



PRESS RELEASE

Paris, 31 July 2014

LA BANQUE POSTALE'S RESULTS AND BUSINESS REVIEW FOR THE FIRST HALF OF 2014

La Banque Postale continues its steady growth for all of its clients

Robust earnings growth and increased profitability

- Net Banking Income: **€2.854 billion (+ 2.4%)**
- Operating ratio: **81.5% (improved 1.2 points)**
- Cost of risk: **€72 million (-7.4%)**
- Operating profit: **€465 million (+13.0%)**
- Net profit, Group share **€380 million (+4.2%)**

Solvency and the liquidity position are favourable in a stricter regulatory environment

- **Tier 1 Common Equity Ratio**¹ of 11.0%
- **Credits / deposits ratio**²: 72%
- Liquidity Coverage Ratio (**LCR**) of **163%**³
- **Tier 2 issue** for €750 million

Buoyant client-driven activity and strong sales momentum with high net-worth customers

- Accounts: **417,000 accounts opened**
- Property and Casualty Insurance policy generation: **260,000 new policies**
- New high-end **life insurance policies**⁴: **€1.5 billion of new cash inflows**
- Outstanding sight deposits: +5.5%⁵ to **€49.8 billion**
- **Payment cards: 7.7 million (+1.7%)**

Good growth in consumer lending and loans to the local public sector

- Sharp increase in total loans outstanding: **€61.8 billion (+12.2%⁶)**
- **More than €2.7 billion** of loans generated to the **local public sector and other legal entities**
- **€4 billion of home loans generated** in the half-year
- **Consumer loans granted: more than €1 billion**

¹ Fully loaded CRR/CRD IV ratio. The phased-in CRR/CRD IV ratio amounts to 9.8% at 30 June 2014

² Excluding savings centralised at the CDC (French Deposit and Consignment Office)

³ Estimated ratio at 30 June 2014

⁴ Cachemire Patrimoine, Cachemire 2 and Satinium policies

⁵ Compared to 30 June 2013

⁶ Compared to 30 June 2013, including €1.5 billion of loans from SOFIAP

1st half of 2014 highlights

La Banque Postale posted **solid growth** in the first half of 2014.

The excellent results for the first half of 2014 demonstrate the strength in all of the Group's business lines. **The retail banking business** continues to grow regularly, the **insurance business lines** post robust growth and the **asset management sector** presents sustained performances. The Group's management expenses remain controlled in a context of new business activities development. The bank's **risk control policy** enables it to post a lower cost of risk this half-year even though lending activities were up sharply.

Under these conditions, **the operating profit was up 13%**. This performance confirms La Banque Postale's strong growth and significant improvement in its operational efficiency.

In the context of its **growth momentum in the consumer market** and especially property loans, La Banque Postale has acquired 66% of SOFIAP, a lending subsidiary dedicated to SNCF (French railway) agents, held jointly with SNCF.

La Banque Postale has strengthened its range of products for high net-worth customers with the launch of three new high-end life insurance policies: **Cachemire 2 and Cachemire Patrimoine**, offered in partnership with the CNP, as well as **Satinium**, a portfolio management contract.

A civic minded bank, La Banque Postale continued to roll out "L'Appui" (support), its banking and budgeting support platform. The quality of this service was recognised by the public authorities, as "L'Appui" was selected among 15 initiatives supported by the government as part of "La France s'engage" (France is involved).

La Banque Postale continued in the first half of 2014 **to strengthen its financial structure** by finalising on 11 April subordinated 2014 Tier 2 issue of €750 million, maturing in 12 years. The issue attracted an order book of nearly €3 billion spread over more than 150 investors. This success confirms institutional investors' interest and confidence in La Banque Postale's signature.

Group's consolidated results in the 1st half of 2014

Consolidated results (€ millions)	H1 2014	H1 2013 ⁷	%
Net Banking Income	2,854	2,786	2.4%
Management expenses	2,317	2,297	0.9%
Gross operating profit	537	489	9.8%
Cost of risk	72	78	-7.4%
Operating profit	465	411	13.0%
Share of profit from equity associate CNP	114	111	3.0%
Net operating profit before tax	579	531	9.1%
Tax and minority interests	-199	-166	20.1%
Net profit, Group share	380	365	4.2%
<i>Operating ratio</i>	<i>81.5%</i>	<i>82.7%</i>	

La Banque Postale's **net profit, Group share**, amounted to €380 million for the first half of 2014, up 4.2% compared to the same period in 2013.

This result reflects vigorous business growth in all business lines and the continued improvement in the Group's profitability.

The **gross operating profit** amounted to €537 million, up 9.8% compared to the first half of 2013.

This share increase was driven by:

- growth in **net banking income** (+2.4%) to €2.854 billion. Excluding non-recurrent effects and on a constant consolidation scope basis⁸, it grew 3.1%, driven by the commercial momentum, which was especially pronounced in retail banking.

- good control of **management expenses** in a context of developing new business activities and continuing investments. Expenses amounted to €2.317 billion, up 0.9% compared to the first half of 2013. On a constant consolidation scope basis⁹, expenses were nearly stable (+0.3%), reflecting the Group's efforts to improve its operational efficiency.

As such the **operating ratio** amounted to 81.5%, up 1.2 points year-over-year.

The efforts involved controlling the risks accompanying the strong growth in lending activities, which resulted in a drop of 7.4% in the cost of risk to €72 million in the 1st half-year. It is therefore holding at a low level, at 24 basis points in relation to loans outstanding compared to 31 basis points at the end of June 2013.

Operating profit was up 13.0% to €465 million.

The share of profit from CNP, consolidated via the equity method, reached €114 million in the first half of 2014, up 3.0% year-over-year.

⁷ Pro forma of full consolidation of LBPP (La Banque Postale Prévoyance) in 2013

⁸ Impact of the consolidation scope and non-recurring item: BPE, SOFIAP, SCI Tert St Romain and Home Loan Savings provision

⁹ Impact of the consolidation scope: BPE, SOFIAP and SCI Tert St Romain

Financial Structure

The fully loaded **Common Equity Tier 1** ratio¹⁰ amounted to **11.0%** at 30 June 2014, down 20 bp from 31 December 2013 due to the growth in lending activities. The Group maintains its objective of a **fully loaded Common Equity Tier 1** ratio of 9.5% based on the standard method and application of the Danish compromise.

The overall solvency ratio amounted to 13.6% at 30 June 2014 compared to 12.8% at 31 December 2013.

La Banque Postale's liquidity position remains very favourable:

- The loan to deposit ratio amounted to 72%¹¹ compared to 67% at the end of 2013; the increase from the end of 2013 came from the gradual rebalancing of the balance sheet related to the development of the lending business.
- The LCR ratio¹² was 163% at the end of June 2014.

Business review and results by business segment

Retail banking

The result of the retail banking business segment remained the Group's main driver in the first half of 2014, contributing 81% of its operating profit.

Retail banking (€ millions)	H1 2014	H1 2013	%
Net Banking Income	2,678	2,628	1.9%
Management expenses	2,234	2,228	0.3%
Gross operating profit	444	400	11.0%
Cost of risk	67	74	-8.7%
Operating profit	377	327	15.4%

Commercial results – private customers

Growth in outstanding savings and sight deposits

The outstanding sight deposits of La Banque Postale's private customers increased 4.3% to €46.1 billion.

The outstanding Livret A and LDD deposits were stable after two years of sharp increases following the raise in the ceilings for these products. At the end of June 2014 they stood at **€71.9 billion** (+0.1%). After a first half of 2013 marked by deposit withdrawals, home loan savings showed net inflows of €112 million at 30 June 2014.

¹⁰ CRR/CRD IV with Danish compromise applied The phased-in CRR/CRD IV ratio amounts to 9.8% at 30 June 2014

¹¹ The Group's loan to deposit ratio is determined as the ratio between loans and deposits, defined according to precise rules, excluding savings outstanding centralised at the CDC (French Deposit and Consignment Office)

¹² Estimated ratio at 30 June 2014

Outstanding life insurance deposits **increased 3.0% to €120.1 billion** this half year, marking the turnaround in inflows of more than €100 million, especially under the effect of the success of the marketing of the **Cachemire 2, Cachemire Patrimoine and Satinium** policies, which recorded a gross inflow of €1.5 billion. The deposits also benefited from the markets' positive trend and the good performance of the portfolio management agreements. Moreover the share of units of accounts in the gross inflow continued to grow from 7.4% at the end of June 2013 to 10.5%¹³ at 30 June 2014.

Outstanding private customers' investments in UCITS were virtually stable (-0.5%) at €14.6 billion.

Increased private customer card ownership

The rate of customer card ownership improved substantially over the half-year.

The bank payment card pool amounted to more than 7.7 million units at the end of June 2014, an increase of 1.7% compared to the end of 2013.

The bank opened more than 417,000 accounts in the first half of 2014.

The lending business expanded in a stagnant market

Outstanding consumer loans stood at €56.9 billion, up 8.3% from 30 June 2013. Excluding the consolidation of SOFIAP home loans, it represents an increase of 5.4%.

Nearly 4 billion of home loans were granted in the first half of 2014.

This growth in outstanding loans is the result of an appropriate pricing policy combined with the resilience of margins and of the momentum created by La Banque Postale's commitment to social access to home ownership.

In accordance with the strategy carried out since it launched its property loan business, this growth was achieved by following a cautious loan approval policy, while the loan portfolio retained its relatively low risk profile (3 basis points in relation to loans outstanding at 30 June 2014).

Accordingly, outstanding property loans increased 7.8% to €52.4 billion. Excluding the SOFIAP consolidation, it represents an increase of 4.7%.

Consumer loans granted increased 12% compared with the first half of 2013. The high level of new loans (more than €1 billion) is explained by the quality of the bank's products, developed since 2010, and by its strong commercial momentum in the physical network.

Consequently, outstanding loans stood at €3.7 billion, up 22.6% compared to 30 June 2013.

Commercial results – corporate customers

The outstanding sight deposits of La Banque Postale's corporate customers were up 23% to €3.7 billion.

¹³ CNP Assurances scope

The local public sector lending business, launched at the end of 2012, continued to grow rapidly with more than **€1.9 billion of loans granted**.

At the same time La Banque Postale continued to develop corporate, SME and professional banking as outstanding loans increased nearly 68% to reach €2.3 billion.

Retail banking's financial results

The first half of 2014 was marked by strong growth in the retail banking activity's financial results, driven by the commercial momentum.

Retail Banking's Net Banking Income increased 1.9% to €2.678 billion. It increased 2.6% on a constant consolidation scope basis, excluding non-recurring items¹⁴.

Net Banking Income generated by commission-based transactions, which increased 4.7% in the first half of 2013, amounted to €1.014 billion, driven by the growth in commissions on payment facilities related to the sharp rise in customer card ownership.

The net interest margin amounted to €1.731 billion at 30 June 2014, an increase of 1.1%, and 3.1% excluding the home loan provision. This progression can be attributed to the increase in sight deposits, the growth in home loans and the resilience of margins.

The Retail Banking business line continued to control its **management expenses**, up slightly (0.3%) to €2.234 billion, reflecting the bank's investments to develop corporate financing and new acquisitions. The expenses were down 0.3% on a constant consolidation scope basis¹⁵.

Expenses related to agreements and services between La Banque Postale and La Poste decreased 1.5% to €1.6 billion, primarily driven by the drop in expenses charged back by La Poste for services performed at its counters.

The Retail Banking business' **cost of risk** amounted to €67 million; down 11.6% on a constant consolidation scope basis¹⁶ compared with the first half of 2013, especially on overdrafts.

The Retail Banking business' cost of risk compared to the commercial banking business' loans outstanding remains low at 20 basis points.

Under these conditions, the Retail Banking segment's operating profit increased 15.4% to €377 million. Excluding non-recurring items and on a constant consolidation scope basis¹⁷, it increased 25.6%.

¹⁴ Impact of the consolidation scope and non-recurring item: BPE, SOFIAP, SCI Tert St Romain and Home Loan Savings provision

¹⁵ Impact of the consolidation scope: BPE, SOFIAP and SCI Tert St Romain

¹⁶ Impact of the consolidation scope: BPE and SOFIAP

¹⁷ Impact of the consolidation scope and non-recurring item: BPE, SOFIAP, SCI Tert St Romain and Home Loan Savings provision

Asset Management

Asset management (€ millions)	H1 2014	H1 2013	%
Net Banking Income	75.7	66.6	13.6%
Management expenses	-37.1	-31.0	19.7%
Gross operating profit	38.6	35.7	8.2%

The asset management division posted sustained performance with NBI up 13.6% compared to the first half of 2013, reaching €75.7 million at 30 June 2014.

The assets under management at the division's subsidiaries rose 6.3% to €154.6 billion.

In a context of rising markets and as a result of cash inflows from institutional customers, La Banque Postale Asset Management's asset portfolio reached €147.4 billion, up 4% compared to the first half of 2013 in spite of the cash outflows recorded on some share categories (especially money market funds).

La Banque Postale Gestion Privée posted excellent commercial results combined with good management. Buoyed by the increase in life insurance management products, and especially by Satinium (new product launched in January 2014), net inflows amounted to more than €605 million.

Tocqueville Finance posted net banking income of €8.5 million, up 12%.

This half-year marks the recovery in cash inflows at €61 million with assets under management that appreciated 20% compared to the first half of 2013.

The division's management expenses increased €6.1 million to €37.1 million, reflecting the growth in the business of La Banque Postale Gestion Privée and La Banque Postale Asset Management.

Accordingly, gross operating profit increased 8.2% to €38.6 million.

Insurance

Insurance (€ millions)	H1 2014	H1 2013 ¹⁸	%
Net Banking Income	100.6	91.4	10.0%
Management expenses	-46.4	-38.2	21.4%
Gross operating profit	54.1	53.2	1.8%

The insurance division posted a net increase in its commercial results, driven by the success of the Property and Casualty Insurance, and health and personal risk insurance products.

¹⁸ Pro forma of full consolidation of LBPP (La Banque Postale Prévoyance) in 2013

The division's net banking income increased 10.0% to €100.6 million.

La Banque Postale Assurances IARD's NBI increased €6 million to €18.4 million, with a portfolio of more than 1 million policies.

La Banque Postale Assurance Santé posted NBI of €3.8 million in the first half of 2014, based on a portfolio of more than 70,000 policies, with more than 37,000 new policies this half-year.

La Banque Postale Prévoyance wrote more than 200,000 new policies and increased its net banking income nearly 3.3%. In personal risk insurance, revenues reached €157 million (+9.6%) compared to the same period in 2013 due to the growth in the number of policies and, in particular, PAI policies¹⁹.

La Banque Postale Conseil en Assurance posted revenues of €23 million, driven by the success of the payment facilities insurance policy. The portfolio has nearly 12.9 million policies.

The insurance segment's management expenses increased 21.4% to €46.4 million, driven by the growth in personnel and the resources accompanying the ramp up of P&C and personal risk insurance.

Accordingly, the insurance division's gross operating profit amounted to €54.1 million, up 1.8% compared to the first half of 2013.

CNP Assurances' contribution, through the consolidation of its net profit via the equity method, amounted to €114 million, an increase of 3.0% compared to the first half of 2013.

Outlook

The **École de la Banque et du Réseau** (*Bank and Network School*) will be inaugurated in the second half of 2014. The School will be responsible for increasing postal workers' skills in all business lines and will offer certificate, diploma and qualifying courses. The first class should start in the autumn of 2014 to support the first wave of Pro customer relations managers.

In the second half of 2014, La Banque Postale will make a special commitment to **professional customers**, with the goal of developing this market by capitalising on their proximity to the post office network.

On 18 July 2014, La Banque Postale and La Poste Network finalised the **unification of their commercial management lines**. This new organisation can support and accelerate La Banque Postale's current commercial momentum in the private customers market and encourage its future development in the professionals market. This adaptation of the Group's organisation is fully in line with the strategic plan "La Poste 2020: Conquering the Future."

¹⁹ Personal accident insurance

Finally, this autumn, La Banque Postale will progressively roll out its contactless mobile payment facility based on the NFC technology.

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About La Banque Postale

La Banque Postale, a subsidiary of Le Groupe La Poste, operates on the retail banking, insurance and asset management markets. As a civic minded bank, it supports its customers as part of a sustainable banking relationship, with a full range of accessible and reasonably-priced products and services. As a local and public service bank, La Banque Postale meets everyone's requirements, including retail customers, companies, professionals, and the local public sector. It remains at its customers' service through the network of post offices, on the Internet and by telephone, as part of a completely multi-channel relationship.

Press contacts:

Print media

David Lhôte
01.55.44.22.42
david.lhote@laposte.fr

Marie Paumier
01.55.44.22.38
marie.paumier@laposte.fr

Audiovisual media

Jacques Gourier
01.55.44.22.43
jacques.gourier@laposte.fr

Investor contact:

Sophie Renaudie
sophie.renaudie@labanquepostale.fr