations and adapts to changes in their attitudes and needs. And like no other, because it builds sustainable relationships with them; relationships built on sound advice and trust.

Everyday banking: letting customers choose

La Banque Postale offers its customers ‘a new way of experiencing your bank’ by offering a choice of three banking relationship and account packages: ‘Choose the Menu’, ‘Choose the Card’ and ‘Choose Self-Service’. In terms of everyday banking, customers benefit from access to genuinely useful no-frills products and services. They choose the channel which suits them best on the basis of the relationship they wish to have with the Bank. Occasional or regular face-to-face contact with a post

office adviser, or a distance relationship by phone or online... this multichannel structure, which gained a number of new features in 2010 (see pages 20 to 22), allows every customer to access banking products and services anywhere, any time. At the end of 2010, these banking relationship packages had attracted no fewer than 1.77 million customers.

The total number of payment cards issued by La Banque Postale at the end of the year was 6.6 million, reflecting a year-on-year increase of 4.6%. For even greater security, La Banque Postale has also introduced its 3D Secure online card payment authentication solution for all customers. The multiproduct statement – available as an e-statement via online banking – now contains all a customer’s current and savings account details in a single monthly sheet. In December 2010, the bank automatically reduced overdraft charges on more than 4 million customer accounts in an early response to the recommendations on bank charges made in the Pauget-Constans report. Since 1 July 2010, it has also applied fix overdraft interest rates: 12.5% for account packages and 14% for non-package accounts (this rate rises to 15.6% where overdraft limits are exceeded). On 1 June 2010, the Bank and Western Union introduced new rates with lower target costs for those amounts most frequently transferred using this service.

Home loans: a unique organisational structure to support everyone’s home ownership plans

2010 saw total outstanding home loans break through the €37 billion barrier: La Banque Postale now manages the home loans of more than 1 million customers. The Bank continues to consolidate its position as a key player in the home loans market; a position built on the quality of its products and services, its competitive rates (on loans and credit insurance) and the professionalism of its specialist property advisers. As the only banking network to have 724 advisers dedicated to providing specialist home purchase advice, La Banque Postale provides every customer with a solution tailored to their personal, employment, family and asset management circumstances.

In 2010, these advisers supported and advised more than 120,000 households in funding their home ownership plans. Home loans totalling €10.2 billion were advanced in 2010.





As a bank that pays special attention to the best interests of its customers, La Banque Postale has not tightened its lending criteria, despite the uncertain economic and financial environment. On the contrary, it has continued to offer its customers fixed-rate loans (at a rate at least 1% below the standard variable rate) for periods of up to 25 years.

It has also extended its advisory services, and since the first quarter of 2011, its banking advisers have also been trained in home loans in order to provide an initial response as quickly as possible to customers at the home loan comparison stage. This development consolidates the expert role of the bank's specialist property advisers, who become involved at the stage of optimising customer home purchase plans and preparing loan applications.

The Bank has also extended its range of loan insurance products for over 55s, providing support for future borrowers aged between 60 and 79 with a simple, competitive range that delivers a comprehensive spread of covers.

Having been awarded the exclusive contract to market the French Education Ministry's interest-free student loan in 2009, the Bank opened more than 4,000 of these accounts in 2010.

As agreed, the partnership between Crédit Foncier and La Banque Postale came to an end on 31 December 2010, and La Banque Postale has been managing and distributing the new PTZ+ uprated government-backed interest-free home loan since 3 January 2011.

Consumer loans: taking the responsible approach

La Banque Postale is now able to respond positively to all its customers' financial needs. Consistent with its core values and business practices, the Bank's simple, accessible and completely transparent range of consumer loans is underpinned by educational information and a responsible

A bank "like no other" in terms of charges



Trust, accessibility and local presence: La Banque Postale monitors the market to ensure that its charges are amongst the lowest of any major retail bank. It offers a reasonable framework of charges with no hidden extras. As in previous years, this attitude to charges has been recognised and applauded in the press.

Le Monde Argent (February 2010): "La Banque Postale remains the least expensive traditional bank in France, and one of the lowest cost institutions in any banking category".

Mieux vivre votre argent (February 2010): "Our region-by-region winners: La Banque Postale comes out top."

Le Revenu (October 2010): "La Banque Postale is once again unbeatable. It takes the *Trophée du Revenu* for the lowest rates in the market for the third year running."

Le Particulier (September 2010): "In terms of free services, La Banque Postale is the only traditional bank capable of going head-to-head with the 100% Internet brands". It makes no charge for ATM withdrawals, even from other banks' machines, nor is there any charge for interbank transfers or for posting out new cheque books to customers' home addresses. [...] The cheapest of the traditional banks, with no restrictive access conditions."

lending policy. The range is made up of flexible, modular personal and debt consolidation loans, with repayments made at clearly-stated fixed rates. Its national deployment in April 2010 through all Bank distribution channels (post offices, the 36 39* number and online) has proved extremely successful, with more than 100,000 customers generating in excess of €850 million of new lending by the end of 2010. In summer 2010, the range was extended to include products and services dedicated to those customers who often find it difficult to access consumer credit. These new products include student loans, apprenticeship loans, €1 per day driving licence loans and bridging loans. For young borrowers, the minimum advance has been reduced to €1,000, whilst that for the €1 per day driving licence loans is also lower at €600. Student and apprentice loans can be tailored to course duration and circumstances. A support framework delivered through a dedicated centre and a *Crésus* partnership has been in place since the consumer loan business began operations (*see also page 18*).

Savings and investment: a range tailored to meet all needs

Throughout 2010, cash savings passbook accounts remained penalised by low interest rates. However, the rate rise introduced on 1 August 2010 generated an increase in credits during the second half of the year. Extended marketing of the Livret A account has not had the effect of triggering waves of transfers or significant levels of account closures. Nearly 20 million customers continue to trust La Banque Postale to manage their Livret A accounts.

* €0.15 inc. VAT per minute + any additional charge applied by the operator.



The services offered by EasyBourse, the La Banque Postale online brokerage, complement those of the bank.



Home purchase savings products also proved popular with customers during 2010, with a 16% increase in deposits and nearly 300,000 accounts opened.

In 2010, as customers remained cautious about stock markets and associated investments, La Banque Postale offered products throughout the year enabling customers to invest in equity markets with a capital return guarantee on maturity (three Evoleo products and two Vivango Actions products).

The range of Socially Responsible Investment (SRI) funds was expanded in June 2010 with the addition of the LBPAM Responsable Actions Solidaire product, which invests in social integration projects and initiatives to counter social exclusion. It joins the '*Investir Autrement*' alternative investment range, alongside the regional LBPAM Responsable Actions Euro (eurozone) and LBPAM Responsable Actions Monde (North America, Europe and Asia-Pacific) funds, the LBPAM Responsable Actions Environnement eco-fund and the Libertés et Solidarité fund which helps to finance the work done by the International Federation for Human Rights (FIDH). Offering a range complementary to that of www.labanquepostale.fr, EasyBourse, the La Banque Postale online brokerage, added to its range in 2010 with the easyPremium product. Designed for experienced investors, it provides access to all markets and financial products with lower brokerage fees for small trading orders. It complements the range, which already includes easyDécouverte for those new to investing, easyExpert for investors placing large trading orders and easyIntense for the most frequent traders. The transparent and clearly-defined charges applied to all these accounts are amongst the lowest in the market.

In terms of property investment for asset management customers, a yield-based 'retail bricks and mortar' SCPI (REIT) called Actipierre Europe was launched in September 2010. Its management focuses on identifying long-term commercial tenants able to provide the full range of solvency guarantees: in other words, major national retail chains. This new product complements the existing La Banque Postale Immobilier OPCI collective property investment vehicle. In tax optimisation, the Scellier Ciloger Habitat SCPI, which has attracted investment of more than €44 million, was followed in December by the market launch of Ciloger Habitat 2, a SCPI built around the Scellier tax incentive scheme for BBC (Low-Energy Building) accredited developments.



Lastly, a tax saving property investment opportunity offered by a new subsidiary company called La Banque Postale Immobilier Conseil was launched in 2010. This opportunity to invest directly in property is supported by a rigorous selection of development partners and individual development schemes. Investors are supported in their choice of property and its funding right through to the point of handover.

Life insurance: at every stage of life

La Banque Postale has consolidated its position in the life insurance-pensions savings market, where revenue exceeded €10 billion in 2010 and 348,000 new policies were sold, bringing the total level of assets under management to €108.3 billion across more than 5 million policies.

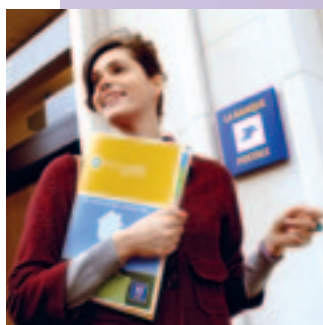
Vivaccio, the life insurance product designed for the majority of personal customers, offers covers and services tailored to every stage of life. This product has proved extremely successful ever since its launch, and at the end of December 2010, nearly €11 billion had been contributed to more than 1.2 million policies.

La Banque Postale offers asset management customers its multi-fund, multi-manager Cachemire life insurance policy, which requires a minimum initial investment of €25,000. Excelis was launched in April 2009 for those customers wishing to delegate fund switching, and has already attracted 3,100 customers to invest €290 million. Introduced in September 2010, the Toscane Vie 'loyalty guarantee' policy is designed for customers subject to French wealth tax who wish to take maximum advantage of the arrangements specific to this form of taxation. La Banque Postale has developed a comprehensive range of life insurance-pensions savings policies called Solésio, designed to enable every customer to plan for additional income in retirement. The bank has worked with CNP Assurances to design this flexible and extendable range that covers a broad range of different needs. It comprises a life-insurance policy, two Plans d'Épargne Retraite Populaire (personal pension plans) - one points-based and the other multi-fund, and the Préfon Retraite policy exclusive to public sector employees. In this way, the bank supports 672,000 customers in saving for a capital lump sum or annuity on retirement.

Personal risk: essential insurance cover

La Banque Postale Prévoyance celebrated its 10th birthday in September 2010. Over the previous decade, the company has developed one of the most comprehensive ranges of personal risk insurance products in the market. It offers accessible solutions at reasonable rates to the largest number of customers in order to cover their essential protection needs at every stage of life, from unforeseen life events to death, funeral expenses and dependency. Aware of the growing expectations of French people against the background of an ageing population, the Bank also serves the dependency insurance market. Its Protectys Autonomie policy offers a level of protection that ensures everyday

A bank "like no other" in terms of the attention it pays to service quality



Quality of service and the resulting customer satisfaction are two of the key priorities at La Banque Postale.

The wide-ranging CQFD (*Pour le Client, la Qualité Fait la Différence* - For customers, quality makes all the difference) quality programme introduced in 2007 was the focus for a quality promotion in 2010, supported by a package of measures to improve the home loan process with the aim of bringing bank employees together to act in synergy. More than 200 workshop sessions were held involving nearly 1,600 specialist property advisers and financial centre back office staff.

The outcome of their discussions on the quality aspects of the way in which home loan applications are handled has led to tangible improvements in arranging interviews, assisting customers in making applications and reducing the time taken to grant loans. In 2010, 55% of loan offers* were issued within 10 days of application, and more than 90% of customers said that they were satisfied with the way their applications had been handled.

* Source: internal home loan monitoring survey.

quality of life and a broad range of services designed to provide greater peace of mind.

The flagship policies in the range grew strongly during 2010. Financial centre customer service staff were on the front line when it came to providing customers with better information about these risks and raising their awareness of them: via the 36 39 number, they contributed 15% of all net new business gained. Post office financial advisers also performed well, with sales of nearly 362,000 personal risk policies during the year.

Casualty insurance and personal services: quality-of-life and peace of mind

La Banque Postale launched its first range of casualty insurance products in December 2010, beginning with car insurance, home insurance and legal protection. Designed to meet the essential needs of its customers in terms of quality-of-life and peace of mind, these products are available online, via the 36 39 number and in post offices, all of which route enquiries to the La Banque Postale Assurances IARD Customer Relations Centre. The range will be marketed directly in post offices during 2011. The bank has entered this market with an innovative business model built around a wholly multichannel approach to distribution, management and customer



10,000 CASUALTY INSURANCE POLICIES PURCHASED IN THREE MONTHS.

(DECEMBER 2010-FEBRUARY 2011)

relations; a model that opens up the possibility of combining input from multiple bank channels into a single transaction. Lastly, this range combines transparency (*see inset below*) with some of the lowest rates in the market and exceptional service quality.

In December 2010, La Banque Postale took over distribution of the La Poste Group personal services business, with the launch of a turnkey range. This range, which will be extended and offered via every distribution channel during 2011, reflects the La Banque Postale values of local presence and its commitment to making life even simpler for its customers.

A bank “like no other” ...
... in terms of its commitment to information and transparency



In launching its casualty insurance business, La Banque Postale has provided its customers with personalised, instructional information.

The bank pays particular attention to the documentation it supplies to its customers. In addition to the quotation, every customer receives ‘Essential Information’ about the insurance policy concerned. This leaflet provides a clear explanation of how the policy works and the covers it provides. And if the customer then decides to go ahead with the policy, he or she receives a welcome pack containing all the applicable general and special conditions. The general conditions

are designed in the form of a clear and easily accessible ‘user manual’. It sets out to answer all the questions that any policyholder may have throughout the period of the policy, and about the relationship with La Banque Postale. A booklet setting out good practices and risk prevention advice accompanies the certificates of insurance issued for car and home policies. Further practical advice is also available at www.labanquepostale.fr, where existing and potential customers can also view short educational video clips and view interactive documents to find out more about their policies and how they work.

The alternative bank for associations and companies

In order to get off to a flying start with the range of funding options it is now authorised to prepare, the bank focused in 2010 on consolidating its core business for business, institution and association customers.

Backed by the payments management expertise of La Poste Financial Services, La Banque Postale is a well-established player in the business banking market, where the core of its expertise lies in payment flow management, cash management and social engineering. It maintains a special and long-term relationship with all 475,000 of its business and association customers; a relationship built on local presence, accessibility and trust.

The bank for everyone, whether face-to-face or via distance banking

As the partner for businesses of all sizes (independent entrepreneurs and companies of every size) as well as associations and the social economy, La Banque Postale has a dedicated organisational structure and points of contact for each segment.

Committed to providing its major customers with fast, personalised service, La Banque Postale has expanded the structure devoted to serving these organisations. Payment flow and policy period management operations are now centralised nationally in the Key Account Relationship Department to provide a guaranteed quality of service.



Key figures...

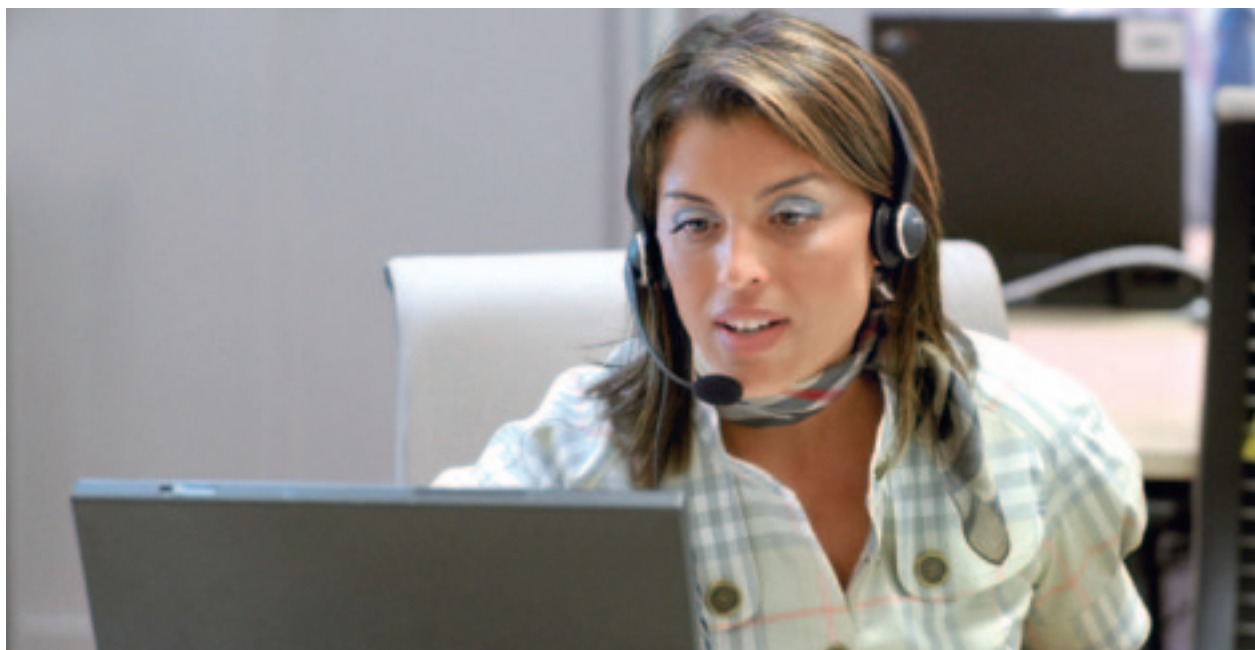
La Banque Postale plays a significant role in the business banking market:

Nearly **350,000** associations

104,000
very small companies
and professionals

14,000
small and medium-size companies

2,000
contributors to the social economy



Now refocused on their core business, the Bank's advisers support and advise customers at key points in time, such as account opening, after-sales service and changes to information systems made as part of major financial services industry projects (the Single Euro Payments Area (SEPA), the EBICS and SwiftNet standards, etc.).

La Banque Postale opened three business centres in 2010: Marseille in January, Lyon in June and Paris in November to join the Bordeaux centre, which opened in 2008. The specialist business advisers who staff these business centres meet face-to-face with customers, the majority of which are small and medium-sized companies. La Banque Postale works through the post office network to offer simple, low-cost products and services to its very small company and professional customers. The structure of the distance banking channels has also been significantly extended to offer customers even more ways of interacting with their bank. Phone banking via the Company, Professionals & Associations Contact Centre on 0820826826* is on the increase, with 3,500 calls handled every month in 2010, compared with 2,500 in 2009. Customers use this service to obtain information, reach the appropriate contact point, apply for essential products and services – such as cheque books, payment cards and insurance policies – and check their Livret A passbook accounts. Since December 2010, it has also been possible to open a postal current account simply by calling the bank. The 'Companies and Associations' section of the www.labanquepostale.fr website receives around 320,000 hits every month from existing and potential customers looking for information about the solutions offered by the bank and those accessing online banking services. Some 60,000 business customers are now subscribers to LBP@ccess 24 for very small companies and professional customers, or LBP Net for small and medium-size companies. In addition to everyday account management, a series of added-value functions tested in 2010 were rolled out for all customers at the beginning of 2011, including intraday cash management notifications, e-statements, different levels of intra-company user accreditation and electronic signature of interbank transfers.

A local presence for associations

La Banque Postale partners associations of all sizes, and shares their guiding values. In 2010, the bank managed 440,000 Association accounts. For everyday account management, the bank offers these customers its Adispo Association product, which includes a current account with cheque book, account statements, online management service, payment card insurance and an automated Livret A deposit service designed to optimise cash management. This basic product is complemented by a range of payment and cash withdrawal cards.

The security offered by the instant-access Livret A passbook account makes this the ideal investment for associations, because it maximises the profitability of their budget and is tax advantageous, since interest is paid tax-free.

For large national and international associations, the bank offers essential payment flow management services (for direct debits, electronic banking, etc.), as well as its range of socially responsible investment products. Service vouchers, such as the *Chèque de Table du Bénévole*, *Titre Cesu* and *Cado Chèque*, provide a useful way for associations to motivate and reward their members.

As a partner of the *Fondation du Bénévolat* foundation for volunteer work since 2007, La Banque Postale contributed to providing free public liability cover for nearly 43,000 volunteers in 2010.

Advice for business

La Banque Postale advises its major business customers on the technical and regulatory aspects of the changes now underway in European payment systems (SEPA interbank payments, etc.). The bank began work as early as 2009 on these transitions, and was therefore operationally prepared for the migration from the Etebac banking communication protocol to the new EBICS and SwiftNet standards. In this specific channel, La Banque Postale is the world Number 16 out of 277 banking groups in terms of volumes of payment flows exchanged. In conjunction with its standard mass payment flow management capability (130 million direct debits, 70 million interbank payments and 26 million TIP (interbank payment orders) every year, plus non-digitised flows of cheques and cash), this additional area of expertise positions the bank as a leading player in the market, particularly in the major corporates market, where it increased its already-significant volume of business in 2010.



In 2010, La Banque Postale launched the <http://assoandco.fr> website to simplify daily banking operations for more than 1 million associations. By the end of February 2011, more than 10,000 volunteers, donors and association managers have signed up to the site.



Innovation for social housing landlords

With a solid base in the social economy, La Banque Postale extends its range of services to social housing landlords, more than half of which have accounts with the bank. It has already introduced many rent payment solutions, including cash payment through post offices and payment terminals.

The use made of distance banking services increased significantly in 2010, and Scellius Net, the secure online rent payment solution launched in 2007, proved particularly successful, doubling its total number of contracts. This solution processes more than one-third of all rent payments made by payment card. A phone-based rent payment solution involving the use of the interactive Scellius Vocal voice server was presented to the French Social Housing Congress in 2010. Simple to use and totally secure, this innovation is the first of its kind in the social housing market.

Expanding the range of products and services

The Visa Business and Visa Gold Business cards marketed in March 2010 have already been taken up by 6,830 customers. La Banque Postale offers a comprehensive range of cards at attractive rates designed to meet the essential needs of self-employed

professionals starting up or running their own businesses, from accounts to business payment cards, card insurance and online banking.

By the end of December, more than 10,000 self-employed *auto-entrepreneurs* had opted for the La Banque Postale package, which includes the full range of simple banking solutions required to set up and develop small start-up businesses qualifying for the French government's *auto-entrepreneurs* scheme (business current account, online banking services, payment card and business all-risks insurance policy, which may be taken out online). A dedicated website presenting all the services offered by the La Poste Group was launched in February 2010. Following on from the *Cesu* and *Cado Chèque* voucher range, the *Chèque de Table* voucher has been available to the bank's business customers since November 2010. This easy-to-use product offers tax breaks for companies and their employees. Better still, it is accepted in more than 180,000 catering outlets.

* €0.12 inc. VAT per minute.

A bank "like no other" in terms of its commitment to socially responsible investment



Socially Responsible Investment (SRI) plays a major role in the range of guaranteed funds offered by La Banque Postale to its business, institution and association customers.

In 2010, three new generations of LBP Responsable Garantie funds were created in association with La Banque Postale Asset Management. The performance of these two-year guaranteed capital funds is linked

to a basket of equity investments in European large caps selected on the basis of social, environmental and governance criteria. SRI funds now account for 60% of all guaranteed funds under management. When considered in conjunction with the other SRI unit trusts offered by LBPAM, it is clear that La Banque Postale is able to offer its customers a very broad range of SRI investments.

Asset Management: trust and performance

As part of serving its customers, La Banque Postale has developed a range of complementary third-party asset management skills structured around the formation of its own subsidiary companies and equity investment in entrepreneurial management companies. Built on the stable foundations of the La Banque Postale Group, this model encourages autonomous financial management of the companies concerned and the pooling of certain operational systems and resources.

Varied and complementary skills

La Banque Postale Asset Management (LBPAM), a wholly-owned subsidiary of La Banque Postale and France's fifth-largest asset manager (in terms of total funds under management), has been designing and managing the funds offered to La Banque Postale customers for more than twenty years. In a difficult economic environment, it has succeeded in maintaining a positive net inflow of funds to end 2010 with €125.9 billion in assets under management. This total reflects growth of 4% relative to 2009. Highlights of the year for LBPAM and its subsidiary company La Banque Postale Structured Asset Management include the launch of all-public guaranteed capital funds indexed against the Euro Stoxx 50 (Evoléo and Vivango). Over the last three years, LBPAM has achieved successful growth in the provision of asset management services to the corporate, institutional investor and external distributor markets. LBPAM draws on the expertise of Stelphia Asset Management, the management company specialising in the markets of Central and Eastern Europe in which it holds a 14% stake. Thiriet Gestion, the portfolio management company owned 33.4% by LBPAM, offers asset management customers a range of flexible management products and services designed to take advantage of opportunities in equity markets. Now a wholly-owned subsidiary of LBPAM, AMLab focuses on supporting innovative young management companies in which it takes minority equity positions.

Tocqueville Finance SA is owned 75% by La Banque Postale, and contributes its widely-recognized expertise in value-based equity management, which seeks to exploit the potential upside of undervalued stocks. The performance of its funds reflects just how successful this expertise can be: for example, its Ulysse fund grew by 33.42% in 2010. At the end of December 2010, funds under management at Tocqueville Finance SA totalled €1.8 billion.



La Banque Postale Gestion Privée focuses on dedicated securities portfolio management services and is owned 51% by La Banque Postale. Despite unfavourable market conditions, it attracted net new money of €477 million during 2010, ending the year with €983 million under management (up 92%). This dynamic performance was driven particularly strongly by its successful Excelis life insurance policy, which delegates fund switching to the management company: more than 2,700 customers took advantage of this new tailored turnkey service in 2010.

XAnge Private Equity, the private equity management and consultancy company, has funds under management of €341 million. Owned 90% by La Banque Postale, its speciality is substantial minority equity investment in unlisted European companies. The company focuses specifically on managing its ten innovation mutual funds (FCPIs). In 2010, it launched its first local investment fund (FIP) for La Banque Postale customers.

Ciloger, which is owned 45% by La Banque Postale, is France's second-largest OPCI management company, and one of the country's Top 10 SCPI managers. In just four years, it has quadrupled



its level of funds under management (€2.6 billion at the end of 2010) and has nearly 32,000 SCPI partners.

In responding to the substantial appetite amongst customers for this type of product, which attracts tax breaks under the Scellier scheme, the Bank's advisers performed excellently in 2010 to secure €55.25 million in new investment.

A wider range of products and services for institutional investors

Performance, security, local presence and transparency... La Banque Postale draws on the additional and complementary expertise of its subsidiary and equity-affiliated companies to provide its institutional investor customers with the best-possible investment solutions.

Over the past three years, LBPAM has substantially increased the level of business it does with key account customers (institutional

investors, major corporates and external distributors). Over this period, it has attracted net new money of €8.2 billion. Targeting those institutional investors wishing to invest in the eurozone, Tocqueville introduced its first Euro Equities fund in March 2010. Ciloger offers a comprehensive range of savings products invested in unlisted property assets ranging from retail premises to office and residential buildings attracting tax breaks on rental income and/or savings and investment income. Its range of dedicated institutional investor products and services features ten property investment vehicles, and was extended in 2010 with the addition of a programme valued at nearly €220 million invested in a portfolio of ten German shopping malls.

A bank "like no other" in terms of its management quality



Regularly congratulated for the performance of its ranges of unit trusts, La Banque Postale has received many seals of approval and awards in recognition of the quality of the LBP AM range of products:

- The **Le Revenu 2010 Trophée d'Or** gold award for the 3-year performance of its eurozone equity range of funds and the **2010 Trophée d'Argent** silver award for the 3-year performance of its diversified fund range (for the period ended 31 March 2010);
- The **Mieux Vivre Votre Argent 2010 Corbeille Long Terme** award for the quality of management applied to its unit trust funds over a 5-year period and the award for the best equity range from a major network, also over a 5-year period. Coming after its second place in the same category in 2009, this award recognises the consistent performance delivered by the UCITS and equity-based collective investment funds (FCPs) offered

to La Banque Postale customers (performance for the period ended 25 June 2010);

- The **Investir Magazine 2010 Laurier d'Or** gold award in the 'equity and diversified management' category for a range that is not been off the podium for the last five years (performance over the 5 years to 30 September 2010);
 - **Best Management award in the 'Pure Money Market' category of the "Les Talents de la gestion 2010" MultiRatings – NYSE Liffe awards** voted on by institutional investors.
- On the other side of the Atlantic, Tocqueville Value Amérique was voted best fund in the 'North American Equities' category of the **Lipper Fund Awards** for its performance over 10 years. Having surveyed 3,000 independent financial advisers, **Gestion de Fortune** magazine ranked Ciloger as one of the Top 10 SCPI managers. XAnge Private Equity received the **Capital Finance** award for the Best Development Capital Issue for the work done on behalf of customer relationship management specialist Acticall.

A distinctive style of insurance

Identifying and covering essential needs and offering maximum accessibility to everyone at the best-possible price.

Over many years, La Banque Postale has worked on the basis of these fundamental values to build a broad range of insurance products and services.

Life insurance

Life insurance is a unique asset management instrument, which can be used by people of all ages to prepare for the future with total peace of mind. At La Banque Postale, life insurance has historically been developed and managed in partnership with **CNP Assurances** via Sopassure, the holding company owned jointly by La Banque Postale and Banque Populaire Caisse d'Épargne. This company owns nearly 36% of CNP Assurances. In 2010, CNP Assurances contributed €195 million to the consolidated financial statements of La Banque Postale. La Banque Postale has regularly extended and expanded its range of life insurance policies, all of which share the same characteristics in terms of financial possibilities, services, options and cover.

The quality of this range is widely recognised, and a total of 348,000 life insurance-pensions savings contracts was signed in 2010. Vivaccio exceeded the 1.2 million policy level during the year, Cachemire – the multi-fund, multi-manager life insurance policy – came second in the *La Tribune de l'Assurance* rankings, and Excelis – the delegated fund switching policy for asset management customers – was awarded the *Gestion de Fortune Oscar de l'Innovation* in the individual products category during March 2010. Lastly, Toscane Vie, the multi-fund insurance policy requiring a minimum initial investment of €200,000, was launched in September 2010. Offered via all La Banque Postale distribution channels, these products can be viewed online, and all offer the option to make additional voluntary contributions. La Banque Postale also offers a global retirement solution in the form of its Solésio range. Comprising

A bank “like no other” ...
... in terms of the way it designs its insurance and personal risk policies



All the insurance solutions developed and marketed by La Banque Postale are designed on the basis of the same philosophy.

- La Banque Postale identifies and covers the essential needs of its customers, so its policies include only those no-frills areas of cover that are really useful.
- The Bank offers policies designed to be accessible to everyone, and offers those policies in the form of simple, clear ranges. The packages offered enable everyone to obtain insurance cover under the best-possible conditions, from the moment the cover becomes effective, and right through the life of the policy.

- La Banque Postale policies include support services for customers and their families, as part of delivering real quality of life and peace of mind.
- All these products and services are offered at the best-possible price.

Committed to keeping its finger on the pulse of the concerns shared by people throughout France, La Banque Postale and its subsidiary companies have worked alongside *La Tribune* since 2007 to sponsor the Health, Savings and Personal Risk/Dependency surveys conducted by the Finance Department of TNS Sofres.



a life insurance policy, two PERP personal pension plans and the Préfon Retraite policy, it offers everyone an effective solution to making sound financial preparation for retirement. By the end of December 2010, 594,300 policies from the Solésio range had been issued, resulting in funds under management of €1.95 billion.

Personal risk

Because it listens to La Banque Postale customers and understands how to respond to their needs, **La Banque Postale Prévoyance** is today a major player in its sector, with a portfolio of nearly 2.3 million personal risk policies. Some 423,800 personal risk policies were taken out in 2010 alone. By offering La Banque Postale customers a range of products and services designed to cover essential needs at every stage of life and be accessible to as many people as possible at an affordable price, the company has risen to become the French number three personal risk bancassureur in less than 10 years: It is now the leading bancassureur in dependency cover (new business), the number two in funeral expenses insurance, and number three in temporary death risk cover*. Once again this year, five La Banque Postale policies were awarded *Label d'Excellence* status by *Les Dossiers de l'Épargne-Prévoyance* magazine: Avisys Protection Famille, Prévalys Accidents de la Vie and Résolys Obsèques Prestations have featured in these awards since 2004, Protectys Autonomie since 2005 and Résolys Obsèques Financement since 2008.

New products & services: casualty insurance and health insurance

Casualty insurance was launched at the end of 2010 by **La Banque Postale Assurances IARD**, the insurer owned 65% by La Banque Postale and 35% by Groupama (see inset on page 32). Lastly, the range of health insurance products and services is now in preparation. From the end of 2011 onwards, this business will be managed by **La Banque Postale Assurance Santé**, which is owned 65% by La Banque Postale and 35% by La Mutuelle Générale. The company will market a comprehensive range designed to reach as many customers as possible. It was granted authorisation to operate by the *Autorité de Contrôle Prudentiel* in January 2011.

Brokerage

The brokerage business has been conducted since 1998 by **La Banque Postale Conseil en Assurances** (previously Sogerco), a wholly-owned subsidiary of La Banque Postale. La Banque Postale Conseil en Assurances designs the ranges of insurance and assistance products offered in conjunction with current accounts, payment cards, bank loans, savings products, etc. As an expert in assembling turnkey products, it is also the architect behind the ranges of insurance products and services marketed to La Banque Postale business and association customers. In other countries, the company advises a number of postal services and post office-related insurers on insurance product creation and distribution strategy.

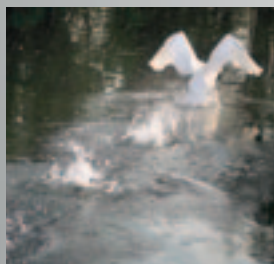
* Source: *Fédération Française des Sociétés d'Assurances (FFSA)* – the French Federation of Insurers – 2009.



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Financial information

Being a “bank like no other” means...

APPLYING DETAILED, TRANSPARENT MANAGEMENT

With its substantial balance sheet and high-quality financial management, the sound financial health of La Banque Postale was confirmed once again in 2010. The bank has continued to make a significant contribution to funding the French economy, particularly through the home loans and consumer loans granted to its customers.



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Strong growth in customer lending against a background of historically-low interest rates

La Banque Postale continues to achieve balanced growth based on a robust financial management model, which has enabled it to support very strong growth in consumer lending once again this year.

2010 saw an unprecedented rate of acceleration in the process of developing the La Banque Postale balance sheet to achieve a structure closer to that of its competitors. The very strong growth seen in home loans (€5.3 billion higher in terms of outstanding loans), associated with the increasing importance of consumer loans, delivered an unprecedented increase of 18.6% in overall customer lending.

At the same time, the pressures imposed by an economic environment still recovering from the global crisis and low interest rates, inflows of bank deposits and savings grew only moderately (up 0.8%), compared with 2009. In practical terms, the proportion of funds under management held centrally by La Caisse des Dépôts et Consignations fell by 2.1%, largely as a result of deregulation in the marketing of Livret A passbook accounts and the resulting reduction in the Bank's share of this market segment. Conversely, long-term savings benefited from the increase in home loans savings. When added to the increase seen in ordinary account balances, non-centralised customer deposits grew by 3.4%. This trend fed through into the financial management of the balance sheet in a number of ways. For the first time in the Bank's history, the value of customer lending (up by €6.1 billion) exceeded the amount of financial assets held to maturity, which showed no decrease during the year.

The increase in fixed-rate customer liabilities, the additional room for manoeuvre made possible by growth in the Bank's prudential capital and a more dynamic approach to managing the volatile section of deposits together resulted in growth of €2.8 billion in this portfolio. The bank's policy of prudent investment continued in 2010, chiefly in the form of purchases of sovereign and similar debt.

These purchases were focused on the strongest national economies, given the debt crisis in peripheral countries.

Despite the significant growth seen in long-term assets, La Banque Postale still has no need to draw on the markets for long-term refinancing, since the natural amortisation of financial asset portfolios, combined with the increase in deposits, is sufficient to support the growth of customer assets.

The financial management applied reflects changes in prudential standards, and particularly the 1 January 2011 change in the major risk ratio, which, given the finite amount of total Bank equity, has led to a reduction in financial assets at fair value through profit and loss.

At the end of the year, a €750 million issue of Lower Tier 2 debt limited the effects of new prudential constraints, and allowed the Bank to prepare for future regulatory changes.

With the exception of these special features, financial management of the La Banque Postale balance sheet addresses the following objectives:

- maintaining an overall surplus in terms of short- and medium-term liquidity;
- generating financial margins consistent with the Bank's strategic targets for Net Banking Income;
- ensuring 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.

Liabilities

Customer transactions represented total deposits of €151.1 billion at 31 December 2010.

Excluding credit balances in ordinary accounts (€45.9 billion), the majority of these deposits consist of savings accounts, of which the most significant are:

- Livret A and Livret Développement Durable (sustainable development) accounts (€58.9 billion);
- Livrets d'Épargne Populaire (popular savings passbook) accounts (€10.5 billion);
- Épargne Logement home savings (€19.3 billion in PEL home savings plans and €6.5 billion in CEL home savings accounts);
- Other savings accounts (€6.7 billion).

Livret A and Livret Développement Durable deposits continued to decline in 2010 as a combined result of deregulation in the marketing of these accounts and the lower appeal of these products in light of the particularly low interest rates seen in the first half of the year. Inflows of long-term fixed-rate resources (PEL home savings plans, CCP current accounts, etc.) continued in 2010, whilst short-term resources suffered until the end of the year as a result of historically-low rates.

This trend reflects a loss of interest in regulated savings accounts against a background of lower short-term interest rates consistent with the strong downward trend in the interest rate curve. Customers therefore continued to focus on longer-term savings (especially home savings products) or kept their assets in cash in CCP postal bank accounts.

The challenge posed by financial management is that of determining the average period over which these funds can be committed. Although the majority of deposits are contractually 'on-demand', experience shows them to be stable. On the basis of statistical analyses 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 securities issues, largely in the form of certificates of deposit. Short-term repurchase transactions are also used as part of maintaining a healthy diversity of funding sources.

Assets

Constituted essentially of home loans, **customer transactions represented total lending of €39 billion at 31 December 2010.**

This figure has grown very strongly, representing a rise of €6.1 billion between 2009 and 2010. Nevertheless, the gap between customer-related assets and liabilities remains very 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 €127.3 billion, reflecting a reduction of €2.8 billion.

These assets have a 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 in terms of interest rates and liquidity. The quality of these assets was maintained in 2010 by reducing banking exposure and focusing commitments on the eurozone. The fact that the portfolios suffered no significant loss in 2010 reflects the high quality of the assets they contain.

**LA BANQUE POSTALE
ISSUED €750 MILLION
OF BONDS IN THE FORM
OF REDEEMABLE
SUBORDINATED NOTES
(LOWER TIER 2).**

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 €37.4 billion, containing very high-quality bonds (mostly government bonds or similar) recognised at their amortised cost to offset financial margin volatility. This figure is €2.7 billion higher, because a proportion of the volatile section of current customer liabilities has been used in the form of short-term securities;
- a held-for-sale portfolio valued at €9.9 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.

This figure fell in 2010, as a result of the natural amortisation of part of the portfolio, whose target level is €6 billion.

A cash portfolio, recognised at fair value in the profit & loss account, and valued at €4.2 billion. Backed by the residual proportion of the volatile section of deposits and market funding secured under beneficial conditions, it provides the ability to manage La Banque Postale liquidity. This portfolio is in the process of structural reduction as a result of new regulations governing major risks. Part of the temporary liquidity surplus is managed in the form of reverse repurchase agreements.

Hedging derivatives

These derivatives represent notional deposits of €9.7 billion. They are interest rate swaps intended to limit the sensitivity of La Banque Postale to future margins.

The accounting treatment of these long-term (more than one year) swaps as current account, financial asset and liability cash flow hedges or consumer loan interest risk hedges limits the impact on the profit and loss account of fluctuations in their value. For current customer liabilities 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, fixed-rate financial assets and hedging instruments help to ensure margin consistency and limit the impact of interest rate volatility on profit. They also contribute to managing the overall risk posed by interest rates.

Profits move ahead

After 2009, a year marked at La Banque Postale by an easing in the effects imposed by the global financial crisis and a sustained contribution to growth in customer lending, 2010 was a year of business development continuity in three distinct sectors: retail banking, insurance and asset management.

The general economic environment was characterised by short-term interest rates, which remained at historically-low levels, whilst long-term rates bottomed out at the end of the third quarter before recovering strongly in the final quarter.

The year was marked by a crisis of confidence in some European sovereign debt issuers*, whose credit spreads were greatly tightened in the first half, and remained consistently high for the rest of the year.

The granting of home loans continued at a sustained rate, totalling €10.2 billion by the end of the year, bringing the total for outstanding home loans to €37 billion, a figure €5 billion higher than in 2009.

La Banque Postale also launched its consumer loans nationally in March 2010, generating new business of €850 million by the end of 2010 on the basis of more than 100,000 loan agreements.

In savings, deposits continued to mark time as a result of historically-low rates of return, which have reduced the appeal of regulated passbook accounts. The only area where deposits rose was in home loans savings, where the increase was driven by several generations of contracts attracting higher rates of return than other types of account.

Group asset management also suffered as a result of low short-term interest rates and uncertainty in the financial markets during the year. It also experienced outflows from money market products and a lack of interest in equity-based products, with the result that deposits were more than €1 billion lower than in 2009.

As a consequence of the movements seen in those products based on short-term interest rates, instant access deposits grew very significantly, because when compared with other products, these offer a refuge in a context where the loss of opportunity to obtain a return on deposits is reduced for the customer.





Life insurance assets under management continued to grow. We would also highlight the launch at the end of 2010 of the casualty insurance range. Although these products and services have little effect on the 2010 results, the impact is expected to be much more significant in 2011.

Against this background, the interest margin has been affected in different ways. On the one hand, as in 2009, low interest rates have been unfavourable overall, because they have curbed the gross yield of equity portfolios when reinvested, and reduced the average yield on home loans granted. On the other hand, loan consolidations have accentuated the movement.

Conversely, the volume effects of home loans have had a major impact, resulting in an overall increase in their contribution to net banking income. Lastly, the historically-low level of short-term interest rates has curbed the interest paid on customer deposits. In total, the interest margin on retail banking rose by €146 million compared with 2009, to end the year at €2,555 million.

The 2010 financial results for La Banque Postale may be characterised by Net Banking Income (NBI) growth of €196 million (compared with €204 million in 2009), producing an overall increase for the year of 3.9%, compared with the previous year. NBI grew by 4.2%, when home loans savings are excluded.

Operating expenses rose by €93 million (2.1%). When restated to reflect changes in consolidation scope**, the increase was 1.8%. Employee costs rose as a result of the increasing number of staff employed by the Group. Much of this recruitment relates to the increasing importance of consumer loans and operational preparations for the launch of new partnerships in casualty insurance and health insurance. Expenses relating to service agreements rose very slightly compared with 2009 (up €7 million). Depreciation allowances and depreciation rose by €19 million compared with 2009, largely as a result of IT expenditure made necessary by major business line projects and partnerships.

Gross operating profit for the year was €779 million, representing a rise of €103 million on the figure for 2009. Cost of risk rose slightly by €8 million, chiefly as a result of instant access accounts. The cost of risk in relation to loans fell slightly, highlighting the absence of any significant deviation from the Bank's normal rate of risk on lending.

The cost/income ratio improved to 85.1%, compared with 86.6% in 2009.

Net income from companies accounted for by the equity method rose by €9 million. The Group share of net annual profit was €651 million, representing an increase of €63.7 million on the figure for 2009.

* PIIGS: Portugal, Italy, Ireland, Greece and Spain.

** The acquisition of Tocqueville at the end of 2009.

Consolidated balance sheet

Assets

| (€000) | 12.31.2010 | 12.31.2009 |
|---|--------------------|--------------------|
| Cash and central banks | 2,149,998 | 3,699,660 |
| Financial assets at fair value through profit and loss | 4,270,647 | 6,580,587 |
| Hedging derivatives | 334,742 | 363,254 |
| Financial assets available for sale | 9,966,741 | 11,240,968 |
| Loans & receivables – credit institutions | 73,493,943 | 73,966,537 |
| Loans & receivables – customers | 39,213,820 | 33,074,805 |
| Revaluation reserve for interest rate hedged portfolios | 129,602 | 94,944 |
| Financial assets held to maturity | 37,413,191 | 34,626,622 |
| Tax and other assets | 3,278,978 | 5,009,470 |
| Long-term assets | 2,764,085 | 2,594,183 |
| Total | 173,015,747 | 171,251,030 |

Liabilities

| (€000) | 12.31.2010 | 12.31.2009 |
|---|--------------------|--------------------|
| Financial liabilities at fair value through profit and loss | 112,846 | 388,228 |
| Hedging derivatives | 181,679 | 218,095 |
| Payables – credit institutions | 6,169,760 | 5,618,828 |
| Customer payables | 151,068,471 | 149,830,946 |
| Debts represented by securities | 4,523,400 | 3,806,899 |
| Tax and other liabilities | 4,184,617 | 5,730,552 |
| Insurance company technical provisions | 450,963 | 383,343 |
| Provisions | 303,805 | 325,793 |
| Subordinated debt | 1,236,279 | 502,232 |
| Shareholder equity | 4,793,763 | 4,445,284 |
| Minority interests | (9,836) | 830 |
| Total | 173,015,747 | 171,251,030 |

Consolidated Profit & Loss Account

| (€000) | 12.31.2010 | 12.31.2009 |
|---|------------------|------------------|
| Net banking Income | 5,215,291 | 5,018,914 |
| General operating expenses | (4,298,846) | (4,224,638) |
| Net amortization and impairment of tangible and intangible assets | (137,110) | (118,097) |
| Gross operating profit | 779,335 | 676,179 |
| Provisions for loan losses | (59,884) | (51,570) |
| Operating profit | 719,451 | 624,609 |
| Income from companies accounted for by the equity method | 194,949 | 185,792 |
| Net gains or losses on other assets | 2,326 | (1,795) |
| Pre-tax profit | 916,726 | 808,606 |
| Corporation tax | (275,840) | (220,908) |
| Consolidated net profit | 640,886 | 587,698 |
| Minority interests | (10,431) | 105 |
| Net profit, attributable to equity holders of parent | 651,317 | 587,593 |



THANKS

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This report can also be viewed online at: www.labanquepostale

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