FitchRatings

Banks
Universal Commercial Banks
France

La Banque Postale S.A.

Key Rating Drivers

Business Profile, Capital Drive Ratings: La Banque Postale S.A.'s (LBP) ratings primarily reflect its insurance-heavy business mix, as fully owned CNP Assurances SA (CNP) represents around 60% of its assets and drives earnings. The group's capitalisation also drives the ratings and is commensurate with risks, although capital is not fully fungible between LBP and CNP. The ratings also consider a market-risk-sensitive risk profile, sound asset quality and a very strong funding and liquidity that benefits from a very stable retail deposit base.

Public-Sector-Owned Bancassurer: The full consolidation of CNP in 2020 transformed LBP into a fully-fledged bancassurance group where CNP is the main performance driver. LBP has a significant franchise in French retail banking, where it has strong deposit market shares in stable, albeit expensive, Livret A savings. CNP has strong to leading market positions in life and creditor insurance in France. CNP offers strong potential to increase client equipment rates with insurance products in France and has well-performing operations in Brazil and Italy.

Market Sensitive Risk Profile: Credit underwriting standards in the banking business are low-risk. However, LBP's risk profile also considers slightly weaker risk controls than at large French peers and higher vulnerability to interest rate and market shocks due to the group's structure and lower diversification. The risk profile also captures CNP's interest and investment risk, which is high relative to European peers but in line with French bancassurers. LBP's progress in improving its risk governance and control framework benefits our assessment.

Sound Asset Quality: LBP's impaired loans ratio is sound and remains the lowest among large French banks, despite a material increase since end-2021, mainly caused by two large corporate exposures that also affected other French banks. We forecast the ratio will continue to moderately increase towards 2.5% by end-2025, which would remain better than average. The deterioration will mainly result from the most vulnerable corporates and unsecured consumer credit to fragile households while the large home loans portfolio will not markedly weaken.

CNP Drives Adequate Profitability: The implementation of IFRS17 and CNP's strong performance greatly improved LBP's operating profit/risk-weighted assets (RWAs) to 2.7% in 1H23. This outweighed material revenue decline in French retail banking, as liabilities repriced faster than assets. LBP's operating profit/RWAs should remain above 2% in 2024-2025, driven by organic growth in insurance, improved cost control and a gradual recovery in French retail.

We expect LBP's profitability to become structurally more volatile because of increased accounting volatility under IFRS17, although CNP is rolling out hedges and adapting its asset allocation. This higher earnings volatility will also be mitigated by increased capital stability.

Danish Compromise Drives Capital: LBP's regulatory capital ratios are strong and greatly benefit from the favourable treatment of insurance under the Danish Compromise. This overstates loss-absorbing capital available to LBP's creditors. We therefore negatively adjust our assessment of capitalisation because CNP's capital is not fully fungible with LBP's, despite CNP's dividend record. LBP's common equity Tier 1 (CET1) ratio recovered materially in 1H23, due to IFRS17. Solid internal capital generation should support a CET1 ratio of around 18%.

Very Stable Funding and Liquidity: Our assessment of LBP's funding and liquidity incorporates the bank's substantial excess liquidity. LBP also has one of the lowest loans/deposits ratios among rated large western European banks. It has low reliance on wholesale funding, driven by its very stable and granular retail-deposit base with a very high share of insured deposits.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1+
Derivative Counterparty Rating	A+(dcr)
Viability Rating	a
Government Support Rating	a-
Sovereign Risk	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

What Investors Want to Know: Rating Approach for CNP, LBP and La Poste (December 2023)

Fitch Affirms La Banque Postale at 'A'; Outlook Stable (December 2023)

Western European Banks Outlook 2024 (December 2023)

CNP Assurances SA (October 2023)

French Bank Net Interest Margins to Rebound in 2024 (November 2023)

What Investors Want to Know: French Banks' Net Interest Margins (July 2023)

DM100 Banks Tracker - End-1H23 (November 2023)

Global Economic Outlook (December 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The Outlook on LBP's Long-Term IDR is Stable, meaning the rating is unlikely to change in the short term. However, the most likely trigger for a downgrade would be a drop in the group's CET1 ratio durably below 14% or evidence of material obstacles to capital fungibility within the group, such as regulatory measures preventing regular dividends being routinely upstreamed to LBP. Fitch could also downgrade LBP's ratings if the group's operating profit sustainably declines to below 2% of RWAs and if LBP's impaired loans ratio durably increases to above 3%.

LBP's ratings are also sensitive to severe market shocks if Fitch expects these to result in a durable and significant impact on the group's capitalisation or earnings. We could also downgrade LBP if operating losses in the retail banking operation widen to the extent it would meaningfully impact the group's overall earnings or capital trajectory.

A downgrade of CNP's Insurer Financial Strength Rating to 'A' would likely put pressure on LBP's ratings, due to the size of the insurance activities in its business mix and their key contribution to the group's profitability and internal capital generation.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of LBP's ratings is unlikely in the short term. In the longer term, upside to the ratings would be contingent on further evidence of improved capital fungibility between CNP and LBP as well as greater business diversification with a stronger franchise in some key areas provided this expansion is consistent with LBP's conservative risk appetite.

To be rating positive, this expansion would have to result in a stable record of structurally improved earnings generation, including through a successful turnaround of the retail banking business, and a CET1 ratio being maintained well above 16%. This could be manifested by further franchise growth in insurance (particularly non-life), private banking, asset management or lower-risk corporate and investment banking activities and an operating profit/RWAs sustainably within at least the range of 2.5%-3%.

An upgrade of CNP's Insurer Financial Strength Rating would not automatically lead to an upgrade of LBP's ratings, as our assessment of the group's consolidated profile would likely remain constrained by our views on capital fungibility and business diversification relative to higher-rated banking peers.

Other Debt and Issuer Ratings

Debt level	Rating
Deposits	F1+/A+
Senior Preferred debt	F1+/A+
Senior Non-Preferred debt	A
Subordinated (Tier 2) debt	BBB+
Additional Tier 1	BBB-

Source: Fitch Ratings

LBP's long-term senior preferred debt rating of 'A+' is one notch above the Long-Term IDR, reflecting Fitch's expectation that LBP will continue to maintain large amounts of subordinated and senior non-preferred debt to comfortably meet its total resolution buffer requirement without senior preferred debt. For the same reason, LBP's senior non-preferred debt is rated in line with its Long-Term IDR.

Fitch expects LBP to meet its total minimum requirement for own funds and eligible liabilities (MREL) without using senior preferred debt. We expect LBP will have to comply with a total MREL of around 26% in 2024, factoring in a 50bp increase in the countercyclical buffer from 2023, and we project that its subordinated MREL ratio will remain slightly below 29% by end-2025. To meet this requirement, we expect LBP will continue issuing senior non-preferred debt, and potentially more junior instruments, over the next 12 to 24 months.

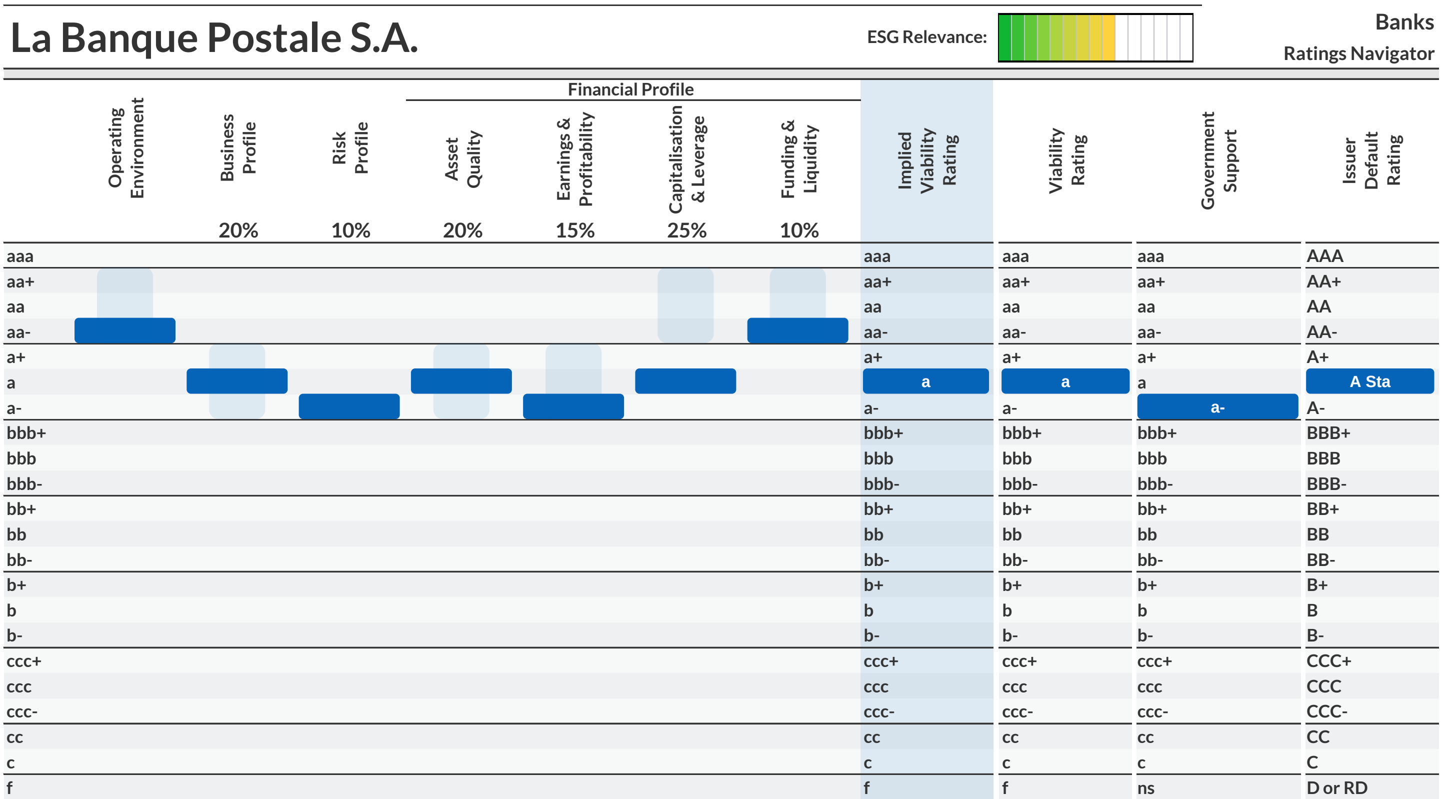
Fitch rates LBP's Derivative Counterparty Rating (DCR) and long-term deposits in line with its senior preferred debt because non-guaranteed depositors and derivative counterparties in France benefit from the same level of protection from bank resolution buffers.

The short-term senior preferred debt and deposit ratings are in line with LBP's Short-Term IDR of 'F1+', which is the higher of the two ratings mapping to a long-term debt rating of 'A+'. This reflects Fitch's assessment of LBP's funding and liquidity at 'aa-'.

LBP's subordinated Tier 2 notes are rated 'BBB+', two notches below the bank's Viability Rating (VR), to reflect poor recovery prospects in case of a non-viability event. Fitch does not apply further notches for non-performance risk because the terms of the notes do not include contingent conversion triggers.

The bank's Additional Tier 1 (AT1) notes are rated 'BBB-', four notches below its VR. This includes two notches for loss severity and two notches for non-performance risk. Our assessment is based on LBP's large consolidated regulatory capital buffers above coupon-omission triggers, estimated at over 900bp of RWAs, and sufficient distributable reserves supported by the dividends received from CNP which more than offset the loss-making banking operations.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The capitalisation and leverage score of 'a' has been assigned below the 'aa' implied range for the following adjustment reasons: capital flexibility and ordinary support (negative).

Company Summary and Key Qualitative Factors

Business Profile

Insurance Dominates LBP's Business Mix

The group has grown into a credible contender to France's five large bancassurers following the large increase in LBP's balance sheet on the consolidation of CNP. Insurance activities represented 45% of LBP's revenue in 1H23, compared with about 5% before CNP's consolidation, and generate more than 100% of the group's pre-tax profit as LBP's banking operations have been loss making since 2020. This compares with profit contributions of 10%-20% at peers.

The group's insurance division generates most of its premium income through CNP's life insurance activities. CNP is the second-largest French life insurer by premiums, the domestic leader in creditor insurance and ranks fifth in Europe by assets. CNP has good geographical diversification through its international partnerships and operations in Brazil and Italy, where it is top three and top five, respectively. It is developing a retail property and casualty franchise in France, building on the integration of LBP's insurance activities from 2023. CNP's business transformation continues at a steady pace, with unit-linked representing about half of savings premium in 2022 and 1H23.

LBP's banking operations are primarily mass-market retail banking. LBP has an adequate franchise built on the historical deposit-gathering role of its parent, La Poste. It also has a public service mission of offering basic banking services, among which Livret A savings. LBP has a very dense local presence through La Poste's post office network. LBP has limited market share with corporates and in affluent/private banking, despite recent growth in these segments. The bank also has a small conviction-driven asset-management franchise with around EUR67 billion of assets under management, including recently acquired niche asset manager La Financiere de l'Echiquier.

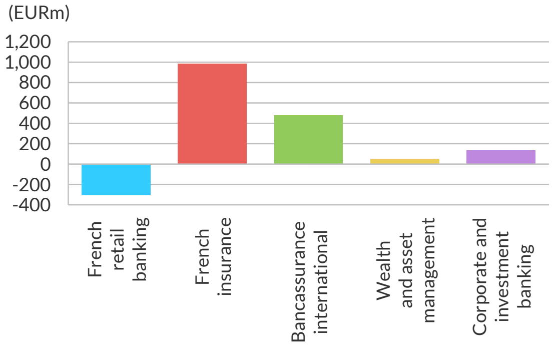
CNP Integration Supports Revised Strategic Objectives

The group is managed as a financial conglomerate, rather than as two fully independent entities. We view the governance integration between LBP and CNP as largely complete following the buyout of minority interests in CNP in 2022 and the transfer of LBP's small non-life insurance business to CNP under a newly created intermediate holding company. Fitch expects LBP to gradually have a stronger imprint on the insurer's strategy, risk appetite and capital management to ensure a satisfactory performance at conglomerate level. CNP will remain the group's earnings driver, even after retail banking operations recover. Underlying cost-efficiency improvements will result from revenue growth, digitalisation and leaner cost management in banking operations. LBP targets sustained revenue growth from recovering net interest margins, higher insurance penetration in the bank's client base, and moderate growth in corporate and investment banking (CIB), consumer lending, private banking and asset management.

LBP's executive and risk teams have been considerably reinforced to accompany CNP's integration, leading to unusually high management turnover. LBP's CEO, deputy CEO and CFO left the company in 2023, leading to some management changes lately. They were replaced with internal hires with long experience in the group or in the insurance industry. We believe the new CEO, who was previously CNP's CEO, and his team, will focus on improving the group's profitability in its core businesses, including the loss-making banking operations. The new management team is also determined to improve risk controls that have historically lagged large French peers in some areas.

LBP Pretax Income Split by Business

1H23



Source: Fitch Ratings, LBP (excluding corporate centre)

Selected Strategic Targets

	1H23/ End-June 2023	2025 target
% of revenue outside France	15	20
Cost/income (%)	65.5%	Minus 10pp from 2020 underlying (70.2%)
RWAs (CAGR; %)	4.5[a]	<3.5
RONE (%)[b]	8.6	8
CET1 ratio (%)[c]	18.3	>14

[a] RWA growth is inflated by the introduction of IFRS17 which led to a revaluation of insurance associated RWAs.
[b] 2023 target; RONE = net income /average RWAs capitalised at 14%
[c] CET1 ratio at end-June 2023 excluding retained earnings for the period. The >14% figure for 2025 is not a hard target but rather the CET1 ratio level used to compute the RONE metric and target.
Source: Fitch Ratings, LBP

Risk Profile

Moderate Appetite for Credit Risk

Underwriting standards in the banking operations are largely consistent with those of French peers, which tend to be conservative. The focus on home loans (estimated by Fitch at 62% of gross loans at end-June 2023) and public-sector loans (5%) highlight LBP's low risk appetite for credit risk. Corporate lending activities are fairly recent and grew fast over the last decade, and should over time lead to higher levels of loan impairment charges (LICs) and impaired loans. The financing of large corporates is generally in the form of participations in syndications arranged by larger banks' CIB divisions. Loans to SMEs are conservatively originated and have a relatively sound performance.

LBP's risk controls have lagged behind those of some higher-rated French banks in recent years but we believe the bank has been strengthening its control framework to mitigate past shortcomings.

High Sensitivity to Market Shocks

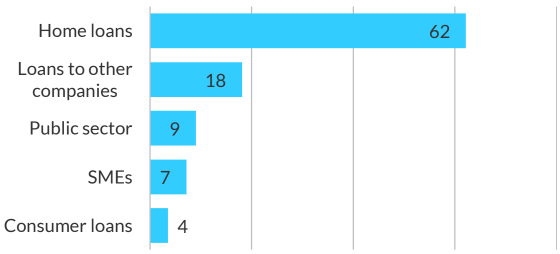
Appetite for traded market risk is modest at LBP and, excluding CNP, market risks mainly relate to interest risk in the banking book. The recent sharp increases in euro area interest rates have added more pressure on LBP's already poorly performing retail banking operations, as it took time for the bank to adjust its hedging and production pricing policy compared with some peers. The repricing of the asset side, especially on home loans, will take longer than the rise in funding costs, but should result in material revenue rebound in 2024-2025.

LBP has recently tightened its interest rate risk management, which lacked sophistication, and has implemented increased hedging of its long-term fixed rate home loans book. This led to a material reduction of its short-term interest rate gap in 1H23 as the bank added payer swaps. LBP remains most sensitive to a parallel 200bp upward rate shock; it estimates this would lead to a 6% decline in the value of equity at end-June 2023, although this sensitivity was nearly halved compared with end-2022. LBP's updated hedging strategy has however led to a moderate increase in the sensitivity to a decline in interest rates, as the bank's net interest income would decline by EUR246 million in case of a parallel downward shock.

CNP's sensitivity to interest rates and asset prices adds considerable market risk. Its capital metrics were historically sensitive to interest rates, given the duration gap between assets and liabilities and policy holders guarantees on the liability side, but the sensitivity has decreased significantly since the introduction of IFRS17. The insurer's solvency coverage ratio is most sensitive to an increase in sovereign spreads widening and to share price declines.

This sensitivity is mitigated by the very low average guaranteed yield on CNP's in-force business and by the insurer's efforts to shift its life insurance production towards unit-linked contracts, as well as personal risk and protection products. CNP also has extensive hedging strategies that aim at mitigating its earnings and capital volatility.

Gross Loans by Type
End-June 2023, in % of gross loans to customers



Source: Fitch Ratings, Fitch Solutions, LBP

Financial Profile

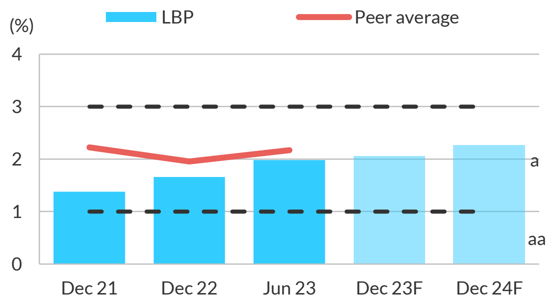
Asset Quality

LBP's low impaired loans ratio provides sufficient headroom to absorb the likely asset-quality deterioration from the weaker economic environment in France and from exposures to vulnerable borrowers. The ratio of 2% at end-June 2023 compares well with that of French peers, despite a recent increase, and is supported by LBP's large exposure to low-risk public-sector and home loans. Fitch believes the bank's asset quality will become more sensitive to economic cycles with the expansion of the SME and corporate portfolio. However, lending focuses on France and underwriting standards are generally prudent, which should support asset quality. The recent increase in LBP's impaired loans was largely driven by two large corporate files which also affected other domestic peers.

We forecast LBP's impaired loans ratio to rise moderately in 2024-2025, to close to 2.5%, as defaults will pick-up in unsecured consumer and SME lending. Conversely, the performance of home loans should remain strong, as they are amortising and at fixed interest rates, resulting in limited borrower sensitivity to higher rates. LBP's coverage of impaired loans by loan loss allowances has declined markedly since end-2021 to less than 60%, as the exposure to two new large impaired corporate loans is well collateralised. Excluding these specific cases, loan loss allowance coverage is sound. We expect LICs to increase from their very low levels but to remain contained at close to 20bp in 2024-2025.

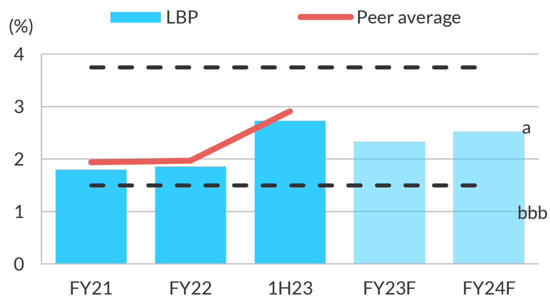
LBP's banking book securities portfolio is of strong quality with mostly highly rated sovereign bonds. The high share of bonds at amortised cost, and less systematic interest rate hedging, mean that LBP has proportionately large unrealised losses compared with French banks. However, LBP's very stable funding profile and granular deposit base should limit the risks of a fire sale of these assets. Excluding insurance assets, LBP's other non-loan assets mainly include its large centralised regulated savings at Caisse des Depots et Consignations (CDC) and a moderate reverse repo book.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

LBP's profitability is adequate and supported by CNP's well-performing insurance activities, which more than offset loss-making banking operations. The group's operating profit/RWAs materially improved in 1H23, due mainly to the introduction of IFRS17 and favourable market effects in insurance, leading to an operating profit/RWAs of 2.7%. This level is materially above that of other French banks, despite similar pressures on the net interest margin amid a faster repricing of liabilities than assets. LBP's core profitability metric also benefits from the favourable RWA treatment of insurance activities under Article 49 of the EU's Capital Requirements Regulation (CRR; Danish compromise).

The insurance activities will continue to account for the major part of group's pre-tax income over the coming years while asset and wealth management will have a modest yet growing contribution. We anticipate LBP's French retail banking operations to break even again only from 2025, when they capture the full benefit of higher rates as new home loans are priced at higher rates. Fitch forecasts that LBP's profitability will slightly improve in 2024-2025, and reach an operating profit/RWA ratio of above 2.5%. However, our forecasts are sensitive to market effects, driven by IFRS17 accounting for CNP's large insurance activities because these can lead to material revenue swings.

Cost-sharing agreements with La Poste will continue to burden LBP's cost base, although management is adopting a stricter cost control in the banking operations. We expect improvements in cost efficiency to be more moderate going forward, as IFRS17 already led to a massive improvement in the cost/income ratio, from 77% in 2022 to 63% in 1H23.

Capital and Leverage

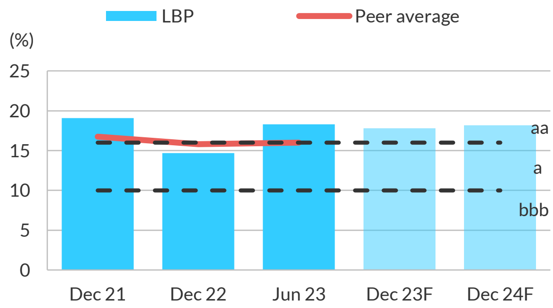
LBP's capital ratios improved materially in 2023, helped by 320bp of positive effects from IFRS17 implementation, OCI revaluations and good organic capital generation. LBP's sound CET1 ratio of 18.3% at end-June 2023 somewhat overstates the level of available loss-absorbing capital compared with peers. This is because LBP does not deduct CNP's own funds from its consolidated equity, as allowed under the Danish compromise. The benefits to the capital ratios from this exemption are much greater for LBP than for other bancassurers due to the size of its insurance operations. We estimate that LBP's CET1 ratio would be negative at end-June 2023 if it fully deducted its participation in CNP from CET1 capital.

Fitch also estimates that LBP's CET1 ratio would decrease by more than 600bp from end-June 2023 to around 12% if it had to risk-weight its holdings in CNP at a similar level to other French bancassurance groups using internal models. However, in such a case, we believe LBP would be able to mitigate part of the impact with lower credit RWAs than under the standard approach currently in use on its low-risk loan book. We also view a change in the application of the Danish compromise as unlikely in the short-term, as it would first require to amend the relevant CRR articles.

RWA density is low and stands at around 25% (RWAs/total assets), excluding insurance assets, which is broadly in line with French peers, despite LBP computing its credit RWAs under the standard approach. This mainly results from its large zero RWA non-loan assets, notably large cash balances, centralised regulated savings at CDC and sovereign bonds while its loan exposure carries conservative RWAs. LBP's leverage ratio is strong, at 6.9% at end-June 2023.

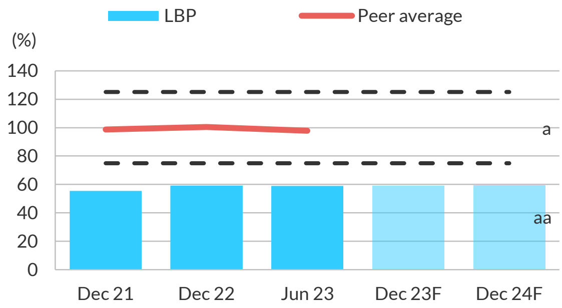
The capital position of the financial conglomerate is commensurate with risks, although it is unevenly split among LBP and CNP. The group's 144% financial conglomerate ratio exceeded requirements by EUR11.5 billion at end-2022, which we view as adequate relative to other French bancassurers. Capital flows within the group are supported by CNP's solid coverage of its own regulatory requirements and strong record of dividend payment. LBP's banking activities also had an adequate solvency and excess capital over requirements at end-2022.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

LBP's funding and liquidity are very strong relative to most European peers, primarily because of its considerable excess liquidity and access to a large pool of stable and granular retail deposits. It has a very low loans/deposits ratio of 59% at end-June 2023. The share of regulated savings and insured deposits is much higher than at other banks, at around 60% and close to 90%, respectively, at end-June 2023. When excluding the share of regulated deposits centralised at CDC, Fitch estimates that LBP's loans/deposits ratio would still be a sound 83%, lower than that of large French peers. We forecast this adjusted metric would slowly converge to 80% over the next few years as LBP reduces its centralisation levels to bring them in line with the agreed calendar. Fitch also believes that LBP's ultimate ownership by the State benefits its deposits franchise, which we view as sticky.

The bank had high quality liquid assets of about EUR54.5 billion, or 16% of total assets excluding insurance, at end-June 2023, mainly in cash and central bank deposits, which comfortably covers short-term debt maturities.

CNP's asset and liability management is sophisticated and liquidity risk well managed. Its debt service ability is strong. CNP's debt maturities are well spread over the next 15 years, so refinancing risks remain limited. Its liquidity is very strong with high levels of liquid assets/net technical reserves and moderate surrender rates.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events such as planned recapitalisations or M&A activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Credit Mutuel Alliance Federale (VR: a+, based on an assessment of Groupe Credit Mutuel), Societe Generale S.A. (a-), KBC Group NV (a), Belfius Bank SA/NV (a-), de Volksbank N.V. (a-), CaixaBank, S.A. (bbb+), Santander UK Group Holdings plc (a), Sparkassen-Finanzgruppe Hessen-Thueringen (a+). Latest average does not include Sparkassen-Finanzgruppe Hessen-Thueringen.

Financials

Summary Financials

		30 Jun 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020
	6 Months - Interim	6 Months - Interim	Year End	Year End	Year End
	USDm	EURm	EURm	EURm	EURm
	Reviewed - Unqualified	Reviewed - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Summary Income Statement					
Net interest and dividend income	3,862	3,554.0	7,055.0	5,355.0	3,862.0
Net fees and commissions	1,036	953.0	-1,436.0	-1,243.0	-778.0
Other operating income	-706	-650.0	2,728.0	4,007.0	4,736.0
Total operating income	4,191	3,857.0	8,347.0	8,119.0	7,820.0
Operating costs	2,655	2,443.0	6,406.0	6,215.0	5,711.0
Pre-impairment operating profit	1,536	1,414.0	1,941.0	1,904.0	2,109.0
Loan and other impairment charges	100	92.0	216.0	268.0	674.0
Operating profit	1,436	1,322.0	1,725.0	1,636.0	1,435.0
Other non-operating items (net)	-39	-36.0	52.0	1.0	3,672.0
Tax	623	573.0	427.0	514.0	419.0
Net income	775	713.0	1,350.0	1,123.0	4,688.0
Other comprehensive income	602	554.0	-4,345.0	393.0	-413.0
Fitch comprehensive income	1,377	1,267.0	-2,995.0	1,516.0	4,275.0
Summary Balance Sheet					
Assets					
Gross loans	139,907	128,757.0	125,950.0	117,567.0	113,287.0
- of which impaired	2,765	2,545.0	2,086.0	1,627.0	1,611.0
Loan loss allowances	1,623	1,494.0	1,460.0	1,346.0	1,216.0
Net loans	138,284	127,263.0	124,490.0	116,221.0	112,071.0
Interbank	73,952	68,058.0	66,843.0	67,508.0	70,185.0
Derivatives	7,574	6,970.0	8,549.0	3,371.0	3,103.0
Other securities and earning assets	513,675	472,736.0	487,769.0	520,104.0	497,409.0
Total earning assets	733,484	675,027.0	687,651.0	707,204.0	682,768.0
Cash and due from banks	57,236	52,674.0	39,355.0	50,812.0	43,283.0
Other assets	25,022	23,028.0	18,638.0	14,294.0	11,125.0
Total assets	815,742	750,729.0	745,644.0	772,310.0	737,176.0
Liabilities					
Customer deposits	237,104	218,207.0	212,499.0	211,543.0	205,540.0
Interbank and other short-term funding	66,014	60,753.0	67,179.0	61,751.0	66,653.0
Other long-term funding	55,103	50,711.0	26,352.0	25,183.0	24,995.0
Trading liabilities and derivatives	7,373	6,785.0	7,142.0	3,043.0	3,296.0
Total funding and derivatives	365,593	336,456.0	313,172.0	301,520.0	300,484.0
Other liabilities	418,438	385,089.0	408,319.0	438,207.0	404,070.0
Preference shares and hybrid capital	4,628	4,259.0	4,277.0	4,236.0	2,866.0
Total equity	27,084	24,925.0	19,876.0	28,347.0	29,756.0
Total liabilities and equity	815,742	750,729.0	745,644.0	772,310.0	737,176.0
Exchange rate		USD1 = EUR0.920302	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, LBP

Key Ratios

	30 Jun 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%, annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.7	1.9	1.8	1.7
Net interest income/average earning assets	1.1	1.0	0.8	0.7
Non-interest expense/gross revenue	63.4	77.0	77.5	73.9
Net income/average equity	6.4	5.9	3.8	21.0
Asset quality				
Impaired loans ratio	2.0	1.7	1.4	1.4
Growth in gross loans	2.2	7.1	3.8	5.3
Loan loss allowances/impaired loans	58.7	70.0	82.7	75.5
Loan impairment charges/average gross loans	0.1	0.2	0.2	0.6
Capitalisation				
Common equity Tier 1 ratio	18.3	14.7	19.1	20.4
Tangible common equity/tangible assets	2.7	1.8	3.1	3.4
Basel leverage ratio	6.9	5.6	7.2	6.1
Net impaired loans/common equity Tier 1 capital	5.9	4.6	1.6	2.3
Funding and liquidity				
Gross loans/customer deposits	59.0	59.3	55.6	55.1
Gross loans/customer deposits + covered bonds	n.a.	56.6	53.4	52.9
Liquidity coverage ratio	153.0	147.0	186.0	179.0
Customer deposits/total non-equity funding	65.4	68.5	69.9	68.5
Net stable funding ratio	134.0	129.1	142.7	140.0

Source: Fitch Ratings, Fitch Solutions, LBP

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	a-
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Positive

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Very High Probability of Support

The Government Support Rating (GSR) of 'a-' reflects a very high probability of state support, although the GSR is not a driver of the bank's IDRs. Provision of support would most likely be through LBP's direct parent La Poste, the French postal service operator, whose public-sector ownership is enshrined in French law.

LBP's GSR is four notches below France's sovereign IDR because support would most likely be provided under the limitations of the EU's Bank Recovery and Resolution Directive and state-aid considerations. This assessment builds on LBP's indirect public-sector ownership and on the bank's high importance to its parent and to the French state given LBP's public service mission.

Environmental, Social and Governance Considerations

FitchRatings **La Banque Postale S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

La Banque Postale S.A. has 6 ESG potential rating drivers

- La Banque Postale S.A. has exposure to services for underbanked and underserved communities: SME and community development programs; financial literacy programs but this has very low impact on the rating.
- La Banque Postale S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	6	issues	3
not a rating driver	3	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

LBP's ESG Relevance Scores are in line with the standard scoring for western European banks except the Human Rights, Community Relations, Access and Affordability sub factor, which we score at '3' for LBP instead of '2' for most banks. This is to reflect LBP's public-sector mission in supporting financially vulnerable clients, which we believe has some influence on its business generation and earnings profile. This is because LBP has a higher share of financially vulnerable, and so less profitable, customers than French peers.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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