FINANCIAL REPORT 2007

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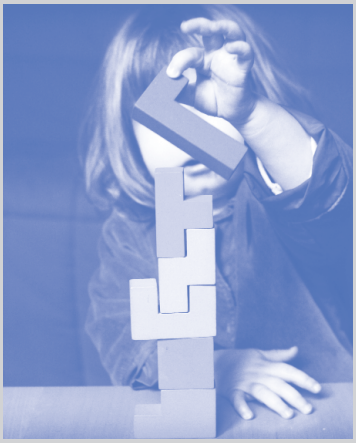


I. Observations of the Supervisory Board on the Executive Board's Management Report and the accounts for the 2007 financial year

GENERAL RESPONSIBILITY FOR PERMANENT CONTROL

As part of its general responsibility for permanent control, the Board regularly monitored the Bank's activities and its results throughout 2007 with quarterly reports and half-year and annual results submitted to it by the Executive Board.

The approval of the Board was sought for significant strategic partnerships, particularly those with CMP-Banque, with Oddo et Cie with Société Générale, a joint venture to set up a common card and electronic banking platform. It was also sought for the project to purchase the CCR group.

GOVERNANCE OF THE SUPERVISORY BOARD

At 31st December 2007, the Supervisory Board comprised thirteen members appointed for a statutory period of five years. Seven members come from La Poste Group, three are independent members under the terms of the Viénot/Bouton reports and three members are elected by staff in application of the law on the democratisation of the public sector. As the limit of 1000 employees set out in articles 6 and 40 of the law on the democratisation of the public sector was met in 2007, the number of representatives elected by staff increased at the beginning of 2008 to five of the fifteen members.

With the exception of the staff representatives who, by law, exercise their mandate free of charge, attendance fees are paid per the terms and conditions set forth by the Supervisory Board based on the actual attendance of its members at the meetings of the Board and its special committees.

The independent members of the Supervisory Board are proposed by the Appointments-Remuneration Committee and selected on the basis of their competence, the complementarity of their respective experience and their ability to commit to the long term.

The organisation and modus operandi of the Supervisory Board and its relations with the Executive Board are governed not only by the law and the articles of association but also by rules of procedure. Rules of procedure have also been drawn up for each special committee. By virtue of the various rules of procedure drafted, it has been possible to establish the rules of governance uniting the various entities of La Banque Postale from the very moment of its creation.

When they are appointed, members sign La Banque Postale Supervisory Board members' charter.

THE WORK OF THE AUDIT COMMITTEE IN 2007

The audit committee reported to the Supervisory Board on the accounts for 2006 and on the half-year accounts to 30th June 2007.

The Audit Committee also examined the reports to be submitted to the regulatory authorities, particularly the internal audit report and the risk report, and the organisation and implementation of permanent control and periodic control.

As a result, the Supervisory Board was able to ensure that the company had adequate measures in place to meet legal and statutory requirements, specifically as a Credit Institution, and that it adhered to the best governance practices.

THE WORK OF THE APPOINTMENTS AND REMUNERATION COMMITTEE IN 2007

The appointments-remunerations committee examined changes to the remuneration in 2007 of members of the Executive Board and the variable income of members of the Executive Board for 2006 as well as key La Banque Postale indicators for variable income in 2007.

THE WORK OF THE STRATEGIC COMMITTEE IN 2007

One of the roles of the strategic committee is to examine the company and its subsidiaries' multi-year strategic plan. It also examines those operations which, by law or by virtue of the articles of association, require the prior approval of the Supervisory Board. It met to discuss the problem of the Livret A and the different partnerships or acquisitions envisaged by La Banque Postale.

THE WORK OF THE SUPERVISORY BOARD IN 2007

The Supervisory Board met five times during the year with an average attendance rate of 92.3 %. On four occasions, it examined a report from the Executive Board on the activities of La Banque Postale. It studied the different strategic guidelines proposed, particularly La Banque Postale partnership projects, the Livret A strategy, changes to the information system and the question of consumer loans.

In addition, a report was submitted on the meetings of the Board's committees held since the last meeting.

THE WORK OF THE SUPERVISORY BOARD IN 2008

At its meeting of 28th March 2008, the Supervisory Board examined the company and consolidated accounts closed on 31st December 2007 and the report from the Executive Board on the management of the company and its group during the previous financial year. A report was read on the work of the Audit Committee and the Auditors in the drafting of these accounts and reports.

It had no observations to make on these documents and approved the Executive Board's proposal to the annual general meeting of shareholders that the dividend be fixed at €5.37 per share.

II. ENVIRONMENT AND HIGHLIGHTS

Despite the American credit crisis, world growth was maintained due to emerging economies

In 2007, world growth resisted the downturn in the American property market and credit crisis and persistent pressures on basic products including oil quite well thanks to emerging economies. The slowdown was felt more markedly at the end of year in the United States but above all in Europe and Japan. However, activity remained buoyant in the rest of the world. Most emerging countries stood up to the credit market crisis without too much damage due to a generally good financial situation and dynamic domestic demand. In China particularly, economic growth continued despite measures to cool the economy taken by the authorities. In all, emerging countries contributed to more than half the world growth evaluated at 4.9% by the IMF.

The French economy slowed moderately

In France, growth slowed down moderately last year even falling below the 2% threshold. It remains driven by consumption and well-oriented investment. However, residential investment slowed accompanying the gradual reversal in the property cycle after a 10-year phase of rises. Foreign trade continued to hamper growth as French companies found it difficult to satisfy internal demand and make the most of world expansion in the context of strong international competition. Despite economic growth that was in all quite modest, employment grew and the unemployment rate continued to fall.

Inflation out of control at the end of 2007 due to oil and food prices

The fierceness of industrial competition and the rapid growth in imports from countries with low salary costs did not prevent inflation from rising at the end of the year due to rises in the cost of basic products. The price of oil shot up again getting close to $100 a barrel in December. The price of cereals and milk products increased sharply for several reasons: unfavourable weather conditions, the development of bio fuels competing with food uses for agricultural products, increased demand in emerging countries due to their development and changes in food practices. In all, inflation rose to 2.6% over 12 months in December. In the euro zone, the increase was more marked at 3.1% in December.

The Federal Reserve lowered its rates; the ECB stopped increasing them

With the property crisis threatening to plunge the American economy into recession, the Federal Reserve reduced its base rate to 4.25% in December. The ECB stopped the trend towards raising its refinance rate meaning it flattened out at 4% in the second half. Fearful of the inflationist threat of pressures on raw materials, it maintained increases in its base rate. In addition, their losses on credit markets meant that banks suffered fierce pressure on the ability to finance particularly through inter-bank loan rates such as the 3-month Euribor rate in the Euro zone. To calm these pressures and prevent credit drying up, the Federal Reserve and the ECB lent heavily to banking institutions.

Fall back in long-term rates in the second half, in the United States particularly

After recovering in the first half, long-term rates fell back as the credit crisis damaged the prospects of the American economy and led the Federal Reserve to drop its rates. In addition, financial turbulence pushed investors towards increasingly secure assets, government bonds, whose rates increased and yields diminished. In the euro zone, long-term rates fell less however; Europe is less exposed than the United States to the risk of recession and the ECB maintained a restrictive direction for its monetary policy.

A stock market year saved by a good first half

Despite a correction at the end of February and an increasingly prudent attitude from investors, share prices continued to increase in the first half. The economic situation remained favourable for the stock market with solid world growth despite a slowdown in the American economy, inflation remained under control and interest rates were still quite low. In addition, company results were often greater than expected and mergers and acquisitions continued at a steady rate. In the second half however, the tremors in the credit market undermined confidence, sent bank shares on a downward spiral and led to a downturn in economic forecasts. However, the good performance of companies outside the banking sector limited falls in the stock market. In all, the major American and European indicators continued to rise in 2007: a 6% increase for the Dow Jones and 4% for Standard and Poor's 500; + 7% for the Euro Stoxx 50 and 1 % for the CAC 40. However, despite strong competitiveness in the Japanese economy, the Nikkei fell by 11%

The savings and credit market in France: contrasting change

The flow of financial investment in France remained high in 2007: about €130 billion (including reinvested capitalised interest), or almost 11% of after-tax revenue. Of this amount, a high proportion - about 40% - was invested in liquid or quasi-liquid savings such as current accounts, savings books, time accounts, monetary mutual funds. Indeed, liquid investments profited from a favourable context with an increase in regulated interest rates (including Livret A) and short-term interest rates and stock market turbulence in the second half of the year. The gain in momentum continued to draw on the detrimental tax and regulatory changes introduced in respect of Home Loan Savings Schemes (PELs). Life insurance on the other hand benefited less in 2006 from the disaffection for the PEL. Payments in life assurance policies surged by 3% in 2007 with a slightly more marked downturn in products in euros (down by 3%) than for unit-linked products (down 1%). However, their growth had been exceptional in 2005 and 2006.

All the same, life insurance drained 60% of the total flow of investment maintaining its dominating position in the French savings market. In stocks and shares, 2007 confirmed the trend of previous years: despite a strong growth in stock market activity from March 2003 to June 2007, non-monetary mutual funds struggled to get going in household investment portfolios. These concentrated mainly on unit linked life insurance and employee savings, the growth of which continued in 2007. Finally, home loans felt the impact of the progressive reversal of the property cycle caused by the high level of house prices and the increased cost of loans since the end of 2005. The production of new loans fell last year after having increased fivefold since the beginning of the 1990s.

II.1 The retail banking activity

The remuneration received by La Banque Postale from the deposits centralised at the CDC from the LEP savings passbook and the Sustainable Development Savings Passbook fell sharply in 2007

- interest on LEP centralised deposits is now only 0.5% (since October 2006) compared to 1% previously and payment for collection is now only 0.1% compared to 2.5% previously
- remuneration paid on centralised LDD deposits is now only 0.8% whereas it was 1.5% in the first half of 2006 and 1% in the second half. In addition, the partial recovery of centralised funds took place in 2007 (25% of deposits on 1st January then 50% from 1st July)
- As La Banque Postale cannot lend to businesses, the funds were lent to OSEO and BNP Paribas who will use them in compliance with legislation.

Other highlights of 2007:

- a partnership agreement with MATMUT to distribute La Banque Postale home loans across its network
- a partnership with CMP-Banque to offer loan rescheduling to disadvantaged La Banque Postale customers in the Paris region
- the agreement of the CECEI to offer social micro-loans
- the launch of specific offers aimed at immigrant customers: partnership with Poste Maroc
- the launch of a new offer linked to the PEA share savings account, the Primiel stock exchange plan that includes "gain securitisation" services and an insurance policy against losses if things go wrong for €12 a year.
- the launch of two new Pactys home loan packages: Pactys environnement and Pactys avenir

In addition, changes to La Banque Postale's organisation continued in 2007 with:

- the acceleration in the development of the remote banking activity
- a test carried out in four financial centres in the North East zone as part of the reorganisation of the back office (DCC project) aimed at specialising them by activity.

II.2 Subsidiaries

NEW SUBSIDIARIES AND HOLDINGS

In the asset management sector, La Banque Postale Asset Management created a structured product subsidiary called La Banque Postale Structured Asset Management. This new company received final approval from the AMF on 5th October 2007. It took over 37 structured funds worth a total of €3.5 billion.

In addition, La Banque Postale Asset Management, in a joint venture with Ofi AM, developed an incubator (Amlab) aimed at buying shares in innovative and/or specialised management companies.

The company was created on 8th January 2008.

La Banque Postale Asset Management wanted to acquire a share in Thiriet Gestion. To this end, Palatine AM's 33.4% share was purchased for €4.3 million on 2nd January 2008; the AMF gave its approval for the operation on 11th December 2007.

Finally, La Banque Postale through the SF2 holding acquired a 33% share in Coripost Africa S.A. This is part of its regional project to connect 26 African post offices with a view to exchanging electronic postal orders through the IFS (International Finance System) channel. This share is 11 million CFA francs, or a little less than €17,000, and was confirmed on 8th September 2007 at the inaugural General Assembly of the company.

INCREASED HOLDINGS IN EXISTING SUBSIDIARIES

La Banque Postale holds 56.40% of XAnge Private Equity, the remaining 33.60% owned by ABN-AMR0. On 5th December 2007, ABN Amro was purchased enabling La Banque Postale to control, through SF2, 90% of XAnge Private Equity.

SUBSIDIARIES

On 8th January 2007, CNP Assurances launched a new equity issue worth €700 billion aimed at purchasing the 49.9% share of Écureuil Vie owned by the Groupe Caisse d'Epargne.

Sopassure, the 50.01% owned SF2 subsidiary was solicited for its 35.48% share in CNP Assurances, or €248 million. Sopassure answered positively and increased its equity by the same amount.

Assurposte became La Banque Postale Prévoyance on 5th November 2007.

On 7th July 2007, the AMF created Ciloger as a portfolio management company.

PARTNERSHIPS

A draft agreement was signed with Oddo et Cie on 25th October 2007 for private banking and particularly portfolio management. Efiposte Gestion, renamed La Banque Postale Gestion Privée on 2nd January 2008 should be the main vector in this partnership.

Another draft agreement was signed on 21st December 2007 between La Banque Postale and Société Générale to implement a card and electronic banking partnership. A joint venture equally-owned by the two shareholders was created to implement the partnership in 2008.

III. LA BANQUE POSTALE GROUP 2007

III.1 History

La Banque Postale was started, in application of article 16 of law n° 2005-516 dated 20th May 2005 relative to the regulation of postal activities and the decree of application dated 30th August 2005, with the following assets.

The activities of the Caisse Nationale d'Épargne were transferred to La Poste on 31st December 2005. On this same date, these activities and La Poste's financial services were transferred to Efiposte, which was granted approval to operate as a credit institution on 2nd December 2005.

This transfer also included the equity interests held by La Poste in SF2, a holding company which indirectly holds 17.7% of the securities of CNP Assurances (non-pro forma percentage holding according to the IFRS reference).

The assets previously managed by the Savings Fund Division of the CDC were principally securities for the management of Home Loan savings deposits (Home Loan Savings Schemes and Accounts) and savings facilities for low taxpayers (Plans d'Epargne Populaire) and liquid assets for the management of the other types of savings deposit.

From the beginning, La Banque Postale focused on its customers in proposing a new range of life insurance and a complete range of home loans.

During 2007, La Banque Postale obtained:

- in May, an extension of the CECEI's approval to distribute social micro-loans,
- in October, an agreement to distribute consumer loans. As part of this, La Banque Postale launched a selection process in December 2007 aimed at choosing a partner with a view to a market launch at the end of 2009.

III.2 Overview of the Group's activities

La Banque Postale is centred on retail banking in France, particularly the consumer market.

The Group is organised around a main retail banking division and two complementary divisions in insurance and asset management.

Retail banking activities

The Group's retail banking essentially involves activities specific to La Banque Postale in card and electronic banking, payment facilities, savings products and loans.

To provide these services, it uses staff at La Poste paid for entirely by the Bank:

- staff responsible for providing advice and sales located mainly in post offices,
- counter staff for the banking part of its activities,
- staff in financial centres and national centres, responsible for the back-office processing of customer operations,
- Financial Services IT department staff.

Activities in the field of insurance

The health and personal risk insurance division, set up in 1998 as a joint venture with CNP Assurances, renamed La Banque Postale Prévoyance, it provides life insurance and healthcare products... and is one of the market leaders.

This division also features the brokerage business of Sogerco. The company works particularly in payment facilities insurance with Alliatys for example and is particularly noted for its part in the design and set up of post office staff insurance products. Finally, the division is home to the Group's holding in CNP Assurances.

Activities in the field of asset management

La Banque Postale's asset management division, through La Banque Postale Asset Management (LBP-AM) sub-group, includes the creation and management of mutual funds sold by the retail banking arm.

The sub-group also includes the management of structured products as well as an incubator company that invests in innovative and/or specialised management companies. The aim is to enable La Banque Postale customers to invest in products that benefit from this know-how.

The asset management division also includes a private equity activity as well as the management of the bank's customers property products (SCPI, OPCI) offering a wide range of investments.

III.3 Results 2007

- The financial information presented below has been produced in conformity with IAS - IFRS (International Financial Reporting Standards).
- The Group's date of transition to IAS – IFRS is therefore 1st January 2006. This is when an opening balance sheet was issued in compliance with the provisions of the IFRS 1. This enables a retrospective application of standards and the effect of changes in accounting principles to be included in the opening balance sheet. The consolidated financial statements as of 30th June 2006 and 31st December 2006 have been restated according to the new standards.
- La Banque Postale Group's consolidated accounts apply the new IFRS 7 standard relative to information on risks and determination of fair value.

2007 was for banking institutions marked by the sub-prime crisis that led to a cash flow crisis and tensions on inter-bank rates. There was also increased competition between retail banks and a growing number of rapprochements increasing the size and power of current players.

In this environment, La Banque Postale was not affected by the crisis due to its structurally liquid balance sheet and prudent management of its investments.

It was even able, due to its excess resources, to make the most of the inter-bank market rates to improve its economic performance.

La Banque Postale's results in 2007 are characterised by a growth in its net banking income of 5% (excluding home savings and Euronext gains). They confirm that the success of its development model characterised by sustained growth in the number of active customers (an increase of 140,000 active customers in a year), as well as a more forceful position in the home loans market to which the bank has only had access for two years. La Banque Postale's dynamism in these areas is characterised by a strong growth in home loans as well as an increase in the number of products held by customers with, for example, an increase in the number of customers with account packages of 18% in a year reaching 3.8 million at the end of 2007.

Operating expenses were almost stable with an increase of 0.6 % despite the continued investment in IT and the growing number of customer advisors. This performance was made possible particularly through the continuation of back office productivity programmes and through the progressive disappearance of pension cost overruns supported by La Poste. Gross operating profit in 2007 reached €514.5 million, an increase of 17% on the 2006 IFRS pro forma; the operating coefficient sharply improved therefore to reach 89.15%

Given the cost of risk that remained very low and equity method accounting of our share in the results of CNP Assurances, the Group's net share was €539.6 million.

IV. GOVERNANCE

La Banque Postale, a limited company with Executive Board and Supervisory Board, wholly-owned by La Poste, started trading as a bank on 1st January 2006 after receiving approval from the CECEI as a credit institution on 2nd December 2005. It is notably subject to the Commercial Code as a commercial company, the Monetary and Financial Code and to CCLRF (CRBF) regulations as a credit institution and to the July 1983 law on the Democratisation of the Public Sector as a public sector company.

Its governance is organised on the basis of the recommendations of the Agence des Participations de l'Etat (State Holdings Agency) which are, in turn, inspired principally by the Vienot/Bouton reports.

IV.1 The Supervisory Board

A. ROLE AND OPERATION OF THE SUPERVISORY BOARD

DUTIES, RESPONSIBILITIES AND POWERS OF THE SUPERVISORY BOARD

The Supervisory Board holds the powers granted to it under the Commercial Code, the Law on the Democratisation of the Public Sector of 26th July 1983 and the articles of association of the company, specifically as set forth in Article 25 thereof.

The Supervisory Board debates issues regarding the major strategic, economic, financial and technological directions of the business, prior to a decision being taken by the Executive Board.

It monitors the management activities of the Executive Board on an ongoing basis and approves operations which, pursuant to Article 14 of the articles of association, the Executive Board cannot take without its prior consent.

It checks and audits the accounts. It appoints the members of the Executive Board and determines their remuneration.

RIGHTS AND OBLIGATIONS OF THE MEMBERS OF THE SUPERVISORY BOARD

At a meeting held on January 25th 2006, the Supervisory Board adopted the Membership Charter for La Banque Postale Supervisory Board which sets forth the rights, obligations and principles applicable to a Member of the Supervisory Board. At the same meeting it also adopted the rules of procedure governing the preparation and organisation of its duties.

THE WORK OF THE SUPERVISORY BOARD IN 2007

The Supervisory Board met five times in the 2007 financial year with an average attendance rate of 92.3 %.

It examined notably:

- the Executive Board's quarterly business reports,
- the annual company and consolidated accounts for 2006 as well as the Supervisory Board and management report and the proposal to appropriate net profit,
- the 2007 half-year reports,
- the internal control and risk measuring and monitoring report (articles 42 and 43 of the CRBF regulation n°97-02),
- the 2008 budget,
- planned partnerships and acquisitions,
- the planned launch of the social micro-loans activity,
- updating the Livret A strategy,
- the remuneration of company representatives,
- the bank's information system,
- the organisation of the election of employee representatives to the Supervisory Board,
- consumer loans.

In accordance with the rules of procedure, the Members of the Supervisory Board receive notification of the meeting 15 days before it is held and the corresponding preparatory documents 7 days prior.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

An attendance allowance is granted to all members of the Supervisory Board except for the employee representatives.

The Chairman of the Supervisory Board receives an attendance allowance in the form of a fixed amount paid on an annual basis.

The attendance fees of the members are calculated on the basis of their actual attendance at meetings of the Supervisory Board and its Committees, the Chairman of each committee receiving an additional fixed amount on an annual basis.

For all La Poste members of the Supervisory Board, La Poste rules governing attendance fees apply.

B. ORGANISATION AND OPERATION OF SPECIALISED COMMITTEES

The Supervisory Board has created three committees to assess it.

The tasks of each of these committees, the selection criteria for their members and their rules of operation are set forth in rules of procedure approved by the Supervisory Board.

THE AUDIT COMMITTEE:

The Audit Committee comprises five members:

- three independent members, Didier Ribadeau Dumas, the Chairman, Gérard Barbot and Sylvain de Forges,
- a member from La Poste, Nicolas Duhamel,
- since October 2006, one employee representative, Hélène Wolff,

The Government Commissioner, Christian Bodin, also attends Audit Committee meetings.

The principal duties of the committee are:

- to ensure that information provided is clear and to assess the relevance of the adopted accounting methods,
- to conduct the auditor selection procedure,
- to assess the quality of the internal audit,

The audit committee meets at least four times a year and specifically prior to any meeting of the Supervisory Board for which the agenda includes one or more issues falling within its competence.

In 2007, it met seven times with an average attendance rate of 91.4%

During 2007, it examined particularly:

- the updating of its rules of procedure,
- the register of limitations,
- the intervention plan of the statutory auditors and their fees,
- the annual report 2006,
- the General Inspectorate annual management report,
- the internal control and risk measuring and monitoring report (articles 42 et 43 of the CRBF regulation n°97-02),
- the company and consolidated annual financial statements 2006,
- the risk map,
- the 2007 half-year reports,
- the presentation of measures taken to control outsourced activities,
- the situation with the BCP,
- the General Inspectorate work programme for 2008.

The Audit Committee delivers a report to the Supervisory Board after each of its meetings.

THE APPOINTMENTS AND REMUNERATIONS COMMITTEE

The Appointment-Remuneration Committee has three members: an independent member Gérard Barbot who chairs the committee and two members from La Poste, Jean Paul Bailly and Georges Lefebvre.

The principal duties of the committee are:

- to examine the profile of people approached to sit on the Supervisory Board, and their independence from the company and La Poste Group, or to become members of the Executive Board,
- to examine the remuneration of company representatives whether fixed or variable or paid in cash or benefits in kind,
- to examine the retirement and health and personal risk themes,
- to examine whether or not it is appropriate to create profit-sharing or incentive-based payment schemes for company directors or employees.

The Appointments-Remuneration Committee met five times during the year with a 100% attendance rate.

The appointments-remunerations committee examined changes to the remuneration in 2007 of members of the Executive Board and the variable income of members of the Executive Board for 2006 as well as key La Banque Postale indicators for variable income in 2007.

THE STRATEGY COMMITTEE

The Strategic Committee has four members:

- one independent member, Sylvain de Forges,
- two members from La Poste, Marc-André Feffer, Chairman, and Paul-Marie Chavanne,
- and since October 2006, an employee representative, Frédéric de Saint-Leger.

The Government Commissioner, Christian Bodin, also attends the Strategic Committee meetings.

The Strategic Committee examines and monitors implementation of the company's multi-year strategic plan and the strategic projects and operations of the company and its subsidiaries.

It met to discuss the problem of the Livret A and the different partnerships or acquisitions envisaged by La Banque Postale.

ASSESSMENT OF THE PERFORMANCE OF THE SUPERVISORY BOARD

The performances of the audit committee, an emanation of the Supervisory Board, were first assessed at the end of 2007.

C. EXECUTIVE BOARD

La Banque Postale is a company with an Executive Board and a Supervisory Board. The general management of the company is in the hands of the Executive Board which has the furthest reaching powers to act in all circumstances on behalf of the company within the limits of the company and notwithstanding those powers expressly conferred upon the Supervisory Board and the General Meeting of Shareholders by virtue of the law and the articles of association, specifically Article 14 thereof.

The Executive Board comprises two members:

- Patrick Werner who is the Chairman,
- and Philippe Bajou.

The two members of the Executive Board have the status of managing executive pursuant to Article L 511-13 of the Monetary and Financial Code.

The members of the Executive Board share the management duties in accordance with a division of duties authorised by the Supervisory Board. They have also set limits beyond which certain acts committing the company shall require the prior approval of the Executive Board on penalty of incurring the liability of their perpetrator vis-à-vis the company and its shareholders.

D. INTERNAL COMMITTEES

In addition to the Executive Committee and the Management Committee, La Banque Postale has six internal committees chaired by a member of the Executive Board.

The heads of the department concerned by the subject covered and the directors of the insurance and asset management divisions are members of these committees. The Bank's Territorial Representatives (BTR) also participate in some of these committees.

Following consultation with members of the committee, an agenda is drawn up for the committee meeting and approved by the Committee Chairman. It is sent to all members 24 hours prior to the meeting. Minutes are systematically drafted and submitted to the Chairman for approval.

- The **Executive Committee** assists the Executive Board in establishing the strategic direction the company is to take and drafting the strategic plans. It also helps to make major collective decisions and implement these at operational level.

It meets three times a month and once per quarter and it is made up of a strategic executive committee to study the implementation of strategic decisions and to monitor major projects.

As of the 31st December 2007, the executive committee includes:

- Patrick Werner, Chairman of the Executive Committee,
- Philippe Bajou, member of the Executive Committee,
- Philippe Blin, Information Systems Director,
- Yves Brassart, Financial Director,
- Yves Caplain, Inspector General
- Marie Cheval, Marketing and Sales Director,
- Bernard Condat, Director of Human Resources and Director of Quality, Processes and Procedures,
- Jean-Luc Enguéhard, Director of the Asset Management Division,
- Marc Levy, Compliance Director,
- Bernard Rayne, Director of Banking Operations,
- Alain Saubole, Risk Director,
- François Schwerer, Legal Director,
- Pierre-Manuel Sroczynski, Financial Operations Director,
- Danielle Wajsbrot, Director of the Insurance Division.

- The **Management Committee** is a platform for the reciprocal exchange of information, particularly with regard to the deployment of the bank's major policies, the progress of projects and budget updates, the management charts and the bank's results. It also manages the career paths of senior executives and those displaying high potential. It meets once a month.

- The **Risk Committee** helps define the lending policy for each sector of activity, reviews appreciable risks, approves major commitments, monitors operational risks and validates the risk control mechanisms. It meets once a month.

- The **Compliance and Ethics Committee** ensures that effective, coherent measures are in place to combat money laundering and the funding of terrorism, coordinates the internal audit activities, secures conformity with the rules of ethics and investigates major conflicts of interest. It meets once a month.

- The **ALM Committee** reviews the mechanisms in place for monitoring the financial risks inherent to balance sheet management and in particular the policy for controlling global interest rate and liquidity risks. It meets every two months.

- The **Strategic Information Systems Committee** monitors the IT budget and prepares arbitrages on the portfolio of IT projects in line with the strategic plan. It meets quarterly.

- The **Marketing Committee** approves the marketing mix implemented in markets identified as priority for the development of commercial NBI. It meets once a month.

- The **Customer Quality Committee** puts forward quality policy recommendations and monitors customer satisfaction, the quality of the services offered to them and good practices within the sector. It meets quarterly.

IV.2 Shareholder relations

Pursuant to Article 16 of Act n° 2005-516 of 20 May 2005 and its implementing decree of 30th August 2005, La Poste transferred to La Banque Postale, effective 31st December 2005, all assets, rights and obligations of all kinds linked to its financial services. This included equity interests but excluded, where appropriate, those required for the activities it operated directly. In remuneration for the assets, it was allocated 1,008,333,000 La Banque Postale shares with a nominal value of €2.16. After these operations, La Poste holds 99.99% of the capital.

The aforementioned Article 16 explicitly states that La Poste must have a majority shareholding in its subsidiary.

Furthermore, under the terms of the Transfer Agreement, La Poste has promised to hold its shares in the company for a period of three years. To the knowledge of La Banque Postale, there are no agreements in place which could subsequently alter the shareholding of La Poste. La Poste and La Banque Postale enjoy a very close relationship in terms of governance and management bodies and also on a commercial and industrial basis.

The Chairman of the Executive Board of La Banque Postale holds the position of Deputy Managing Director of La Poste, responsible for Financial Activities. He is a member of the Executive Committee of La Poste. Within the Supervisory Board of La Banque Postale, 7 out of the 10 members elected by shareholders come from La Poste group. With the Chairman of La Poste presiding over the Supervisory Board, La Poste is also represented within the committees of the Supervisory Board.

La Poste is the main service provider of La Banque Postale, which avails itself of La Poste resources for its operations. Various agreements have been concluded between La Poste and La Banque Postale to this effect and pursuant to Article 16 of Act n°2005-516 of 20 May 2005. The most important of these have been authorised by the Supervisory Board in accordance with Article L 225.86 of the Commercial Code, with COMEX members of La Poste not taking part in the vote.

Finally, La Banque Postale is the main banker of La Poste. Alongside the close relationship it enjoys with its parent company, La Banque Postale also has regular contact with the Agence des Participations de l'Etat which receives information principally on the strategic directions taken by the bank.

IV.3 List of powers and remunerations

A. LIST OF THE POWERS AND FUNCTIONS OF COMPANY REPRESENTATIVES HELD DURING THE YEAR

- Mr Patrick Werner, Chairman of the Executive Board of La Banque Postale:
  - Executive Director -Director of La Poste's Financial Activities (national public institution),
  - Managing Director of SF2 (SA),
  - Permanent representative of SF2, Director of Sopassure,
  - Chairman of the Supervisory Board of La Banque Postale Asset Management (Limited company with an Executive Board and Supervisory Board),
  - Chairman of La Banque Postal Prévoyance Board of Directors (previously Assurposte) (SA),
  - Chairman of BMS Developpement (SAS),
  - Chairman of BMB Exploitation (SAS),
  - Director of Europay France (SAS – Simplified Joint Stock Company),
  - Chairman of SFPMEI (SAS),
  - Chairman of the Supervisory Board of XAnge Private Equity (Limited company with an Executive Board and Supervisory Board),
  - Chairman of the Supervisory Committee of La Société Financière de Paiements (SAS),
  - Member of the Supervisory Board until 10th July 2007 and administrator since 10th July 2007 of CNP Assurances (SA),
  - Director of Poste Immo (SA),
  - Representative of La Banque Postale, managing director of CRSF Dom (SCI) since 29th June 2007,
  - Representative of La Banque Postale, managing director of CRSF Dom (SCI) since 29th June 2007,
  - President of "LBPAM Obli Court Terme", "LBPAM Actions Euro" until 16th December 2007, "LBPAM Actions Indice France" and "LBPAM Actions Indice Euro",
  - Permanent representative of La Banque Postale, Director of the Afpen Association.
- Mr Philippe Bajou, Member of the Executive Board of La Banque Postale:
  - Chairman of the Supervisory Board of La Banque Postale Asset Management (previously Efiposte Gestion) (Limited company with a Executive Board and Supervisory Board),
  - Chairman of the Supervisory Board of La Banque Postale Asset Management (Limited company with an Executive Board and Supervisory Board),
  - Vice-Chairman of the Board of Directors of Titres Cadeaux (SAS),
  - Permanent representative of SF2, Director of Sopassure (Limited company under Mali law),
  - Director General of EF Primo (SA),
  - Chairman of Federation SF2 (SAS),
  - Chairman of "LBPAM Actions Monde" and "LBPAM Obli Revenus".

- Mr Jean-Paul Bailly, Chairman of the Supervisory Board and Member of the Appointments-Remuneration Committee of La Banque Postale:
  - President of La Poste (national public institution),
  - Permanent representative of La Banque Postale, Director of SF2 (SA),
  - Director of Sopassure (SA),
  - Member of the Supervisory Board of La Banque Postale Asset Management (Limited company with an Executive Board and Supervisory Board),
  - Vice-Chairman of the Supervisory Board until 10th July 2007 and administrator since 10th July 2007 of CNP Assurances (SA),
  - Permanent representative of La Banque Postale, Director of SF2 (SA),
  - Permanent representative of La Banque Postale, Director of SF2 (SA),
  - Permanent representative of La Banque Postale, Poste Immo (SA),
  - Permanent representative of La Poste, Chairman of SF 12 (SAS),
  - Director of Systar (SA).
- Mr Gérard Barbot, Member of the Supervisory Board, Member of the Audit Committee and Chairman of the Appointments-Remuneration Committee of La Banque Postale:
  - Member of the Supervisory Board and Chairman of the Audit Committee of La Banque Postale Asset Management (Limited company with an Executive Board and Supervisory Board),
  - Director and Chairman of the Audit Committee of Geopost (SA),
  - Member of the Supervisory Board of Oddo et Cie (SCA),
  - Member of the Supervisory Board of Crédit Foncier de France (Limited company with an Executive Board and Supervisory Board),
  - Chairman of the Supervisory Board of Vauban Mobilisation Garanties (Limited company with an Executive Board and Supervisory Board),
  - Chairman of the Supervisory Board of Gimar Capital Investissement (SCA) since 2nd April 2007.
- Mr Didier Brune, Member of the Supervisory Board of La Banque Postale:
  - Director of Strategy at La Poste (national public institution),
  - Director of Sofipost (SA) since 19th September 2007,
  - Director of Somepost (SA),
  - Director of Aspheria Holding (SA).
- Mr Paul-Marie Chavanne, Member of the Supervisory Board and Member of the Strategic Committee of La Banque Postale:
  - Executive Director -La Poste's Parcels Director (national public institution),
  - Managing Director of Géopost (SA),
  - Member of the Supervisory Board of Geopost Imdh GmbH (Limited company under English law),
  - Director of UK (Limited company under English law),
  - Member - Geopost Nordics and Eastern Management Board (Limited company under English law),
  - Member of the Supervisory Board of Exapaq (SAS),
  - Member of the Supervisory Board of Fret GV (SAS),
  - Member of the Supervisory Board of Geopost Intercontinental (SAS),
  - Permanent representative of Géopost, Director of Chronopost (SA),
  - Director of Sofipost (SA),
  - Chairman of the Board of Directors of Europe Airpost (SA),
  - Director of Generali Assurances IARD (SA),
  - Director of Generali Assurances Vie (SA),
  - State representative, Gaz de France (SA).
- Mr Nicolas Duhamel, Member of the Supervisory Board and Member of the Audit Committee of La Banque Postale:
  - Executive Director - La Poste's Finance Director (national public institution),
  - Director of SF2 (SA),
  - Member of the Supervisory Board of La Banque Postale Asset Management (Limited company with an Executive Board and Supervisory Board),
  - Director of La Banque Postale Prévoyance (previously Assurposte) (SA),
  - Director of Géopost (SA),
  - Director of Poste Immo (SA),
  - Director of Sofipost (SA),
  - Member of the Supervisory Board of Xange Capital (SA).
- Mr Marc-André Feffer, Vice-Chairman of the Supervisory Board and Chairman of the Strategic Committee of La Banque Postale:
  - Executive Director at La Poste Group responsible for Development Strategy, Legal and International Affairs and Regulations (national public institution),
  - Chairman of the Board of Directors until 28th March 2007 and director since 28th March 2007 of Sopassure (SA),
  - Permanent on representative of Sopassure, member of the Supervisory Board until 10th July 2007 and administrator since 10th July 2007 of CNP Assurances (SA),
  - Director of Géopost (SA),
  - Member of the Supervisory Board of Géopost Intercontinental (SAS),
  - Chairman of the Board of Directors of Europe Airpost since 17th September 2007 (SA),
  - Chairman and of the Supervisory Board of Xange Capital (SA).
- Mr Philippe Galopin, banking controller and employee-elected Member of the Supervisory Board of La Banque Postale
- Mr Georges Lefebvre, Permanent Representative of La Poste, Member of the Supervisory Board and Member of the Appointments-Remuneration Committee of La Banque Postale:
  - Director and Chairman of the Appointments-Remunerations Committee of Geopost (SA),
  - Director and Chairman of the Appointments-Remunerations Committee of Geopost (SA),
  - Director and Chairman of the Appointments-Remunerations Committee of Sofipost (SA),
  - Chairman of the Board of Directors of "LBPAM Profil 100", "LBPAM Profil 50", "LBPAM Profil 80", "LBPAM Profil 80 PEA" and "LBPAM Profil 15".

- Mr Sylvain Lemoyne de Forges, Member of the Supervisory Board, Member of the Audit Committee and Member of the Strategic Committee of La Banque Postale:
  - Director of Risks and Markets Véolia Environnement (SA),
  - Director of Veolia Environnement Services (SA),
  - Managing Director of Véolia PPP Finance (SA),
  - Director and member of the Strategy Committee La Monnaie de Paris (EPIC) since 6th August 2007,
  - managing director of SCI Fondvert (SCI).
- Mr Didier Negiar, Member of the Supervisory Board of La Banque Postale:
  - Director of Information Systems, Purchases, Cost Optimisation and Shared Services at La Poste (national public institution).
- Mr Didier Ribadeau Dumas, Member of the Supervisory Board and Chairman of the Audit Committee of La Banque Postale:
  - managing director of DRD Conseil (SCI),
  - managing director of Sauvigny (SCI),
  - observer of ABC Arbitrage (SA).
- Mr Frédéric de Saint-Leger, credit derivatives manager Research and Development, member of the Supervisory Committee elected by employees and member of La Banque Postale Strategy Committee.
- Mme Hélène Wolff, manager of the multi-channel distribution marketing and competition monetary unit, member of the Supervisory Board elected by employees and member of La Banque Postale Audit Committee.

B. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

An attendance allowance is granted to all members of the Supervisory Board except for the employee representatives.

The total sum to be allocated, as fixed by the General Meeting of Shareholders on 23rd May 2006 is €450,000.

On the basis of a proposal from the Appointments-Remuneration Committee, the Supervisory Board has established the method of calculation of the attendance fees of the members in accordance with their actual attendance at the meetings of the Supervisory Board and its committees, the Chairman of each committee receiving an additional fixed amount on an annual basis. The Chairman of the Supervisory Board receives an attendance allowance in the form of a fixed amount paid on an annual basis.

For all La Poste members of the Supervisory Board, the attendance fees are set in accordance with rules of procedure of La Poste group. As such, the attendance fees allocated to La Poste members of the Supervisory Board are paid to La Poste.

MEMBERS OF THE SUPERVISORY BOARD

Name of company representatives	Attendance allowance in 2007 (€)	Beneficiary
Jean-Paul Bailly	90,000	La Poste
Marc-André Feffer	24,500	La Poste
Didier Brune	15,000	La Poste
Paul-Marie Chavanne	10,500	La Poste
Nicolas Duhamel	22,500	La Poste
Georges Lefebvre	18,000	La Poste
Didier Négiar	12,000	La Poste
Gérard Barbot	36,500	The person concerned
Sylvain Lemoyne de Forges	25,500	The person concerned
Didier Ribadeau Dumas	37,500	The person concerned
Didier Galopin	-	-
Frédéric de Saint-Leger	-	-
Hélène Wolff	-	-

C. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD EMPLOYEE REPRESENTATIVES

Payments made to employee representatives elected to the Supervisory Board under their work contracts in 2007 were €234,323. Employee representative members of the Supervisory Board are not paid for their work.

D. REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD

The two members of the Executive Board receive a fixed annual remuneration to which may be added an annual bonus based on the achievement of business plan objectives and a 3-year super bonus if performance exceeds the business development plan.

They also receive membership of a health and welfare scheme and severance pay equivalent to 30 months fixed pay and annual bonus calculated on the basis of the last 12 months should their mandate on the Executive Board come to an end.

REMUNERATIONS AND SOCIAL BENEFITS PAID TO COMPANY REPRESENTATIVES DURING 2007

Members of the Executive Board	Fixed remuneration	Benefits in kind 2007	Bonus (1)	Gross total
P Werner	€320,000*		€91,200	**€411,200.00**
P Bajou	€250,000	€4,572	€70,400	**€324,972.00**

(1) Bonuses paid for 2006.

* Portion of the remuneration paid by La Banque Postale

E. REMUNERATION PAID TO MEMBERS OF THE EXECUTIVE COMMITTEE

Payments made to members of the Executive Committee were €2,519,000 in 2007 including remuneration and benefits in kind as well as post-employment benefits.

IV.4 Statutory auditors

La Banque Postale statutory auditors	First appointed	Contract expires
PricewaterhouseCoopers Audit 63, rue de Villiers 92200 Neuilly-sur-Seine represented by Gérard Hautefeuille and Agnès Hussherr replacement: Pierre Coll	28th April 2004	General assembly called to rule in 2010 on the financial year finished on 31st December 2009
Mazars et Guérard Tour Exaltis 61, rue Henri Régnault 92400 Courbevoie represented by Guillaume Potel replacement: Anne Vaute	23rd May 2006	General assembly called to rule in 2012 on the financial year finished on 31st December 2011

V. RISK MANAGEMENT

The Order of 31st March 2005, decreed to amend CRBF Regulation n° 97-02, tightened the requirements in terms of controlling the risk of non-conformity and controls on activities outsourced.

This Order came into force on 1st January 2006, the day on which La Banque Postale came into being. In preparation for this La Banque Postale had ensured that the organisation in place met the requirements of the amended Regulation 97.02.

V.1 The general mechanism

La Banque Postale therefore has an organisation for managing risks taking account of the specific features of each activity and the organisation through which it works. Significant resources were therefore devoted to creating two departments each responsible for permanent control within its own area.

- a division responsible for conformity
- a division in charge of risks

A. THE CONFORMITY DEPARTMENT

This is responsible for managing the risk of non-conformity, i.e. the risks set forth in Article 4 p) of the CRBF regulation 97.02, i.e:

"The risk of non-conformity: the risk of legal, administrative or disciplinary sanctions, major financial loss or violation of reputation, arising from failure to adhere to the specific provisions governing banking and financial activities, whether legislative or regulatory in nature, professional standards or codes of conduct, or instructions from the executive body issued to implement policy guidelines of the deliberating body".

To this end, the Compliance Division is backed by a unit of more than 200 territorial controllers responsible for monitoring network operations.

Other responsibilities of the Compliance Division include ethics, compliance with regulations governing the provision of investment services and combating money laundering and the funding of terrorism.

B. THE RISK DEPARTMENT

This works in:

- credit risk, the risk of financial loss due to the inability of customers to meet their contractual obligations. This is a risk that involves loans or customer means of payment;
- market and counterparty risk: on the one hand, the risk of loss linked to a downward trend in the price of the financial instruments or market parameters, on the other, the risk of loss arising from the default of a banking counterparty or an issuer in respect of financial market transactions;
- structural liquidity risk: risks linked to balance sheet management including risks leading to unforeseen discrepancies between assets and liabilities and the risk of being unable to release the necessary funds to meet the financial obligations of La Banque Postale;
- operational risk (excluding non-compliance risk): - a risk arising from inappropriate or faulty procedures, employees or internal systems or from external events

C. PERIODIC CONTROL IS PROVIDED BY THE GENERAL INSPECTORATE

To do this, two control bodies are used with 100 people in all: the Banking Inspectorate, responsible for auditing the divisions, and the Audit Department, responsible for auditing the procedures.

D. A SERIES OF AD HOC COMMITTEES

A series of ad hoc committees guarantees risk analysis and monitoring of the highest level within La Banque Postale.

- The Compliance Committee and the Risks Committee take decisions, each in their own area, on issues of methodology and resources and analyse customer and account management initiatives introduced.
- The task of the Statutory Watchdog Committee, run by the Compliance Division, is to ensure that changes to statutes and regulations affecting the banking sector are effectively implemented by all departments concerned.
- Prior to the launch of a new product, the New Products Committee checks that the associated risks have been duly analysed, approved and then subjected to the appropriate procedures and controls. This committee also monitors the compliance of the information provided to customers on all media.

V.2 Combating the risks of non-compliance

A. COMPLIANCE

The articles of the CRBF Regulation 97-02 of 2nd July 2007 implemented into French law the "Compliance" function which now becomes the "Compliance" function. They came into force on 1st January 2006, the same day on which La Banque Postale was launched.

Consequently, from the very start of its operations La Banque Postale ensured that a "compliance and ethics" Committee featured among its Governance Committees and had a Compliance Division whose Director sits on its Executive Committee.

THE CONFORMITY AND ETHICS COMMITTEE

This monthly committee is led by the Compliance Director and reports to the Executive Board of La Banque Postale. Its mission is to:

- ensure coherent and effective measures are put in place with regard to the statutes and regulations specific to banking and financial activities, specifically in terms of combating money laundering and the funding of terrorism,
- coordinate the internal audit activities,
- validate and ensure implementation of the ethics policy,
- examine the annual internal audit reports and the reports from the Head of Compliance for Investment Services.

Its members are: the members of the Executive Board, the Banking Operations, Quality, Processes and Procedures, Risk and Legal Directors and the Marketing and Commercial Director. Two Territorial Representatives of the Bank also attend on half-yearly rotation.

THE COMPLIANCE DEPARTMENT

This division reports directly to the Bank's Executive Board. Its role is to:

- monitor the risk of non-compliance with Article 4 of CRBF Regulation 97-02 amended. To this end, it is responsible principally for the functions of ethics and combating money laundering and the funding of terrorism;
- coordinate the internal audit mechanism, in particular the second level audit units.

The Compliance Division has a budget in its own right and is entitled to see the budgets of the other "conformity" functions within the system (internal audit of the Financial Centres, Banking Controllers in the network). In the event that the Director of Compliance disagrees with these budgets, it can demand they are submitted to the Executive Board for arbitration.

The Compliance Director has full powers of leadership over the Compliance division, comprising principally the assistants of the Bank's Territorial Representatives responsible for the banking controllers and the internal controllers at the Financial Centres. These powers are devoted specifically to career management in line with provisions appropriate for each of the organisations.

The Compliance Division also steers the global first and second level control system within La Banque Postale. This involves:

- **managing the network's banking controllers:** in collaboration with the Bank's Territorial Representatives, it drafts and circulates the control methodology and, together with the Risks Division, decides on the reporting and consolidation content and procedures;
- **coordinating the various second level and first level control units:** bringing methodologies into line, involvement in the definition of management charts and reporting channels and information consolidation. The Risk Division creates its own management charts which are submitted to it directly;
- **drafting or centralising** the statutory internal control reports.

THE FIVE UNITS WITHIN THE COMPLIANCE DEPARTMENT

- **The Expertise-Compliance Unit** drafts the "written notice" required under new product regulations. It also validates all marketing media such as the internal procedures which accompany the products and services, the training and awareness documentation for employees and the different types of selling media for bringing the products and services to the customer. It also acts as the regulatory watchdog and is responsible for links with the CNIL [French Data Protection Agency] with the appointment of a data protection officer.
- **The ethics unit** is responsible for drafting and circulating the rules of good conduct and is in charge of the ethics officers. The statutory Investment Services Compliance Manager also reports to this unit. It draws up the ethics policy for the bank and its subsidiaries and distributes it throughout the network and operating facilities.
- **The permanent control coordination unit** is responsible for managing the banking coordinators. To do this, it supplies the 200 banking controllers and their 16 managers the tools to enable them to perform their control tasks: schedules, control questionnaires and tools for consolidating the results collated at manager responsibility level. This responsibility is gradually extending to include the 28 internal controllers at the Financial Centres and their 83 controllers operating under the auspice of their Functional Director: bringing programmes into line, pooling tools, etc. This unit is also responsible for synthesising the internal control mechanisms in place to manage risk for the different units operating on behalf of La Banque Postale. It is tasked with adopting initiatives to improve these mechanisms, within the framework of CRBF regulation 97-02 and in coordination with the Risks Division in its own areas of responsibility.
- **The unit in charge of combating money laundering and the funding of terrorism (DIRLABLAT)** manages the mechanism governing the teams of TRACFIN officers reporting to it and also the employees within the Financial Centres and the Post Office Network dedicated to this task. It validates the training and awareness media and procedures circulated to all staff and ensures the effective implementation of training procedures themselves. It also runs IT applications devoted to this activity.
- **The management coordination and assistance unit** assists the Compliance Director particularly in monitoring the performance of projects run by the operating units, in producing communications to inform the government's committee in terms of conformity. This unit is also responsible for writing several statutory reports.

These units work together to provide advice and ensure that the good practices, culture and values of the company are put into practice in its day-to-day activities in order to:

- protect customers from the risk of receiving inappropriate advice
- protect the bank and its employees from the risk of failure to adhere to regulations
- and protect the whole community by fighting against money laundering and the funding of terrorism.

RELATIONS WITH CUSTOMERS AND THE DUTY TO ADVISE

The duty to provide advice and assistance is a fundamental element of the bank's customer relations. The actions launched in this field show that trust is fundamental to La Banque Postale and La Poste Group. A significant part of our customer base being made up of the elderly and the vulnerable strengthens this obligation.

Hence, the duty to provide advice and assistance is taken into account in the different aspects of the product creation process and its relations with customers:

- creation of products with specific attention to promotional materials;
- ensuring coherence between the composition of the sales team, the method of commission, the products and services offered to the customers and the profile of the customers themselves;
- ensuring the information provided in the customer files is adequate to satisfy the checks carried out in this respect by the banking controllers.

La Banque Postale pays particular attention to ensuring that the products are clearly understood. This means they contain no information that may mislead customers that may not be very well informed, particularly under the MIFiD Directive where private customers have all been classified "non-professionals". This is one of the criteria the Compliance Division takes into account when drafting the "written notice" it passes to the Marketing Committee pursuant to Article 11-1 of CRBF Regulation 97-02 amended.

A constant concern for transparent customer information also guides the Compliance Division in its validation of the series of procedural notes sent to the networks to accompany the products and services and also the promotional media in all formats. More than 1000 documents were validated during the year.

La Banque Postale takes particular care to ensure coherence between the make up of the sales force, the products and services each category of customer advisor is permitted to offer and the profile of the customers themselves. La Banque Postale also ensures that the method used to calculate the sales force commission does not in any way reflect the risk inherent in the products offered to customers.

La Banque Postale has anticipated the essence of the MIFiD (Markets in Financial Instruments Directive) that it included in its mechanisms within the prescribed deadlines.

The bank has also integrated it into its control programmes. Therefore, a significant share of the work of banking controllers involves:

- systematically checking that the necessary documents are in place and are in due form to ensure that the products and services offered to customers are in line with their requirements,
- checking compliance with customer targeting prescribed in the network.

B. ETHICS

La Banque Postale has opted to retain the title of Head of Ethics for the Investment Services Compliance Manager.

This decision gives more meaning and visibility to the function and creates a sort of "referent" in terms of "rules of good conduct", fully in keeping with the "whistleblowing" mechanism of the CRBF Regulation 97-02 amended.

To this end, the banking ethics function is organised into three levels:

- the ethics unit of La Banque Postale, which reports to the Compliance Division,
- officers within the operational units: the public Post Office centres, the Financial Centres, the Financial Services IT Division and the subsidiaries,
- the local points of contact.

The position of ethics officer within La Banque Postale is held by employees reporting directly to the Director of La Poste Financial Services Operations, the Director of La Poste Public Services and the IT Director of La Poste Financial Services

- The role of the Ethics officer can be assumed by an employee with other responsibilities provided his ethics duties are completely separate from his normal duties.
- These employees may refer issues directly to the La Banque Postale ethics officer.

Local relays are the responsibility of ethics officers

Working on the ground, local relays pick up any breaches or malfunctions of which they become aware and on which they can report. They also have an educational role, passing on information and raising awareness among staff.

There are around 100 local points of contact in the Public Network, reporting to the Directors of La Poste Retail Outlets. Within each Financial Centre there is a Director of Internal Control and Compliance who also acts as a local point of contact.

The Head of Ethics has incorporated recommendations for rules of good conduct into the Rules of Procedure of La Banque Postale and of La Poste. He has also appended to this the important ethics report.

The mechanism was completed at the end of the year with the distribution of the "right to notify" procedure as well as a "prevention of conflicts of interest" procedure.

- **The "right to notify" procedure** implements the recommendations of article 11-2 of regulation 97-02 amended. This mechanism includes a system for reporting feedback for staff. No anonymous information is included. Information on a named person must be sent directly to La Banque Postale Head of Ethics who will deal with them in confidence. This procedure has been distributed throughout the bank and is being distributed to people who work for it at La Poste.
- **The "prevention of conflicts of interest" procedure** was distributed in the same way. Founded on the recommendations of the general regulation of the Financial Markets Authority, it exceeds this scope to apply to all banking and financial operations in order to prevent situations that may harm customers. This is in line with essential La Banque Postale and Group values.

As a result, all employees of La Banque Postale and all staff acting on its behalf can contact the Head of Ethics or their local contacts to bring to their attention presumed breaches of the rules of good conduct.

An ethics training campaign has been launched aimed at the 80,000 staff that work on behalf of La Banque Postale. At the end of 2007, 63% of these people had been trained. Explanation leaflets have been sent to the network and to financial centres.

Finally, the Head of Ethics and the Compliance Director play an important role in the process of granting "authorisation to act on behalf of La Banque Postale" and in the event of a breach of ethics by employees of the Public Network and the Financial Centres. In fact, these employees come under the responsibility of La Poste, their employer, and are "authorised" by the bank to handle banking transactions.

The Head of Ethics receives reports from the General Inspectorate on situations likely to bring to light breaches of an ethical nature

The Head of Ethics may himself contact the General Inspectorate in connection with information likely to be provided to him as part of the "whistleblowing" requirement.

The Head of Ethics assesses the seriousness, from an ethical point of view, of the situations described in these reports. The Compliance Director can ask the Public Networks or Financial Centres to withdraw the approval granted to an employee to operate on behalf of La Banque Postale.

- This withdrawal of approval is requested for a 10-year period and is completely separate from disciplinary action which may be of a shorter duration and which naturally falls within the sole responsibility of the employer. Some such withdrawal requests were made during 2007.

C. THE FIGHT AGAINST MONEY LAUNDERING AND ILLEGAL ACTIVITIES

La Banque Postale is particularly mindful of this responsibility and is conscious of its responsibility given its characteristics: accessibility to a very wide customer base, postal order business including for occasional customers.

These activities require a close and rigorous coordination between La Banque Postale, Financial Centres, Enseigne La Poste and the subsidiaries.

The identification of customers and their "knowledge" is the first stage in its vigilance process:

Procedures are strict, application is rigorous and Financial Centres are prohibited from opening a postal bank account without proof of address and identity required by legislation. This application is closely controlled through specialised control bodies.

Suspicion indicators are sent by branch directors and financial centre managers to financial security units in Financial Centres. Cases that may justify a declaration are sent to one of the TRACFIN officers working for the Anti-Money Laundering and the Financing of Terrorism Department (DIRLABLAT) within La Banque Postale Compliance Department. These officers also have a profiling tool and they have exclusive relations with TRACFIN.

The deployment of computer tools continued in 2007 at a rate comparable with the previous year. Automatic anti-terrorist filtering tools cover almost all transactions and all accounts. The Searchpace profiling tool has started to generate a significant share of the cases that were declared to TRACFIN.

Actions and new training materials were defined in 2007 in coordination between La Banque Postale, l'Enseigne and Financial Centres to be deployed to all stakeholders from 2008. This is particularly important given the size of the network and the number of people involved.

Finally, the operation of the mechanism was controlled several times during the year both in terms of compliance with procedures and the effectiveness of the system and its management.

V.3 Financial management risks

A. STRUCTURAL RISK FACTORS

La Banque Postale's structural risk factors are first and foremost linked to its retail banking activity: **liquidity risk** and **interest rate risk** associated with putting the short-term resources of the customer to longer term use and **credit risk** related to home loans and, to a lesser extent, to ordinary debit accounts. Given that the financial assets account for a significant portion of the bank's assets, **market and counterparty risks** are also structural risk factors the bank monitors closely.

LIQUIDITY RISK

Liquidity risk can be described as the eventuality of the bank not being able to meet its commitments at a given moment. It can arise under the following circumstances:

- a massive withdrawal of customer savings or deposits,
- a crisis of confidence in the bank,
- a general liquidity crisis on the market.

Measuring this risk, using short-term or long-term liquidity gap scenarios, should enable La Banque Postale to meet its liabilities at various maturities which can change over time. It therefore needs to amortise its usage and resources in accordance with their maturity dates.

The major issue for La Banque Postale, in view of the structure of its balance sheet, is to create outflow scenarios for its customer deposits which constitute its short-term resources. To this end, a combined econometric and hypothetical approach is used to model the deposits, where the econometric approach is based on statistical observations going back over an extensive period of time and the hypothetical approach involves measuring the impact of the various economic and/or commercial stress scenarios.

The result shows a distinction between the volatile portion of the deposits, which needs to be invested in the short term to ensure that the daily fluctuations of its outstanding deposits is outbalanced, and a stable portion, which can be invested over the long term in accordance with an outflow profile compatible with the models previously created.

Liquidity gaps, which take account of these outflow hypotheses, measure the difference between the value of deposits and usage over a given investment horizon. They must remain positive which means that the natural amortisation of the assets must alone be able to honour all withdrawals made by depositors, even under conditions of stress.

Not only does La Banque Postale have this mechanism in place to preempt risk, it also has access to the following sources of funding, if necessary:

- good-quality financial assets, including €44.4 billion in government bonds or similar, representing liquid assets which can generate ready funds either by selling those in the placement portfolio or entering into repurchase agreements on the basis of those in the investment portfolio,
- La Banque Postale's €10 billion Certificate of Deposit issue programme,
- La Banque Postale's EMTN programme, also in the amount of €10 billion.

INTEREST RATE RISK

Interest rate risk is the risk that the future margins or the economic value of La Banque Postale will be affected by fluctuations in the interest rate.

La Banque Postale employs two types of indicator to monitor interest rate risk:

- those which help it decide what hedging instruments are required,
- those intended to measure the institution's capacity to resist external setbacks.

The first family includes sensitivity indicators

They involve both future revenue (sensitivity of future margins) and the present value of future flows (sensitivity of net present value).

These sensitivity ratios are determined on the basis of both deterministic rate scenarios and the stochastic dispersion method, the latter giving a better picture of the implicit and explicit options available in the balance sheet.

Indeed, it is always necessary to model the behaviour of customers, but on this occasion in the face of changes in the interest rate environment. Of the implicit options available to customers, the most significant in terms of impact on the balance sheet and margins are:

- the risk of early repayment of outstanding loans as a result of a fall in interest rates,
- risks related to home loans: higher amounts than anticipated collected at a high fixed rate following a fall in interest rates, a higher than expected take-up rate of entitlement to home loans at a low fixed rate if the market rates rise. A special provision is set aside to cover these risks, calculated on the basis of the same behavioural model for home loan savings customers as that used to simulate future margins.

In the second family of indicators you have the measurement of economic equity capital linked to the global interest rate risk.

- An understanding of economic equity capital shows the institution's capacity to withstand market downturns within a given confidence interval on the basis of its equity capital,
- **Stress scenarios,** based on historic or hypothetical situations, provide a better understanding of the risk profile of the institution and allow it to predict what measures it would need to adopt if the scenario were to materialise.

The principal interest rate risk management tool is the selection of the maturity dates and indexation terms of the coupons in the portfolio of financial assets. Derivatives, fixed and optional, are only used on a secondary basis to manage, for instance, future exposures for which the "cash" coverage in place is not adequate.

THE MONITORING OF LIQUIDITY AND INTEREST RATE RISKS IS PRIMARILY THE RESPONSIBILITY OF THE ALM COMMITTEE

This committee is chaired by a member of the Executive Board and led by the Director of Financial Operations. Other members are the Sales and Marketing Director, the Risks Director and the Financial Director.

- The ALM Committee periodically examines the customer deposit models and formally validates the related outflow hypotheses.
- It monitors the interest rate and liquidity risk indicators and predicts how these will change in the future on the basis of the direction taken by the bank's commercial policy and the observation of customer behaviour.
- Finally, it decides on the financial asset investment policy and the hedging instruments which need to be put in place.

The Risks Committee, also chaired by a member of the Executive Board, validates the ALM risk control mechanism and specifically the limits applicable to the ALM function.

The guidelines put in place by the committees are translated into operational terms by the Financial Management Committee, chaired by the Director of Financial Operations, and implemented by the trading room operators, acting on behalf of La Banque Postale's ALM division.

In application of the new IFRS 7 on information about risks, the detailed presentation of the risks of financial management is set out in the notes to consolidated accounts.

B. MARKET AND COUNTERPARTY RISKS

Information on exposure to market and counterparty risk, provided in application of IFRS 7, is presented in the notes on consolidated accounts (VII.8 Notes on consolidated accounts: financial risk policy and coverage policy)

C. LIQUIDITY RISKS

Information on exposure to liquidity risk, provided in application of IFRS 7, is presented in the notes on consolidated accounts (VII.8 Notes on consolidated accounts: financial risk policy and coverage policy)

V.4 Credit risks

Information on exposure to credit risk, provided in application of IFRS 7, is presented in the notes on consolidated accounts (VII.8 Notes on consolidated accounts: financial risk policy and coverage policy)

V.5 Operational risks

A. GOVERNANCE OF OPERATIONAL RISK MANAGEMENT

The Risks Division is answerable to the Executive Board for the management and surveillance of the bank's operational risks.

The Operational Risks Division, operating under the responsibility of the Risks Division and reporting to the Risks Committee, is responsible for drafting and implementing a mechanism for managing and controlling operational risks.

In terms of risk monitoring, it calculates the monthly operational risk monitoring indicators validated by the Risks Committee.

As such, the Operational Risks Division has a duty of permanent control.

In terms of the monitoring of all types of operations-related risks (Article 6 of Regulation n° 97-02 amended), the main duties of the Operational Risks Division are:

- To ensure that La Banque Postale has properly defined and formalised its objectives in terms of Information Systems Security and identified the principle areas of vulnerability. The Head of Information Systems Security of La Banque Postale has ownership of this process. He decides on the level of security and lays down the rules in line with banking standards and the wishes expressed by the Executive Board. He validates the deployment of the tools and monitors their application.
- to ensure that La Banque Postale has Business Continuity Plans and, where necessary, to manage the tests to be conducted and any improvements to be made.
- to identify the operational risks within a map of risks drawn up for each process and for each unit, analyse them, rate them (in terms of impact and occurrence), place them in order of importance, monitor the implementation of the recommended action plans and furnish reports, principally on the basis of indicators.
- to monitor and handle the risks related to payment facilities and meet the statutory requirements, specifically in terms of reports (Banque de France, the Banking Commission etc)

The Operational Risks Division is backed by networks of correspondents working exclusively in this area or engaged in operational activities in three areas:

- the security of the Information Systems
- business continuity
- risk mapping/monitoring of processing schedules

B. OPERATIONAL RISK MANAGEMENT RULES

REFERENCE FRAMEWORK

The definition of operational risk adopted by La Banque Postale is:

"the risk of loss arising from the inadequacy or a failing of the procedures, staff members, internal systems or external events, excluding strategic risks and including the risk of injury to reputation."

This definition includes legal risks and the risks of non-conformity as defined respectively in paragraphs k) and p) of article 4 of the Banking and Financial Regulations Committee rule n° 97-02.

La Banque Postale has chosen the standard method to calculate equity requirements for operational risks. The Operational Risks Department has put a risk analysis, measurement and management mechanism in place in compliance with the recommendations of the order dated 20th February 2007 relating to equity requirements applicable to credit institutions and investment companies.

This mechanism is notably based on:

- the construction of an operational risks map by process and by entity,
- the implementation of a system to report incidents and losses in the different La Banque Postale entities to the Risk Department,
- a monthly report of the main operational risk indicators to the Risk Committee and the Management Committee.

The causes and potential consequences are analysed for each risk identified in the map. The criticality of the risk is assessed using a prospective quotation "in the view of experts" on any double impact/occurrence axis. The incidents and losses listed are systematically attached to a corresponding risk to supplement the qualitative analysis and risk quotation.

ACHIEVEMENTS 2007

As of 31st December 2007, the operational risk map involves 96 processes. Almost 1,200 risks have been identified, 80% of which involve the retail banking process.

48% of risks identified are part of the "Execution, delivery and management of processes" family as defined in article 4 of the order dated 20th February 2007 related to the equity requirements applicable to credit institutions and investment companies. The "Customers, products and commercial practices" and "Business interruption and system dysfunction" represent respectively 19% and 15% of risk. In all, more than 80% of operational risks identified only concern these three families. This is characteristic of the risk profile of a retail bank.

All risks identified were placed in order of importance and action plans were implemented or engaged to ensure control of "critical" risks.

The incident and loss feedback mechanism set up in 2007 is based:

- an operational risks that detect and analyse incidents,
- on control bodies, particularly banking controllers in the post office network, that report anomalies identified to the Operational Risks Department,
- on the accounting system to report losses recorded.

Finally, the participation of the Operational Risks Department in the different projects aimed at improving banking processes were strengthened in 2007. This preventive approach that aims to improve control over operational risks by identifying them in the conception phase involved 30 significant projects in the year. In parallel, the Risks Department carried out preliminary and systematic examinations of 355 draft notes and procedures targeted at La Poste network and financial centres.

C. INFORMATION SYSTEM SECURITY MANAGEMENT RULES

REFERENCE FRAMEWORK

The Information Systems Security Policy of La Banque Postale, drafted in 2007, applies to all the information systems and the organisations which support the operations of La Banque Postale.

The management of IT security at La Banque Postale follows a continuous improvement process as defined by the ISO 27001 standard.

The mechanism for controlling the level of IT security setup in 2007 rests on:

- the IT security committee run by the IT security manager. This committee is particularly responsible for corrective action plans aimed at covering IT security risk detected following incidents, internal audits or control tasks. It makes regular reports to the Bank's Risk Committee;
- the setting up of monthly indicators that supply information for the periodic reports presented to the Risk Committee and the Audit Committee.

ACHIEVEMENTS 2007

La Banque Postale has defined its IT accreditation policy and set up a network of "accreditation" officers in its different entities. The Operational Risk Department is carrying out an overhaul of the IT accreditations and associated tools management process that will be completed in 2010.

The Operational Risk Department raises awareness and supports project management in the banks different businesses to implement security management in IT development projects.

La Banque Postale has approved a sensitive information management charter aimed at raising the awareness of all staff of good practice in terms of the protection of documents containing sensitive information.

D. BUSINESS CONTINUITY PLAN MANAGEMENT RULES

REFERENCE FRAMEWORK

The general business continuity plan policy defines the main principles, the reference framework and the organisation to guarantee essential services in the event of crisis.

This policy is applicable to all entities and all staff as part of their banking and financial activities at La Banque Postale who act for the bank.

It also applies to all La Banque Postale group subsidiaries.

The mechanism adopted by La Banque Postale to implement and check the bank's BCP rests on:

- a network of business continuity officers (BCO), responsible for applying the operational BCP to their sector, managing it and reporting on it;
- a network of business continuity relays constituted by each BCP. The business continuity relays provide information on priority processes and implement the BCP in each entity.

The Global BCP, defined as the overall business continuity plan that brings together the bank's entire plans to backup, restore and continue to provide essential services, is placed on the responsibility of La Banque Postale business continuity activity manager in the bank's Risk Department.

The BCOs are the business continuity plan relay contacts for questions on the BCP in their sector.

ACHIEVEMENTS 2007

La Banque Postale drew up a reference of the critical points of the BCP. A critical point is a resource (IT application, sites, functions, activities and service providers) required to provide a priority process as part of a pre-defined unavailability scenario. The reference has 287 critical points.

In 2007, 30 continuity mechanism tests/exercises were carried out testing 175 critical points.

The Operational Risks Department helped the bank departments set up their continuity strategy and associated procedures particularly producing the "Methodological guide to producing a BCP" and an exercise organisation note with associated test protocols.

The Operational Risk Department organised two crisis management awareness sessions for members of La Banque Postale crisis unit.

V.6 Coverage and insurance

La Banque Postale group has put in place an insurance programme aimed at covering the Group for:

- vehicle usage,
- civil liability to cover banking activities,
- damages,
- transport,
- construction,
- exhibitions and events,
- staff travel.

The programme was put together by the insurance division in cooperation with La Poste Group Risks and Insurance department.

VI. ACCOUNTING INFORMATION

The Group's net banking income was €4,745 million in 2007, an increase of €101 million on 2006 (2.2%).

Retail bank activities remain, as in 2006, predominant in the Group's results. The 2007 results were obtained in an increasingly important context of customer loans and sustained activity selling life insurance policies.

These figures reflect the bank's commercial energy. Market movements linked to the sub-prime crisis affected the Group's performances little.

Sectorial NBI (in €M)	2007	2006	Variation
Retail banking	4,616.6	4,530.2	1.9%
Asset management	64.8	62.9	3.0%
Insurance	63.8	51.2	24.6%
TOTAL	**4,745.2**	**4,644.3**	**2.2%**

Net banking income in the insurance sector increased significantly due to the growth in the volume of business, particularly in health and personal risk insurance.

Operating expenses, excluding amortisation, depreciation and provisions, were €4,124 million in 2007, close to the level reported in 2006 of €4,120 million

Amortisation, depreciation and provisions increased to €20.5 million particularly due to the increased level of IT investment.

The low €8.2 million cost of risk in 2006 grew to €10 million.

Operating profit was €496.7 million in 2007, an increase of 15.7% on 2006. This in itself represented an increase of €67.3 million on the previous financial year.

The profits of companies accounted for by the equity method contributed €227 million to the net share of Group profits that were €539.6 million after tax for 2007; they grew by €46.5 million, an increase of 9.4%.

VI.1 Retail banking profits

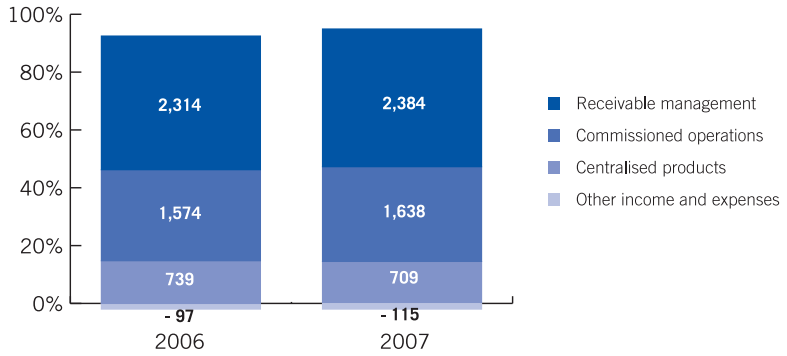
The retail banking sector contributed 58.7% of the group's pre-tax income, an increase of 15.7% on 2006.

(in € thousands)	3.12.07	31.12.06
Net banking income	**4,616,640**	**4,530,213**
General operating expenses	(4,066,125)	(4,069,732)
Net allocations to provisions and depreciation of the tangible and intangible fixed assets	(105,951)	(85,516)
Gross operating profit	**444,564**	**374,965**
Net additions to provisions for loan losses	(17,792)	(8,262)
Operating profit	**426,772**	**366,703**
Share of net profits for companies accounted for by the equity method		455
The gains and losses on other assets	(3,870)	(1,900)
Pre-tax operating profit	**422,902**	**365,258**

A. NET BANKING INCOME

The retail banking net banking income mainly corresponds to La Banque Postale activities and is made up of commission from customers, the net banking income of the financial management business (interest margins, profits from share portfolios and cash flow management) and remuneration from centralised products. This income grew by 2% between 2006 and 2007. Beyond the effects of the reversal of the home loans provisions (reduced by €103 million compared to 2006), the growth in retail bank net banking income represents more than 5% over the financial year.

Changes to the breakdown of the retail bank net banking income (in €k)



CENTRALISED PRODUCTS

(in €M)	2007	2006	Variation
Livret A	641.4	618.5	22.9
LEP	54.8	92.4	-37.6
LDD	12.8	28.6	-15.8
Centralised products NBI	709.0	739.5	-30.5

The net banking income from the Livret A grew sharply due to the increase in average deposits of more than €1.8 billion

The NBI generated by the Livret d'épargne populaire (LEP) was heavily impacted by the fall in the commission rate from 1% in 2006 to 0.5% in 2007.

Finally, the Livret développement durable (LDD, formerly CODEVI) was extensively modified in 2007. The reduction in commission rates from 1.5% to 0.8% of centralised deposits generated a fall in net banking income for this business that did not counteract the positive effect of the €482 million collection that was linked to the increased limit when the CODEVI was changed to the LDD.

Centralised deposits were changed from 100% to 75% and then to 50% over the period.

COMMISSIONED OPERATIONS

The banking income from commissioned operations grew by 4% to €1,638 million.

(in €M)	2007	2006	Variation
Life insurance policies	523.9	482.0	41.9
Share and unit trust operations	217.2	212.1	5.1
Customers	897.2	880.3	16.9
TOTAL	**1,638.3**	**1,574.4**	**63.9**

The strong growth in **insurance commission** is mainly the result of a 9.5% increase in deposits and the modification of pricing conditions agreed with CNP Assurances. The sector saw a €7.7 million growth in health and personal risk insurance policies, despite the €17.8 million fall in non-Fourgous transfer commissions.

Excluding the impact of the 2006 base, the **share commission** net banking income grew particularly due to the increase in deposits and the impact of the success of the guaranteed unit trusts.

This change is particularly result of a dynamic **customer commission** sales policy. The number of active customers grew from 9,165,907 at the end of 2006 to 9,304,580 at the end of 2007.

At the same time, the penetration of payment cards reached 51.5% and 34% for package offers.

FINANCIAL MANAGEMENT

The net banking income from financial management grew by €70.1 million, mainly due to a €111 million increase in market activity. La Banque Postale reversed a home loans provision of €103 million in 2007 (compared to €237 million in 2006).

(in €M)	2007	2006	Variation
Home loans provision	103.0	237.0	-134.0
Interest on non-centralised deposits	-1,159.9	-1,180.2	20.3
Loan interest	933.1	860.2	72.9
Market activities*	2,508.2	2,397.3	110.9
TOTAL	**2,384.4**	**2,314.3**	**70.1**

* including dividends

Profits from market activities grew from €2,397 million in 2006 to €2,508 million in 2007. It is difficult to compare 2006 and 2007 due to the application of IFRS standards and the adaptation of the bank's methods of management during the financial year.

The strongest growth was in the AFS share portfolio (an increase of €200 million) where large losses were made in 2006 and the average yield grew strongly between 2006 and 2007.

Other changes involve:

- profits from the HTM portfolios (HTM shares and derivatives) fell by €130 million compared to 2006 notably due to particularly high profits on interest rate derivative instruments in 2006
- profits from cash flow management, up by €21.4 million, particularly due to increased margins achieved in the context of the liquidity crisis in the second half of the year

Interest paid to depositors reduced by €21.8 million due to the sharp drop on older generations of Home Savings Schemes, despite the increase in interest rate on certain products.

Interest received from loans increased sharply by €72.9 million due to dynamic activities during 2007.

OPERATING EXPENSES

(in €M)	2007	2006	Variation
Staff costs	122.1	110.5	11.6
Other operating expenses	3,944.0	3,959.2	-15.2
Charges to amortisation, depreciation and provisions	106.0	85.5	20.5
TOTAL OPERATING EXPENSES	**4,172.1**	**4,155**	**16.9**

Retail banking management costs come mainly from La Banque Postale (€4,154 million).

The €3.6 million fall, excluding amortisation, in expenses between 2006 and 2007 shows the bank's control of its costs.

Employee costs grew by 11% due to a recruitment campaign in 2006 to fill jobs started by La Banque Postale.

Agreements with La Poste on the use of production and distribution resources as well as payment of postal costs represent, at €3,528 million, 86.8% of expenses in the sector, a fall of €64 million compared to 2006. These agreements comprise notably, for retail banking, invoices for:

- "counter transactions" (€1,153 million in 2007, a fall of €14 million compared to 2006) which are falling in volume from one year to the next as more cash withdrawals are tending to be made from ATMs and remote banking activities increase
- the commercial chain, slightly down on 2006 by €13 million to €1,104 million, despite the continued recruitment of financial, asset management and property advisers in 2007
- use of La Poste staff in financial centres and IT departments, down €13 million at €950 million, where process optimisation operations have continued enabling activities to be developed whilst controlling staff levels.

Growth in IT investment meant allocations to amortisement were €20.4 million.

THE COST OF RISK

The **cost of risk** remains low at €18 million but increased by €9.4 million due to three changes: an increase of €2.9 million in provisions for depreciation of doubtful receivables, an increase of €3 million in losses due to irrecoverable receivables and a reduction of €3.7 million in reversals of provisions for depreciation of doubtful receivables (African debt).

VI.2 Asset management results

Deposits handled by the sector (including Ciloger deposits) were €34.7 billion at 31st December 2007, compared to €33.3 billion at 31st December 2006.

The main growth in deposits can be attributed to La Banque Postale Asset Management share funds and package funds due to sustained collection. Monetary unit trust deposits also progressed as they suffered little from the sub-prime crisis and benefited from the capitalisation effect. 2007 marked the start of commercial activities at La Banque Postale Gestion Privée.

Net banking income was a €64.8 million compared to €62.9 million in 2006, mainly due to commissions on deposits that grew under the combined effect of collection and the increased value of assets.

Operating expenses remained stable at €37.2 million despite the cost of creating La Banque Postale Structured Asset Management in the third quarter of 2007.

Finally, pre-tax profits in the sector were €27.1 million, an increase of €1.3 million in 2006. Net profits include a full year's impact of the purchase of minority interests in the equity of La Banque Postale Asset Management in September 2006.

VI.3 Insurance activity results

Net banking income in 2007 was €63.8 million, an increase of €12.6 million thanks to a sharp growth in insurance turnover: La Banque Postale Prévoyance produced more than 457,000 policies in 2007, compared to 378,000 in 2006. Sogerco sold almost 500,000 Alliatys policies in the year.

On the other hand, expenses remained contained and rose more moderately at €6.2 million to €21 million.

The insurance sector had pre-tax profits of €269.8 million mainly from accounting for CNP Assurances by the equity method: €227 million, 3% more than in 2006.

This growth in profits has been partly limited by expenses linked to TSSDI issued by CNP Assurances for the purchase of Écureuil Vie and recalculated as part of the equity accounting.

VI.4 Consolidated balance sheet

The total Group balance sheet grew by €9.6 billion, particularly under the effect of the growth in volume of customer loans and receivables by €3.6 billion, including a significant growth in home loans of €3.2 billion.

This growth shows the Group's sustained commercial activity and carries the effect of the extension of the range of loans available to customers.

Loans and receivables on credit institutions also grew under the effect of replacing wholly-owned decentralised LDD funds in the shape of IDS (Industrial development securities) on 31st December 2006 (miscellaneous assets) in 2007 with time accounts and loans to credit institutions.

The total balance sheet grew finally due to greater the transaction securities portfolio constituted as part of the bank's cash flow management.

La Banque Postale also manages a portfolio of securities issued and guaranteed by governments with strong liquidity and a high quality of signature.

La Banque Postale's receivable comprised, on 31st December 2007, €2,912 million in issues of negotiable deposit certificates used increasingly in 2007. Deposit certificates are issued for short periods to manage cash flow.

It also issued €500 million in subordinate debt on 12th December 2006 in order to constitute additional equity. The reimbursement date is 12th December 2016 and completed early reimbursement is possible from 12th December 2011 at La Banque Postale's initiative. This receivable is indexed on the Euribor 3-month rate.

The Group's equity grew by €186 million.

VI.5 Prudential ratios

A. INTERNATIONAL SOLVENCY RATIO

The international solvency ratio is the measurement of the ability of financial institutions to face up to credit and market risks.

The International solvency ratio on figures closed on 31st December 2007 was 14.2%

PRUDENTIAL EQUITY, WEIGHTED DEPOSITS AND SOLVENCY RATIOS

(in €M)	31st December 2007	31st December 2007
Prudential equity		
Equity capital group share	3,918	2,973
Dividends	-272	
Minority interests after distribution	2	0.7
Prudential deductions[1]	-849	-544
Total core equity capital	2,799	2,428
Total supplementary equity capital	500	500
Other deductions[2]	-52	-94
Total prudential equity	3,247	2,834
Weighted risks	1,831	1,753
International solvency ratio	14.2%	12.9%
Tier 1 ratio	12.2%	11.1%
Hedging ratio	177.0%	161.6%

1 Mainly made up of over-values, intangible assets and neutralisation of IFRS impacts
2 Equity interests in financial companies not consolidated or consolidated per the equity method

B. CAPITAL ADEQUACY RATIO

In accordance with the faculty provided by 392-1 of the order dated 20th February 2007 relative to the equity requirements of credit institutions and investment companies, the equity requirements on figures closed on 31st December 2007 are calculated in accordance with the provisions of regulation n° 91-05 relative to the solvency ratio and n° 95-02 relative to the prudential monitoring of market risks applicable before 1st January 2007.

The equity requirements on La Banque Postale Group show a level of equity hedging available on the equity required:

- 152.8 % based on Tier 1 equity capital alone
- 177.0 % taking the additional capital into account.

As La Banque Postale group has been classed as a financial conglomerate by the Banking Commission, the texts implementing the financial conglomerate directive into French law require that the group's equity capital is at all times equal to or higher than the sum of the solvency requirements applicable to its activities in the banking sector and the insurance sector.

This requirement was met as of 31th December 2007.

C. OTHER RATIOS

CONTROL OF MAJOR RISKS

This ratio is calculated on a quarterly basis in accordance with the requirements of the supervisory authorities.

The institutions required to adhere to this ratio must comply with the following constraints:

- for beneficiaries for which the individual risk exposure exceeds 10% of the net consolidated equity capital, total risk exposure must not exceed 8 times the value of this consolidated equity capital
- the total risks incurred on a single beneficiary must not exceed 25% of the group's net equity capital.

Banque Postale adheres to this ratio at all times as appropriate limits have been set for each counter party. It exceeds the declaration threshold of 10% of net consolidated equity for three counterparties all belonging to the banking sector and the consumption of the major risks limit is 5%.

LIQUIDITY RATIO

This is a ratio used to monitor short-term liquidity. It is calculated monthly and must be higher than 100%.

La Banque Postale always meets this ratio, the average of which in 2007 was 177%.

VII. CONSOLIDATED FINANCIAL STATEMENTS

VII.1 Consolidated balance sheet 31st December 2007

(in € thousands)	Notes	31.12.07	31.12.06
Assets			
Cash, central banks	1	2,667,865	1,371,620
Fair value of financial assets	2	15,404,436	13,086,504
Derivative coverage instruments	3	104,885	174,440
Financial assets available for sale	4	12,266,475	11,433,657
Loans & receivables on credit institutions	5	16,571,502	14,173,051
Customer loans & receivables	6	24,422,360	20,849,228
Gains and losses of interest-rate hedging reserve	8	317,114	217,883
Financial assets held to maturity	9	40,350,306	39,250,366
Current/differed tax assets	10	119,147	145,661
Accruals and sundry assets	11	7,311,481	9,341,458
Equity interests consolidated per the equity method	12	1,832,035	1,659,109
Tangible and intangible fixed assets	13	609,287	620,227
Goodwill	14	26,157	26,874
TOTAL		**122,003,050**	**112,350,078**
Liabilities			
Fair value of financial liabilities	2	129,185	728,350
Derivative coverage instruments	3	120,647	36,741
Debts with credit institutions	15	15,835,829	7,360,171
Customer accounts payable	16	92,066,465	91,581,273
Debts represented by a security	17	2,912,291	690,288
Current/differed tax liabilities	18	38,471	50,370
Accruals and sundry liabilities	19	5,877,759	6,925,537
Technical provisions of insurance companies	20	253,508	185,637
Provisions	21	349,375	434,479
Subordinated receivable	22	501,417	624,874
EQUITY CAPITAL GROUP SHARE		**3,918,101**	**3,731,704**
Capital subscribed		2,342,454	2,342,454
Consolidated and other reserves		703,600	465,291
Latent or deferred gains/losses		332,468	430,893
Financial year result		539,579	493,066
MINORITY INTERESTS		**2**	**654**
EQUITY		**3,918,103**	**3,732,358**
TOTAL		**122,003,050**	**112,350,078**

VII.2 Profit and loss account 2007

(in € thousands)	Notes	31.12.07	31.12.06
Interest and similar income	23	4,773,441	4,541,044
Interest and similar charges	23	(2,314,713)	(1,948,200)
Commission (income)	28	1,861,051	1,823,456
Commission (charges)	28	(207,495)	(219,904)
Gains and losses on fair value financial instruments	29	546,550	485,463
Gains and losses on assets available for sale	30	24,026	(77,466)
Income and charges from other activities	31	62,417	39,959
Net banking income		**4,745,277**	**4,644,352**
General operating expenses	32	(4,124,293)	(4,120,892)
Net allocations to provisions and depreciation of the tangible and intangible fixed assets	33	(106,474)	(85,967)
Gross operating profit		**514,510**	**437,493**
Net additions to provisions for loan losses	34	(17,790)	(8,061)
Operating profit		**496,720**	**429,432**
Share of net profits for companies accounted for by the equity method	12	227,057	220,356
Gains and losses on other assets	35	(3,876)	(2,300)
Pre-tax operating result		**719,901**	**647,488**
Corporation tax	36	(180,322)	(150,727)
Consolidated net income		**539,579**	**496,761**
Minority interests			(3,695)
Net profit		**539,579**	**493,066**
NET RESULT GROUP SHARE (in euros)		26.49	24.21

VII.3 Equity variation table

(in € thousands)	EQUITY CAPITAL GROUP SHARE				
				LATENT GAINS AND LOSSES	
	Capital [1]	Legal reserves, RANs and other reserves	Consolidated reserves [2]	linked to conversion rate adjustments [3]	linked to re-evaluation
Equity under French standards (excl FGBR) at 1st January 2006	**2,342,454**	**306,222**	**296,185**	**(26,560)**	
Impact of the adoption of IFRS standards		**(199,323)**	**81,405**	**47,067**	**(3,009)**
IFRS equity at 1st January 2006	**2,342,454**	**106,899**	**377,590**	**20,507**	**(3,009)**
Allocation of the 2005 result		47,224	(7,493)		
2006 distribution based on the 2005 result		(30,555)	(5,380)		
Other movements		4,587	(27,581)	(2,637)	2,570
2006 result					
IFRS equity at 31st December 2006	**2,342,454**	**128,155**	**337,136**	**17,870**	**(439)**
Allocation of the 2006 result		386,677	106,389		
2007 distribution based on the 2006 result		(161,935)			
Latent gains or losses				3,617	
Other movements		10,362	(103,184)		
2007 result					
IFRS equity at 31st December 2007	**2,342,454**	**363,259**	**340,341**	**21,487**	**(439)**

(1) At 31st December 2007, La Banque Postale's equity was made up of 20,369,166 shares with a nominal value of €115.

(2) The amounts reversed in other variations in 2007 correspond essentially to the purchase of Écureuil Vie by CNP Assurances and the deduction in equity of the goodwill released.

(3) The conversion reserves came from foreign subsidiaries consolidated through the CNP group (NATIXIS Asset Management Group (formally IXIS Asset Management), Caixa Seguros and CNP Seguros de Vida).

(4) Latent or deferred gains or losses on assets available for sale include notably €389 million at 31st December 2007 for latent net gains recognised by the CNP Assurances Group.

Estimate of the personal dividend: €109,382,000 or €5.37 per share

EQUITY CAPITAL GROUP SHARE				MINORITY INTERESTS			EQUITY
OR DIFFERED (NET OF CORPORATION TAX)							
Variation in the value of financial instruments		Result group share	Equity capital group share	Reserves	Result	Minority interests in the equity	
Assets available for sale[4]	Derivative coverage instruments						
		39,731	2,958,032				
519,120			445,260				
519,120		39,731	3,403,292	4,833	(4,042)	791	3,404,083
		(39,731)	0	(4,042)	4,042	0	0
			(35,935)	(3,613)		(3,613)	(39,548)
(105,658)			(128,719)	(219)		(219)	(128,938)
		493,066	493,066		3,695	3,695	496,761
413,462	0	493,066	3,731,704	(3,041)	3,695	654	3,732,358
		(493,066)	0	3,695	(3,695)	0	0
			(161,935)				(161,935)
(100,092)	(3,118)		(99,593)				(99,593)
1,168			(91,654)	(652)		(652)	(92,306)
		539,579	539,579				539,579
314,538	(3,118)	539,579	3,918,101	2	0	2	3,918,103

VII.4 2007 Cash flow table

The cash flow table is presented using the indirect method model.

Investment activities represent cash flow for the acquisition and sale of holdings in consolidated companies, financial assets held to maturity and tangible and intangible assets.

Finance activities are the result of changes linked to financial structure operations involving equity and subordinate receivable.

Operational activities include flows that are not part of the two other categories. Particularly allocated to operational activities are securities relative to strategic holdings recorded in the "Financial assets available for sale" portfolio.

The notion of net cash flow includes the ledger, loans and receivables to central banks and postal bank accounts as well as sight accounts (assets and liabilities) of credit institutions.

(in € thousands)	31.12.07	31.12.06
Pre-tax income	**719,901**	**647,488**
+/- Net allocations to amortisation for tangible and intangible assets	106,474	85,967
- Depreciation of goodwill and other fixed assets		
+/- Net allocations to provisions	(16,330)	(177,210)
+/- Net losses and gains on investment activities	(8,149)	1,396
+/- Net losses and gains on funding activities		
+/- Share of profits for companies accounted for by the equity method	(227,057)	(220,356)
+/- Other movements	492,227	(123,496)
Total non-monetary elements included in the net profits before tax and other adjustments	**347,165**	**(433,696)**
+/- Flows linked to operations with credit institutions	5,353,379	1,786,121
+/- Flows linked to customer operations	(3,096,955)	(2,130,008)
+/- Flows linked to other operations affecting financial assets or liabilities	(1,758,245)	(5,715,098)
+/- Flows linked to other operations affecting non-financial assets or liabilities	415,500	(441,654)
- Taxes paid	(166,153)	(25,479)
Net reduction/increase in assets and the liabilities from operational activities	**747,526**	**(6,526,118)**
TOTAL CASH FLOW GENERATED BY OPERATIONS (A)	**1,814,592**	**(6,312,326)**
+/- Flows linked to financial assets and holdings	(928,922)	830,818
+/- Flows linked to tangible and intangible assets	(100,488)	(153,787)
TOTAL NET CASH FLOW FROM INVESTMENT OPERATIONS (B)	**(1,029,410)**	**677,031**
+/- Cash flow from or to shareholders	(161,935)	(39,636)
+/- Other cash flow from funding activities		501,019
TOTAL NET CASH FLOW FROM FUNDING OPERATIONS (C)	**(161,935)**	**461,383**
Effect of exchange rate variation and change in cash flow method (D)	**(1,612)**	**185**
Net increase (reduction) in cash flow and cash flow equivalents (A+B+C+D)	**621,635**	**(5,173,727)**
Cash flow and cash flow equipment on opening	**1,567,535**	**6,741,262**
Cash, central banks	1,371,620	153,496
Current accounts and loans with credit institutions	195,915	6,587,766
Cash flow and cash flow equipment at year end	**2,189,170**	**1,567,535**
Cash, central banks	2,667,865	1 371,620
Current accounts and loans with credit institutions	(478,695)	195,915
Net variation in cash flow	**621,635**	**(5,173,727)**

VII.5 Notes to the consolidated financial statements: Principal rules of evaluation and presentation of the consolidated accounts

A. LEGAL AND FINANCIAL FRAMEWORK

FORMATION OF LA BANQUE POSTALE

The end of the 2005 financial year saw Efiposte, initially an investment company, become La Banque Postale with approval to operate as a bank.

This transformation was supported by the law n°2005-516 dated 20th May 2005 on the regulation of postal activities.

Pursuant to the aforementioned act and the implementation decree of 30th August 2005, the assets, rights and obligations linked to the accounts, savings books and policies of the Caisse National d'Epargne (CNE) were transferred to La Poste as of 31st December 2005. On this same date, these elements, together with the assets, rights and obligations linked to the Financial Services of La Poste, were transferred to Efiposte, which changed its name to La Banque Postale on 31st December 2005, the effective date for legal and accounting purposes.

These assets transferred included the equity interests held by La Poste in SF2 which operates as a holding company (specifically holding indirectly the shares of la Caisse Nationale de Prevoyance [National Provident Fund) and in the capital of SCI CRSF Metropo le and CRSF DOM, the two property investment companies which own the bank's business premises.

As it is an operation carried out by entities under joint control, the asset and liabilities transferred have been recorded at their net book value.

In accordance with the aforementioned Act and its implementing decree, the provisions governing the funds collected through the Livret A on behalf of La Caisse Nationale d'Epargne remain in place (these funds are centralised with the Caisse des Dépôts et Consignations).

HIGHLIGHTS

Equity increase in CNP Assurances and signature of an amendment to the Shareholders' Pact

The equity increase was achieved through the issuing of new CNP Assurances shares keeping preferential subscription rights for existing shareholders. Previously, on 8th January 2007, reference shareholders signed an amendment to the 1998 pact the term of which is now fixed at 31st December 2015. The equity increase was launched on 8th January 2007. Sopassure monitored the operation for its share.

Finalisation of the purchase then the merger of CNP Assurances and Écureuil Vie

The CNP Assurances group finalised the purchase of the 49.9% of Écureuil Vie held by the Caisse d'Épargne Group on 20th February 2007. The price of €1,406 million was adjusted in compliance with the mechanism announced to take account of the consequences on the net re-evaluated asset of changes to the financial markets. The final acquisition price was fixed at €1,404.8 million. This acquisition was financed by an equity increase and the issuing of super-subordinated shares. Following the finalisation of the purchase, Écureuil Vie was absorbed by CNP Assurances.

Dilution of CNP Assurances in IXIS Asset Management Group (IXIS AMG)

CNP Assurances' holding in the IXIS Asset Management Group, an entity that manages the major part of the CNP Assurances Group's assets decreased from 15.4% to 11.3% following an equity increase by the latter at the end of June 2007. This operation released a dilution gain of €121.8 million for the CNP group.

B. SPECIFIC RULES FOR THE FIRST APPLICATION OF IFRS STANDARDS

REGULATORY FRAMEWORK

Pursuant to regulation CE n° 1606/2002 dated 19th July 2002 requiring companies whose receivable securities are listed on a regulated market to draw up their consolidated financial accounts in accordance with standards approved by the International Accounting Standard Board (IASB) by 2007 at the latest, La Banque Postale group for prepared its consolidated accounts for 2007 in line with the IFRS (International Financial Reporting Standards) as approved by the European Union.

Particularly, the Group has chosen to use the provisions of European Union regulation n°2086/2004 by adopting the IAS 39 standard with the exception of certain provisions.

This European regulation allows it to class as fair value hedging, as of 1st January 2006 and thereafter, some macro-hedging operations conducted in connection with asset-liability management (including customer's sight deposits).

SPECIFIC RULES FOR THE FIRST APPLICATION OF IFRS STANDARDS

The group's transition to IAS-IFRS standards was therefore 1st January 2006. This is when an opening balance sheet was issued in compliance with the provisions of IFRS 1. This enables retrospective application of standards and the effect of changes in accounting principles in relation to French standards applied until 31st December 2005 to be included in the opening balance sheet. The effects of this change in accounting reference on the balance sheet and equity as well as on the Group's consolidated profit are presented in notes 6.13 and 6.14.

There also are some compulsory and optional exceptions to the principle of retrospective application. The optional exceptions adopted by the Group include the following:

Business combinations:

Business combinations prior to 1st January 2006 have not been recalculated.

Accumulated conversion rate adjustments:

The accumulated conversion rate adjustments arising from conversion of the accounts of foreign entities will be transferred to consolidated reserves. This reclassification has no impact on the total opening equity as it is a reclassification between two types of equity. If these entities are sold later, the profit from the sale will only include the reversal of the conversion rates generated from 1st January 2006.

Share-based payments:

The group decided to adopt IFRS 2 for share options granted after 7th November 2002 not vesting by 1st January 2006.

In the specific case of the CNP Assurances group, consolidated by the equity method in La Banque Postale Group accounts and first-time adopters of IFRS standards in 2005, the group will recognise for the assessment of assets and liabilities as of 1st January 2006, their book value in the IFRS accounts as of 31st December 2005 after restatement for consolidation

C. STANDARDS AND INTERPRETATIONS APPLIED BY THE GROUP FROM 1ST JANUARY 2007

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURE

This standard, applicable on 1st January 2007, is concentrated exclusively on financial information. It replaces the IAS 30 standard, "Disclosures in financial statements of banks and similar financial institutions" and supplements the provisions of IAS 32 "Financial instruments: disclosure and presentation". It particularly requires new qualitative and quantitative information on exposure to risk. Its application by the Group on 1st January 2007 therefore has no effect on net profit and its equity. The information required by this text is presented in notes to the financial statements in paragraph 7.7.

AMENDMENT TO THE IAS 1 STANDARD "PRESENTATION OF FINANCIAL STATEMENTS"

The amendment to the IAS 1 standard "Presentation of financial statements" relative to information on equity is applicable from 1st January 2007. This amendment that requires additional information on the Group's equity only concerns financial information. Its application by the Group on 1st January 2007 therefore has no effect on net profit and its equity.

D. STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The IASB and IFRIC have published standards and interpretations that have no application on 31st December 2007. These standards and interpretations will become compulsory from 1st January 2008 and 2009 or from their adoption by the European Union.

They are not therefore applied by the Group in 2007.

IFRS 8 "OPERATIONAL SECTORS"

This standard published by the IASB on 30th November 2006 was adopted by the European Union on 21st November 2007. It will be applied by the Group as of 1st January 2009 and will simply have an impact on the information to be provided in notes. It will not modify the methods of accounting for and assessing operations.

IAS 1 AMENDED "PRESENTATION OF FINANCIAL STATEMENTS"

The amendment to the IAS 1 standard "Presentation of financial statements" published by the IASB on 6th September 2007 will be applied to financial years from 1st January 2009. Its application by the Group will therefore have no effect on the net profits and the level of equity but will modify the format of the summary reports.

AMENDMENT TO THE IAS 23 STANDARD "BORROWING COSTS"

The amendment to the IAS 23 standard "Borrowing costs" published by the IASB on 29th March 2007 will be applied for periods from 1st January 2009.

The Group already applies this optional treatment capitalising the cost of borrowing directly attributable to the acquisition, production or construction of an eligible asset and made compulsory by this amendment. It will therefore have no effect on the group's net profits and equity.

IFRIC 12 "SERVICE CONCESSION ARRANGEMENTS"

The group is not affected by this interpretation.

IFRIC 13 "CUSTOMER LOYALTY PROGRAMMES"

This interpretation that sets out the accounting treatment of customer loyalty programs, published by the IASB on 28th June 2007 will be applied on 1st July 2008.

IFRIC 14 "DEFINED BENEFIT ASSET AND MINIMUM FUNDING REQUIREMENTS"

This interpretation, published by the IASB on 4th July 2007, will be applied on 1st January 2008.

E. PRINCIPLES OF DRAWING UP CONSOLIDATED ACCOUNTS

Consolidated accounts are presented in thousands of euros.

In the absence of any model imposed by the IFRS reference, the Group has used a statement format proposed by the National Accounts Council recommendation n° 2004 R03 dated 27th October 2007.

DETERMINATION OF THE CONSOLIDATION SCOPE

Consolidated accounts include the accounts of La Banque Postale, the consolidated accounts of sub-groups and subsidiaries and holdings controlled or under considerable influence whose consolidation has a significant impact on the overall consolidated accounts.

METHODS OF CONSOLIDATION

The scope of voting rights taken into consideration to assess the nature of the Group's control includes the existence and effect of potential voting rights when they can at any time be exercised or converted.

The following consolidation methods are applied:

Fully consolidated

The Group's companies that are controlled exclusively are fully consolidated.

Exclusive control over a subsidiary is assessed as a power to manage financial and operational policies to take advantage of its activities. The result is:

- either direct or indirect holding of the majority of voting rights in the subsidiary,
- or the right to appoint or dismiss the majority of the officers of administrative, management or surveillance bodies in the subsidiary or to command the majority of voting rights in these meetings,
- or to exercise a dominating influence over a subsidiary due to a contract or clauses in articles of association.

Proportional consolidation

The Group's companies that are controlled jointly are proportionally consolidated.

The IFRS reference defines joint control as sharing control of a company run jointly by a limited number of partners or shareholders who agree the financial and operational policies.

A contractual agreement must set out control over the economic activity and decisions relative to the reaching of objectives requiring the agreement of all associates or shareholders with joint control.

Equity method

Companies over which the Group has a notable influence are consolidated using the equity method.

Notable influence means having the right to contribute to the financial and operational policies but not controlling them. It may notably mean a presence on management or monitoring bodies, participation in strategic decisions, the existence of large-scale inter-company operations, exchange of management staff and technical dependence links. It is presumed if the Group holds at least 20% of voting rights

directly or indirectly. This presumption may be refuted if it notable lack of influence is shown despite the holding of more than 20% of voting rights. Alternatively, notable influence may be shown even if the 20% threshold has not been reached.

Specific case of ad hoc entities

Distinct legal structures created specifically to manage an operation or a group of similar operations ("ad hoc entities") are consolidated even if there is no equity link.

The following criteria are used in a non-cumulative way to assess the existence of control over an ad hoc entity by another one:

- the entity's activities are performed exclusively for the Group so it may benefit from them;
- the Group has decision-making and management power over the day-to-day activities of the entity or the assets that comprise it, this power may be delegated by the setting up of a self-management mechanism;
- the Group can benefit from the majority of the entity's advantages;
- the Group keeps the entity's risks.

The Group does not have any ad hoc entities liable for consolidation.

CONSOLIDATION RULES

Recalculations and eliminations

The recalculations and reclassifications required to bring all consolidated subsidiary accounts into line with Group accounting principles are carried out.

Reciprocal accounts as well as income and expenses resulting from Group internal operations and with a significant impact on consolidated financial statements are eliminated.

Conversion of financial statements of foreign subsidiaries

For entities whose operating currency is not the euro, balance sheet accounts of overseas subsidiaries are converted at the exchange rate applicable at year end.

The income and expenses on the profit and loss statement are converted at the average rate for the period.

The difference in conversion which results from changes in exchange rates on the equity, reserves and profits are recognised in "Realised or unrealised gains and losses - Conversion rates adjustments".

Business combinations:

These combinations are processed by the Group using the equity method.

The acquisition cost is determined as the total of the fair values, at the acquisition date, of the assets provided, the liabilities and equity instruments issued in exchange for control over the company acquired. Cost directly incurred as part of the operation or part of the acquisition cost.

Assets, liabilities and any liabilities to be identified in entities acquired that satisfy IFRS standard accounting criteria are posted at the their fair value at the acquisition date in compliance with the provisions of the IFRS 3 standard "Business combinations". The analyses required for the initial evaluation and possible correction may be carried out within a period of 12 months from the acquisition date.

The positive difference between the cost of acquiring the entity and the share acquired in the net asset is re-evaluated and posted in the consolidated balance sheet in the goodwill section; if the difference is negative, it is immediately recognised in the profit and loss account.

Goodwill is maintained in the balance sheet at its historical cost in the rough and currency of the subsidiary acquired and converted on the basis of the official exchange rate at the year end date. It is regularly reviewed by the Group and depreciation is tested at least once a year and as soon as loss of value indicators appear.

At the date of acquisition, each amount of goodwill is allocated to a cash flow generator unit (CGU) that is the most detailed level used by Management in the Group's major businesses to determine the return on investment of activity. When the recoverable value of a CGU, defined as the highest value between the market value and the utility value of this CGU, is lower than its book value, an irreversible depreciation will be recorded in the results.

The book value of the goodwill of associated companies is included in the equity method value.

When minority shares are purchased in a subsidiary that is already controlled, the new goodwill, corresponding to the difference between the total acquisition cost for the additional share and the share of the net situation purchased is deducted from equity if it is positive.

From then on, in the current regulatory framework, IAS27 "Consolidated and individual financial statements" and IAS 32 "Financial instruments: disclosures and presentation", the group has to register a receivable as commitment for purchasing minority interest and receivable is offset by reduction in minority interest. The Group has chosen to deduct from the equity the difference between the amount of commitment and the minority interests, representing the counterparty of the receivable.

Later variations in this receivable linked to the estimated price of the purchase commitment and the book value of minority interests are posted in the Group's share of reserves.

Integration of insurance activities

The financial assets and liabilities of the Group's insurance companies are, for the most part, assessed and accounted for under the provisions of the IAS 39 standard.

Policies that include the following come under the IFRS standard:

- insurance policies that include a contingency for the policy holder. This category covers health and personal risk insurance, pensions and property damage policies, and savings policies with a lower limit benefit
- financial policies issued by the insurer with discretionary profit-sharing

All technical provision valuation rules defined by the local reference, in compliance with IFRS 4, are maintained for these two types of policy.

Financial policies that come under the IAS39 standard correspond to investment policies without discretionary benefits: unit linked savings policies without products in euros and without lower limit benefits.

Pursuant to the accounting principles set out in IFRS 4, a provision for deferred profit-sharing is posted on insurance policies with discretionary benefits. It is determined so as to reflect the potential rights of policyholders to latent gains on financial instruments accounted for at fair value all potential shares in losses in the event of latent losses.

At each year end, the Group's insurance companies carry out an asset sufficiency test aimed at checking the insurance liabilities accounted for, net of deferred acquisition costs and linked intangible assets are sufficient using current estimations of future cash flow from insurance policies and financial policies with discretionary benefits.

Technical and mathematical provisions

Technical provisions reflect commitments to policyholders.

Mathematical provisions for policies in euros correspond to the difference in the current value of the commitments of the insurer and the policyholder.

Life insurance provisions are constituted on the basis of discount rate is at most equal to the prudently estimated provisional yield of the assets allocated to their representation.

Commitments are discounted by choosing a rate at least equal to the price of the policy concerned and using strategy mortality tables or experience tables if they are more relevant. In terms of income discount rates, the consequences of the fall in interest rates when the price is judged to be too high in relation to expected reinvestment perspectives is taken into account.

Mathematical contract provisions expressed as unit-linked accounts are assessed on the basis of assets used as products for these policies. Gains or losses resulting from re-calculating them are posted in the profit and loss account to neutralise the impact of the variation in technical provisions.

F. RULES OF PRESENTATION AND EVALUATION

CURRENCY OPERATIONS

At year end, currency monetary assets and liabilities are converted into euros, the Group's working currency, at the closing rate. Realised or unrealised gains and losses are recorded in the results.

Non-monetary assets are converted at the exchange rate applicable at the year end. Exchange rate gains and losses on non-monetary elements in foreign currencies are accounted for in results if the gain or loss is recorded in results and in equity if it is recorded in equity.

FINANCIAL ASSETS AND LIABILITIES

When initially accounted for, financial assets and liabilities are assessed at their fair value net of costs directly due to acquisition (except financial instruments accounted for at fair value through profit and loss).

The shares are recognised in the balance sheet at the payment-delivery date whereas derivative financial instruments are recorded at negotiation date. Loans and receivables are recorded in the balance sheet at the payment date. Financial assets and liabilities are classified in one of the four categories below:

■ Loans and receivables

Loans and receivables are fixed or determinable revenue non-derivative financial assets not quoted on an asset market. They include assets and liabilities on credit institutions and on customers.

They are accounted for, after initial accounting, at the amortised cost using the effective interest rate method and can, where necessary, be amortised.

The effective interest rate is the rate that exactly discounts the future cash flow at the initial fair value of the loan. It includes transaction costs directly linked to loans, considered as an integral part of the credit yield.

Certain securities may be accounted for exceptionally in this category. They then follow loans and date recognition, assessment and depreciation rules.

The group does not currently use this faculty.

In addition to information required by IAS standards

- IFRS, La Banque Postale has maintained information previously required by the regulation CRC n° 2002.03, applicable to individual accounts.

Therefore, compromised and non-compromised doubtful outstanding loans are included as depreciated receivables in terms of international standards.

- Downgrading process

The downgrading process applies to non-settled overdrafts, to home loans and to consumer loans.

The downgrading of non-settled overdrafts involves active and closed accounts. The effect of downgrading non-settled overdrafts on active accounts is to downgrade healthy outstandings to non-compromised doubtful outstandings. This is carried out monthly and takes account of the amount and duration of the overdraft for each case.

The effect of closing the account is to downgrade the receivable to compromised doubtful outstanding. Very small receivables are classified directly as losses.

Home loans with more than six months outstanding payments and consumer loans with more than three months outstanding payments are downgraded to non-compromised outstanding receivables.

When payment of an instalment is not forthcoming, the receivable is downgraded to compromised doubtful outstanding. In addition, receivables are classified as compromised outstanding systematically one year after becoming doubtful.

In application of the contagion principle, all an account holder's outstanding receivables are downgraded when the receivable on that holder is downgraded.

- Loan depreciation on an individual basis

The Group firstly assesses if there is an objective indication of the existence of an event that occurred after the setting up of the loan - or a group of loans, that may generate a loss of value. These may be loans with more than three unpaid instalments, outstanding payments that are in a collection process or when the financial situation of the counterparty has deteriorated and leads to a risk of non-recovery.

Its depreciation is then recorded by the difference between the book value and the discounted expected flows at the original effective interest rate, determined by taking into account the financial situation of the receivable and the current value of the guarantees received. For compromised forfeited loans guaranteed by a real security the receivable on which is greater than a floor limit, an expert analysis is carried out to determine the amount to set aside. For amounts less than this threshold and non-compromised cases, a prudent estimate that takes into account the acquisition value of the asset is made.

Loans guaranteed by a physical person or not-guaranteed are entirely depreciated.

The amount of this depreciation is recorded as "cost of risk" in the profit and loss account and the value of the financial acid is reduced by the constitution of depreciation.

- Collective depreciations on loans

In addition, loans not individually depreciated will be depreciated collectively. This is the perimeter of the "sensitive" cases that form a sub-category of healthy outstanding receivables: they have a preliminary default indicator (with one or several missed payments in less than 180 days), but are not yet downgraded to doubtful.

Provisions are made for these cases on the basis of a probability of downgrading calculated on an observation of the period between 2005 and 2007. The risk of loss that takes into account the nature of the guarantee is created in the same way as for doubtful cases and provision is made on the basis of discounted recoverable flows.

The amount of this depreciation is recorded as "cost of risk" in the profit and loss account and the value of the financial acid is reduced by the constitution of depreciation.

- Depreciation of overdrafts

The provisions set aside take account for overdrafts on active postal bank accounts of collection performances observed by the level of risk in the previous year.

- Funding commitments

Funding commitments that are not considered as derivative instruments do not feature in the balance sheet. A provision for risks and expenses is recorded in the event of probable defect by the counterparty over the period of commitment.

■ Financial assets and liabilities at fair value through the profit and loss account

Securities in this category that correspond to financial assets and liabilities held for the purposes of transactions, that is those that were originally acquired with the intention of selling them or buying them back in a short period of time, are added to non-financial assets and liabilities that the Group designated from the beginning to be assessed at fair value through profit and loss in application of the option available in IAS 39, subject to complying with the conditions set out in the standard:

- elimination or significant reduction of the difference in accounts processing,
- group of financial assets and liabilities the performance of which are managed and assessed at fair value,
- compound financial instruments with one or several incorporated derivatives.

The Group has chosen to record treasury bonds indexed on the TEC 10 as financial assets at fair value.

Variations in fair value are recorded in the results for the period in the "Net gains or losses on fair value financial instruments".

■ Financial assets held to maturity

Financial assets held to maturity are fixed or determinable revenue and maturity assets that the Group has the intention and the capacity to keep to maturity and that it has not chosen to classify as fair value instruments or financial instruments available for sale.

The IAS39 standard prohibits, except in limited cases, the sale or transfer of these securities before maturity subject to a sanction prohibiting the Group from classifying securities in this category for two annual periods.

At the year end date, the securities are assessed at the amortised cost according to the effective interest rate method that includes the amortisation of premiums and discounts corresponding to the difference between the acquisition value and the reimbursement value.

Revenue received is presented as "Interest and similar income" in the profit and loss account.

If there is an objective sign of depreciation, a provision is made the difference between the book value and the estimated recovery value discounted by the original effective interest rate. In the event of later improvement, the excess provision will be reversed.

Financial assets available for sale

Financial assets and available for sale are a default category and include financial assets not classified as loans or receivables, or financial assets held to maturity or at fair value.

These assets are recorded in the balance sheet at their market value when they were acquired and at a later cut-off dates until their sale. Variations in fair value are recorded in a specific equity section, "Latent or deferred gains or losses". These latent gains or losses accounted for as equity are only recorded in the profit and loss account in the event of sale or depreciation. The accrued or acquired revenue from fixed revenue securities is accounted for in results according to the effective interest rate method in the "Interest and similar income" section. Dividends received from variable revenue securities are recorded in the profit and loss account in the "Gains or losses on financial assets and available for sale" section.

Depreciation is recorded for financial assets available for sale in the event of prolonged or significant fall in fair value.

Losses for depreciation of variable revenue securities recorded in results are irreversible as long as the instrument features on the balance sheet. They are accounted for in the "Net gains or losses on financial instruments are available for sale" section. Losses for depreciation on fixed revenue securities can be reversed and are accounted for as cost of risk when they involve a credit risk.

Derivative financial instruments and hedging accounts

As understood by IAS 39, a derivative is a financial instrument or other contract that has the three following characteristics:

- its value fluctuates according to an interest rate, the price of a financial instrument, the price of raw materials, an interest rate, a rate or credit price index or any other variable called underlying;
- it requires an initial low or no initial investment or lower than the non-derivative financial instrument for the same sensitivity to the underlying variation;
- it is connected to a future date.

Derivatives held for transaction purposes

Derivatives are part of financial instruments held for transaction purposes except derivatives part of a hedging relationship. These are accounted for in the balance sheet among fair value financial instruments. Fair value variations and interest accrued or matured are accounted for among net gains and losses on financial instruments at their fair value.

Hedging derivatives

Hedging derivatives that satisfy the requirements of IAS 39 to be entirely qualified as coverage instruments are classified in the "Fair value hedging" or "Cash flow hedging" categories where applicable. Other derivative instruments are by default classified as profit and loss fair value assets or liabilities, even if the economically, they are taken with a view to covering one or several transactions.

To qualify a financial instrument as a hedging derivative, the Group must document the hedging relationship already in place (hedging strategy, description of the risk covered, the element covered, the hedging instrument and the method of assessing the effectiveness).

The effectiveness is assessed at the setting up of the hedging as long as it survives at each year end.

Depending on the nature of the risk covered, the derivative financial instrument is described as a fair value hedging, cash flow or exchange-rate risk instrument linked to a net overseas investment.

- Fair value hedging

Fair value hedging covers exposure to variations in the fair value of financial assets or liabilities; it is also used to cover the exchange-rate risk on fixed-rate assets and liabilities as well as sight deposits part of the possibilities provided by the European Union.

The re-evaluation of the derivative is recorded in the profit and loss account symmetrically to the re-evaluation of the element covered. Gains or losses attributable to the risk covered are recorded in the "Net gains or losses on fair value financial insurance in profit and loss" in the profit and loss account. When the hedging relationship is effective, fair value variations in the element covered are symmetrical to the fair value variations of the hedging instrument.

Any ineffective hedging is directly recorded in profit and loss. The part corresponding to the rediscount of the derivative financial instrument is recorded in the profit and loss account in "Interest income and expenses" symmetrically to interest income and losses related to the element covered.

When the derivative financial instrument no longer complies with effectiveness criteria dictated by the standard and all the more so if it is sold, the hedging accounting ceases on a prospective basis: the derivative is recorded in the "Fair value financial assets in profit and loss" or "fair value financial liabilities in profit and loss" whereas the re-evaluation of the element covered is amortised over the period remaining in relation to the initial hedging period.

If the element covered disappears, the hedging instrument that no longer qualifies as a hedging instrument but continues to exist, remains accounted for in the balance sheet at its fair value in profit and loss. Profit from the sale of the element covered may be recorded in the profit and loss account.

- Macro-hedging

The Group applies the provisions of IAS 39 adopted by the European Union to macro-hedging operations as part of fixed rate asset-liability management operations.

Macro-hedging instruments are essentially fair value hedging interest rate swaps of the Group's fixed rate resources.

Macro-hedging derivatives are processed using the same principles as those described above. The re-evaluation of the hedging component is recorded in the "Gains and losses of interest rate hedging reserve" item.

- Cash flow hedging

Cash flow hedging covers exposure to variations in financial assets or liabilities cash flow variations, firm commitments or future transactions. It is particularly used to cover the risk of revisable asset and liability interest rates.

The effective share in variations of derivative financial instrument fair value is recorded in a specific equity line whereas the ineffective share is recorded in the profit and loss account in "Gains or losses to fair value financial instruments in profit and loss".

The share corresponding to the rediscount of the derivative financial instrument recorded in the profit and loss and account in "Interest income and expenses on hedging operations" symmetrically to interest income and losses related to the element covered.

The instruments covered remain accounted for according to rules applicable to the accounting category.

If the hedging relationship is interrupted or as soon as the derivative financial instrument no longer complies with effectiveness criteria dictated by the standard or all the more if it is sold, the hedging accounting ceases. Cumulative amounts recorded in equity for the recalculation of the hedging derivative are transferred when required to profit and loss in income and interest charges or recorded immediately in profit and loss. If the element covered disappears, the derivative is recorded in the "Fair value financial instruments by profit and loss" whereas the re-evaluation of the element covered recorded in equity is immediately transferred to profit and loss.

- Hedging a net currency investment

This type of hedging is not Group practice.

- Incorporated derivatives

An incorporated derivative is the component of a hybrid contract. It is an extract from a host contract and accounted for separately when its economic characteristics and associated risks are not closely linked to those of the host contract except where the hybrid instrument is evaluated at fair value in profit and loss.

- Day one profit

The Group has no margin when negotiating structured instruments.

Determination of fair value or market value

Fair value is the amount for which an asset may be exchanged or a liability settled between knowledgeable and willing parties acting in normal conditions of competition.

When the instrument is initially accounted for, its fair value is generally the transaction price.

The IAS 39 standard recommends at first using a price quoted on an asset market to determine the fair value of a financial asset or liability. A market is considered as active if prices are easily and readily available from a stock market, broker, negotiator or a regulatory authority and at these prices represent real transactions in conditions of normal competition. In the absence of an active market, the fair value must be determined by using evaluation techniques. These techniques include the use of recent transactions in the context of normal competition. They rest on market data, substantially identical fair value instruments, flow discount or option valuation models and use recognised valuation methods.

The aim of a valuation technique is to establish what would have been the price of the instrument in a normal market.

For example, the fair value of the bond securities and futures is determined using quoted prices. The use of valuation techniques involves privately negotiated derivatives, discount shares (commercial papers, certificates of deposit) and deposits-repos.

The market value of non-quality of equity interests classified as security is available for sale is determined by reference to certain criteria such as the net asset, profitability perspective and discounting of future cash flows.

The price quoted as an asset held or a liability to issue is generally the bid price and the ask price when it involves a liability held or an asset to acquire.

In the event of symmetrical asset and liability positions, only the net position is valued according to the bid price if it is a net asset or a net liability to issue and according to the ask price if it is a net liability or net asset to acquire.

Receivables

Receivables to credit institutions and customers

Receivables to credit institutions and receivables to customers are broken down according to their initial duration or type: sight (current accounts, regular accounts) or term (special regime savings accounts) receivables. These include repurchase agreements.

Debts represented by a security

Financial instruments issued are qualified as receivable instruments if the issuer must issue liquidities or other financial assets or exchange instruments in potentially unfavourable conditions. Debts represented by a security are the negotiable receivable securities issued by La Banque Postale.

These are accounted for initially at their face value then are recognised in following statements at the amortised cost using the effective interest rate method.

Derecognition of financial assets or liabilities

Financial assets are derecognised when contractual rights on cash flow attached to the financial asset expire or when these rights and almost all risks and advantages linked to ownership had been transferred to a third party.

When certain risks and advantages have been transferred and as long as control is kept over financial assets, it is maintained in the balance sheet because the involvement continues in the asset concerned.

The gain or loss on a sale is recorded in the profit and loss account for an amount equal to the difference between the book value of the asset and the value of the counterparty received.

Financial liabilities are derecognised when the contractual obligation is over, cancelled or expired.

Repurchase agreements

The seller does not derecognise these securities. The Group records a liability that represents the commitment to return the cash received. This receivable is a financial liability recorded at the amortised cost and not at fair value.

The transferee does not account for the assets received but accounts for a receivable to the seller representative of the cash lent. In following statements, the securities continue to be valued by the seller according to rules in the original category. The receivable features at its normal value in loans and receivables.

Securities lending

Lending of securities cannot be assimilated with the transfer of financial asset as understood by the IFRS. These operations cannot therefore lead to derecognising securities lent. They remain accounted for in their original accounts category and valued according to its rules. Securities loaned are not accounted for.

TANGIBLE & INTANGIBLE FIXED ASSETS

Fixed assets in the balance sheet include tangible and intangible operating assets that are used for administrative ends. The Group has no investment properties.

Fixed assets are accounted for at their acquisition cost increased by directly attributable acquisition costs required to put them in working order with a view to using them. Loan costs incurred during the construction or adaptation of properties are not activated.

After initial accounting, fixed assets are assessed at their cost produced by the total amortisation and any loss of value.

The amortisable amount of a fixed asset is determined after its net residual value is deducted from output costs if it is measurable and significant.

Fixed assets are amortised depending on the estimated rhythm of consumption of the expected economic advantages that are generally the lifespan of the asset.

When a fixed asset is made up of several elements that may be replaced at regular intervals, with different usages or providing economic advantages at different times, each element is accounted for separately from the beginning and each of the components is amortised with a specific amortisation plan.

As such, depending on their components, buildings are depreciation over a period of between 10 and 80 years:

- structure: 80 years
- roofs: 60 years
- woodwork and external work: 40 years
- major equipment: 20 years
- small equipment, fixtures and fittings: 10 years

Software created, when it meets fixed asset criteria, is accounted for at its development cost including external expenses and staff costs that can be directly allocated to the project. As a general rule, software is amortised over 3 years.

Amortisable fixed assets are the subject of depreciation tests when at the year end, loss of value indicators have been identified. Non-amortisable fixed assets undergo a depreciation test once a year.

If such a depreciation index exists, the recoverable value of the asset is compared to its net book value. In the event of loss of value, an amortisation is recorded in the profit and loss account; this modifies the asset amortisable base.

Depreciation is reversed if the estimate of the recoverable value is modified or the depreciation index disappears.

Allocations to amortisation are accounted for in the “Allocations to amortisation and provisions for depreciation of tangible and intangible fixed assets” in the profit and loss account. Depreciation is accounted for in the “Allocations to amortisation and provisions for depreciation of tangible and intangible fixed assets” in the profit and loss account.

Gains and losses on sales of operating fixed assets are recorded in the profit and loss account on the "Gains on other fixed assets" line.

SAVINGS ACCOUNTS — SPECIAL REGIME

Home savings accounts and plans offered to private individuals in accordance with the Law dated 10th July 1965 have two phases: (i) deposits made by customers in interest-bearing accounts and (ii) property loans granted.

They generate two types of commitment for the distributing institution:

- to pay interest on future savings at a rate which is set at the inception of the contract for an indefinite period of time
- the obligation to supply customers that request it with a fixed rate loan on signing the contract

Provisions are made for these potentially unfavourable commitments for the Group and are presented in the liability section of the balance sheet and variations to which are recorded in the net banking income within the interest margin.

Provisions are estimated on the basis of customer behaviour statistics, market data for each generation of plan to cover future expenses linked to the potentially unfavourable conditions of these products in relation to the interest rates given to consumer customers for similar products that are not regulated in terms of remuneration. They are only relative to commitments linked to home savings plans existing at the date of calculating the provision.

Provisions are calculated for each generation of home savings plan firstly, with no offset between commitments to different generations of home savings plan and secondly to all home savings plan that make up a single generation.

In the savings phase, commitments for which provisions can be made are assessed by the difference between the average savings deposit expected and minimum savings deposits expected, these 2 deposits are determined statistically taking account of effective historical behaviour of customers.

In the lending phase, commitments for which provisions can be made include the outstanding loans not yet due at the year end as well as future loans considered as statistically probable on the basis of the balance sheet outstanding at the date of calculation firstly and historical observations of effective customer behaviour secondly.

A provision is made when the updated forecasts are negative for a given generation.

These results are measured by reference to the rates offered to consumers for equivalent savings and funding instruments in coherence with the estimated lifespan of the outstanding balance and implementation date.

PROVISIONS

Provisions recorded in balance sheet liabilities, other than those related to credit risks or benefits in kind to staff, are liabilities whose maturity or amount are uncertain.

A provision is made when the group has an obligation to a third party where a resource outflow probable or certain towards that third party without at least an equivalent counterparty being expected from it.

The amount of the resource outflow expected is then updated when the effect of this updating is significant.

DISTINCTION BETWEEN RECEIVABLES AND EQUITY OPEN-ENDED SUPER-SUBORDINATED SECURITIES

In regard of conditions set out in IAS32 to analyse the contractual substance of these instruments and given their intrinsic characteristics, open-ended super-subordinated securities issued by the Group are qualified as "Receivable instruments".

INTEREST INCOME AND EXPENSES

Interest income and expenses are accounted for in the profit and loss account for all financial instruments assessed at their amortised cost using the effective interest rate method.

The effective interest rate exactly discounts the future cash disbursements or collections over the planned lifespan of the financial instrument in order to obtain the net book value of the financial asset or liability. The calculation of this rate takes account of commissions received or paid that are by nature an integral part of the effective contract rate.

COMMISSION INCOME AND EXPENSES

The Group accounts for commissions in the profit and loss account according to the service provided and the method of accounting for financial instruments to which this service is attached:

Commission that remunerates continuous services are spread over the duration of the service in the profit and loss account (means of payment commission).

Commissions that remunerate one-off services or an important action are entirely integrated into the profit and loss account when the service is performed of the act carried out (account management commissions, payment incident commissions).

Commissions considered as additional interest are an integral part of the effective interest rate.

CORPORATION TAXES

Taxes due

La Poste Group's fiscal consolidation perimeter comprises La Banque Postale and seven of its French subsidiaries in which it has a direct or indirect interest of more than 95%.

Deferred tax

Deferred taxes are accounted for over all temporary differences observed between the book value of an asset or liability and its fiscal basis.

The tax rates used to assess are those the application of which is expected when an asset is realised or a liability is settled where these rates have been adopted or almost adopted at the year end.

Deferred tax assets are only taken into account if it is probable that the entity concerned has the chance of recovery within a pre-determined time period.

Deferred taxes are posted as a tax income or expense in the profit and loss account except those related to latent gains and losses on assets available for sale and variations in value of cash flow hedging derivatives for which deferred taxes are directly applied to equity.

Corporation tax was 34.43% at 31st December 2007.

STAFF BENEFITS

La Banque Postale Group gives its staff benefits classified in four categories:

Short-term benefits

Short-term benefits mainly involve salaries, annual holidays, performance-related payment schemes, profit-sharing, bonuses paid within 12 months of the year end and similar to that financial year.

They are accounted for as expenses in the financial year, including amounts that remained you at the year end.

Long-term benefits

Long-term benefits are generally linked to seniority, paid to working staff and paid more than 12 months after the year end as for example the time savings account.

Provisions are made that correspond to the value of these commitments at year end.

End of work contract indemnities

These are indemnities granted to employees on terminating their work contract before retirement, whether for redundancy or voluntary departure. Provision is made for end of contract indemnities.

The commitment is assessed on the basis of rights acquired by all working staff particularly depending on the staff rotation rate, the future estimated salary of the beneficiary on departure increased where applicable by social contributions and the mortality table (INSEE TH/TF00-02). Indemnities paid more than 12 months after the year end will be updated.

Post-work benefits

Post-work staff benefits cover retirement indemnities, payments and benefits to retired staff.

The pension scheme for personnel employed under contract is a defined contribution scheme, funded by contributions to the payer organisation in full discharge of the employer's liability. Apart from accruals for contributions due but not yet paid, no liabilities are recorded in the Group's balance sheet in respect of this scheme. The contributions are expensed as incurred.

Provisions are made for the Group's social commitments not covered by contributions recorded as expenses and paid to pension funds or insurance in the balance sheet liabilities, particularly retirement indemnities.

Actuarial valuations are performed on a yearly basis to determine the value of the post-employment and long-term benefit obligations under IAS 19.

The projected unit credit method is applied in accordance with IAS 19. The actuarial assumptions used in the calculations consists of external economic assumptions, including the discount rate, inflation and future pension increases, as well as assumptions specific to La Poste, such as employee turnover, mortality, and future salary increases.

The provision recorded in the balance sheet for post-employment defined benefit schemes corresponds to the current value of the obligation at the year end adjusted by actuarial adjustments and cost of services not recognised. The current value of the obligation is calculated annually using the projected credit unit method. It is determined by discounting future disbursements expected on the basis of a leading corporate bond market rate, in the currency of payment for the services and whose duration is close to the average estimated duration of the underlying obligation.

Actuarial hypotheses used for the assessment of commitments to staff are reviewed and updated once a year at year end.

These calculations include the following hypotheses:

- the probability of staying in the Group for active staff, probable mortality and changes to estimated salaries
- retirement hypotheses
- discount rates to determine the current value of commitments The gross discount rates used for actuarial assessment as of 31st December 2006, determined by reference to market yields on high quality corporate bonds, were as follows:

Estimated term of the benefit obligations	5 years	10 years	15 years	20 years
Discount rate (euro zone)	4.7%	5.1%	5%	5%

SHARE-BASED PAYMENT (IFRS 2)

The share-based payment plan involves a transaction, the payment of which is based on the shares issued by the Group, whether they are granted by the issuing of shares or paid in cash and the amount depends on the value of the shares.

A charge is recorded in the Group's accounts from the date of granting the plan to employees for the fair value of the liability. This amount is spread over the duration of the acquisition of rights by the counterparty of the receivable.

THE USE OF ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

Preparing financial statements requires the formulation of hypotheses and estimates that are not certain to be fulfilled in the future. These estimates that use information available at the year end rely on the judgment of managers and preparers particularly in the assessment of the fair value of financial instruments.

Future fulfilment depends on a number of factors: the fluctuation of interest rates and exchange rates, the economic outlook or modifications to regulations or legislation.

The following assessments require hypotheses and estimates:

- the assessment of financial instruments that are not quoted on organised markets requires models that use market data that can be observed for most instruments negotiated in the on listed market. The determination of certain complex instruments not treated on an active market rests on assessment techniques that in certain cases use parameters judged to be not observable;
- the assessment of financial assets and liabilities accounted for at cost and for which information on fair value must be given in notes;
- assessments made of credit risk: provisions calculated on a portfolio basis particularly use estimates of probability of default and generally expert judgment;
- calculations related to the expense of future staff benefits are established using discount rate, staff rotation rate and salary change hypotheses;
- provisions are also by nature estimates as they involve liabilities whose maturity or amount are not fixed precisely and it is probable or certain that they will lead to a resource outflow to the benefit of a third party without counterparty at least equivalent of it;
- the assessment of the home savings provision uses changes to customer behaviour hypotheses founded on historical observations that do not necessarily prejudge the future;
- goodwill depreciation tests include a certain number of hypotheses;
- Measuring effective hedging requires hypotheses and estimates.

VII.6 Notes to the consolidated financial statements: impact of the adoption of IFRS standards

MAIN IMPACTS OF ADOPTING IAS/IFRS STANDARDS

FUNDS FOR GENERAL BANKING RISKS (IAS 37)

As the funds for general banking risks do not tie in with the IAS 37 definition of a provision or liability, the corresponding amount has been directly charged to opening equity capital.

GOODWILL

Goodwill will no longer be written off but will be retained in the balance sheet at its historic cost in the currency of the subsidiary acquired and converted at the year-end exchange rate.

Goodwill will be tested for impairment in accordance with IAS 36 as soon as there is any indication of loss of value and on an annual basis at the very least. The 2006 result will be restated to take account of the depreciation calculated in the accounts drawn up per French accounting standards.

CONSOLIDATION OF CNP ASSURANCES PER THE EQUITY METHOD

As part of the capital restructuring of CNP Assurances, La Poste sold 2% of its shares in CNP Assurances to the Groupe Caisse d'Epargne in 2000. This sale came with a promise by the Groupe Caisse d'Epargne to Group La Poste to sell the shares on expiry of the shareholders' agreement.

In the accounts drawn up under French accounting standards, this sale translated as a reduction in the percentage interest of Group La Poste/La Banque Postale in CNP Assurances (from 19.71 % to 17.75%).

In the opening IFRS balance sheet, it was considered that Group La Poste/La Banque Postale retained responsibility for the risks and continued to reap the benefits from these shares.

CNP Assurances was accounted for as per the equity method and the percentage control recorded at 19.71%

MAIN RECALCULATIONS RESULTING FROM THE APPLICATION OF IAS 32/39 STANDARDS

The main impacts concern:

- the portfolio of shares available to sale
- derivatives
- the processing of effective interest rates on loans
- optional fair value shares

For the portfolio of shares available for sale, depreciation for latent losses recorded are recorded according to local principles are reversed in the profit and loss account (reserves in the event of opening balance sheet) in counterparty to recyclable reserves. Latent gains are recorded in assets in counterparty to recyclable reserves. Related deferred taxes are reported for latent gains in recyclable reserves whereas, for latent losses integrated into the local fiscal profit and loss account, the corresponding amount of tax payable is declassified in recyclable reserves.

Derivatives classified in micro-hedging as transaction securities according to local principles are not processed differently in IFRS: variations in value of these instruments are recorded in the profit and loss account in both cases.

Fair value financial liabilities as well as sight deposit fair value hedging derivatives are recorded in the balance sheet in counterparty to non-recyclable reserves.

The assessment of effective interest rate loans includes commissioning. Commissions recorded in the profit and loss account according to local principles are written back in operating costs and included in the cost of the loan in IFRS standards. They are amortised as interest margin on the residual lifespan of the loans.

Treasury bonds indexed on the TEC 10 are classified as optional fair value securities in IFRS whereas they feature as securities held to maturity in the bank's company accounts.

VII.7 Impact of the conversion to IFRS

A. IMPACT OF THE CONVERSION TO IFRS ON 1ST JANUARY 2006

I. Impact on the net opening situation

Group share (in € thousands)

Equity under French standards at 1st January 2006	**2,958,032**
Latent gains and losses on AFS	
Latent gains on securities available for sale	45,208
Recalculation of assets and liabilities to the joint-venture in the profit and loss account	
Variation of Fair Value in financial instruments	313,303
Recalculation of hedged elements (fair value hedging)	(355,583)
Investment securities recorded at their fair value (TEC 10)	(12,540)
Other reprocessing	
Reversal of the General Banking Risk Fund	22,000
Treatment of the put on acquisition of LBPAM minority interests	(42,563)
Others	(3,385)
Inclusion of deferred taxes	8,487
IFRS impact on the equity method (CNP Assurances)	
Variation in the fair value of assets and liabilities recorded by CNP Assurances	437,857
Promise to sell 2% shares to CNP Assurances	32,476
IFRS equity at 1st January 2006	**3,403,292**

II. Impact of the opening balance sheet

(in € thousands)	French standards	IAS 32/39	CNP Assurances	Deferred tax	Others	IFRS standards
Assets						
Cash, central banks	153,554					153,554
Government securities and equivalents	40,602,189	(40,602,189)				
Fair value of financial assets		12,800,427				12,800,427
Derivative coverage instruments		355,771				355,771
Financial assets available for sale		6,284,454				6,284,454
Shares in non-consolidated companies, at cost	80,401	(80,401)				
Loans & receivables on credit institutions	18,508,126					18,508,126
Customer loans & receivables	19,307,002					19,307,002
Bonds, equities, other fixed and variable rate income securities	16,424,149	(16,424,149)				
Financial assets held to maturity		40,146,669				40,146,669
Tax assets	223,794			10,415		234,209
Accruals and sundry assets	9,873,626	(627,122)				9,246,504
Investments of insurance companies	196,962	(196,962)				
Equity interests consolidated per the equity method	1,051,884		559,622		6,495	1,618,001
Tangible and intangible fixed assets	562,947				15	562,962
Goodwill	32,651				(6,495)	26,156
TOTAL	**107,017,285**	**1,656,498**	**559,622**	**10,415**	**15**	**109,243,835**
Liabilities						
Fair value of financial liabilities		1,731,612				1,731,612
Derivative coverage instruments		187				187
Debts with credit institutions	3,510,654					3,510,654
Customer transactions	91,837,830	355,583				92,193,413
Gains and losses of interest-rate hedging reserve						
Tax liabilities	18,240			2,565		20,805
Accruals and sundry assets	7,867,122	(423,282)	89,289		55,156	7,588,285
Technical provisions of insurance companies	147,570				8,665	156,235
Provisions	643,834				(5,272)	638,562
Subordinated receivables and other equity capital						
Fund for general banking risks	22,000				(22,000)	
Minority interests in the equity	12,003	2,010		(637)	(12,586)	790
Equity capital group share	2,958,032	(9,612)	470,333	8,487	(23,948)	3,403,292
TOTAL	**107,017,285**	**1,656,498**	**559,622**	**10,415**	**15**	**109,243,835**

DETAILED IMPACT OF THE APPLICATION OF IAS 32/39 STANDARDS

(in € thousands)	HTM securities	HFT & HFT/O securities	AFS securities	Derivatives	IAS 32/39
Assets					
Government securities and equivalents	(33,944,483)	(2,089,384)	(4,568,321)		(40,602,188)
Fair value of financial assets		10,915,650		1,884,777	12,800,427
Derivative coverage instruments				355,771	355,771
Financial assets available for sale			6,284,454		6,284,454
Shares in non-consolidated companies, at cost			(80,401)		(80,401)
Bonds, equities, other fixed and variable rate income securities	(6,202,185)	(8,810,702)	(1,411,262)		(16,424,149)
Financial assets held to maturity	40,146,668				40,146,668
Accruals and sundry assets			(4,469)	(622,653)	(627,122)
Investments of insurance companies		(24,179)	(172,784)		(196,962)
TOTAL	**0**	**(8,615)**	**47,218**	**1,617,895**	**1,656,498**
Liabilities					
Fair value of financial liabilities				1,731,612	1,731,612
Derivative coverage instruments				187	187
Customer transactions				355,583	355,583
Accruals and sundry assets	(423,282)	(423,282)			
Minority interests in the equity			2,010		2,010
Equity capital group share		(8,615)	45,208	(46,205)	(9,612)
TOTAL	**0**	**(8,615)**	**47,218**	**1,617,895**	**1,656,498**

B. IMPACT OF THE CONVERSION TO IFRS ON 31ST DECEMBER 2006

I. Impact on equity

Group share (in € thousands)

Equity under French standards at 31st December 2006	**3,293,643**
Latent losses and gains	
Latent gains on securities available for sale	42,408
Recalculation of assets and liabilities to the joint-venture in the profit and loss account	
Variation of Fair Value in financial instruments	122,092
Recalculation of hedged elements (fair value hedging)	(137,700)
Investment securities recorded at their fair value (TEC 10)	(8,711)
Other reprocessing	
Adjustment of the effective loan interest rate	10,588
cancellation of the amortisation of Goodwill	8,070
Reversal of the General Banking Risk Fund	22,000
Adjustment of the put on acquisition of LBPAM minority interests	(43,996)
Others	5,535
Inclusion of deferred taxes	**(4,577)**
IFRS impact on the equity method (CNP Assurances)	
Variation in the fair value of assets and liabilities recorded by CNP Assurances	377,223
Promise to sell 2% shares to CNP Assurances	45,129
IFRS equity at 31st December 2006	**3,731,704**

II. Impact on the balance sheet

(in € thousands)	French standards	IAS 32 / 39	CNP Assurances	Deferred tax	Others	IFRS standards
Assets						
Cash, central banks	1,371,620					1,371,620
Government securities and equivalents	39,933,221	(39,933,221)				
Fair value of financial assets		13,086,504				13,086,504
Derivative coverage instruments		174,440				174,440
Financial assets available for sale		11,433,657				11,433,657
Shares in non-consolidated companies, at cost	140,916	(140,916)				
Loans & receivables on credit institutions	14,174,174				(1,123)	14,173,051
Customer loans & receivables	20,849,514	10,588			(10,874)	20,849,228
Gains and losses of interest-rate hedging reserve		217,883				217,883
Bonds, equities, other fixed and variable rate income securities	22,599,399	(22,599,399)				
Financial assets held to maturity		39,250,364			2	39,250,366
Tax assets	147,922			(1,960)	(301)	145,661
Accruals and sundry assets	9,762,632	(432,349)			11,175	9,341,458
Investments of insurance companies	243,028	(243,028)				
Equity interests consolidated per the equity method	1,142,628		509,986		6,495	1,659,109
Tangible and intangible fixed assets	620,430				(203)	620,227
Goodwill	69,077				(42,203)	26,874
TOTAL	**111,054,561**	**824,523**	**509,986**	**(1,960)**	**(37,032)**	**112,350,078**
Liabilities						
Fair value of financial liabilities		728,350				728,350
Derivative coverage instruments		36,741				36,741
Debts with credit institutions	7,361,797				(1,626)	7,360,171
Customer transactions	91,237,262	355,583			(11,572)	91,581,273
Debts represented by a security	690,288					690,288
Tax liabilities	47,753			2,617		50,370
Accruals and sundry assets	7,142,551	(316,737)	87,648		12,075	6,925,537
Technical provisions of insurance companies	180,642				4,995	185,637
Provisions	453,100	(13,086)			(5,535)	434,479
Subordinated receivables and other equity capital	624,874					624,874
Funds for general banking risks (FRBG)	22,000				(22,000)	
Minority interests in the equity	651				3	654
Equity capital group share	3,293,643	33,672	422,338	(4,577)	(13,372)	3,731,704
TOTAL	**111,054,561**	**824,523**	**509,986**	**(1,960)**	**(37,032)**	**112,350,078**

DETAILED IMPACT OF THE APPLICATION OF IAS 32/39 STANDARDS

(in € thousands)	HTM securities	Loans	HFT & HFT.O securities	AFS securities	Derivatives	IAS 32/39
Assets						
Government securities and equivalents	(34,271,978)		(357,153)	(5,304,090)		(39,933,221)
Fair value of financial assets			12,276,737		809,767	13,086,504
Derivative coverage instruments					174,440	174,440
Financial assets available for sale				11,433,657		11,433,657
Shares in non-consolidated companies, at cost				(140,916)		(140,916)
Customer loans & receivables		10,588				10,588
Gains and losses of interest-rate hedging reserve					217,883	217,883
Bonds, equities, other fixed and variable rate income securities	(4,978,385)		(11,890,704)	(5,730,310)		(22,599,399)
Financial assets held to maturity	39,250,363					39,250,364
Accruals and sundry assets				(5,500)	(426,847)	(432,349)
Investments of insurance companies			(34,021)	(209,007)		(243,028)
TOTAL	**0**	**10,588**	**(5,141)**	**43,834**	**775,243**	**824,523**
Liabilities						
Fair value of financial liabilities					728,350	728,350
Derivative coverage instruments					36,741	36,741
Customer transactions					355,583	355,583
Accruals and sundry liabilities					(316,737)	(316,737)
Provisions					(13,086)	(13,086)
Equity capital group share		10,588	(5,141)	43,834	(15,608)	33,672
TOTAL	**0**	**10,588**	**(5,141)**	**43,834**	**775,243**	**824,523**

III. Impact on the profit and loss account

(in € thousands)	French standards	IAS 32 / 39	CNP Assurances	Deferred tax	Others	IFRS standards
Interest and similar income	5,671,506	(1,131,162)			700	4,541,044
Interest and similar charges	(2,936,322)	1,043,756			(55,634)	(1,948,200)
Commission (income)	1,815,500				7,956	1,823,456
Commission (charges)	(203,291)				(16,613)	(219,904)
Income from variable income securities	4,414	(4,414)				
Gains or losses on trading portfolios	330,092	(330,092)				
Gains or losses on investment portfolios	(98,002)	98,002				
Gains and losses on fair value financial instruments		485,463				485,463
Gains and losses on assets available for sale		(77,466)				(77,466)
Gross margin from insurance activities	34,252				(34,252)	
Income and charges from other activities	(5,427)	14,715	(3,581)		34,252	39,959
Net banking income	**4,612,722**	**98,802**	**(3,581)**		**(63,591)**	**4,644,352**
General operating expenses	(4,148,271)	10,588			16,791	(4,120,892)
Net allocations to provisions and depreciation of the tangible and intangible fixed assets	(85,967)					(85,967)
Gross operating profit	**378,484**	**109,390**	**(3,581)**		**(46,800)**	**437,493**
Cost of risk	(8,907)				846	(8,061)
Operating profit	**369,577**	**109,390**	**(3,581)**		**(45,954)**	**429,432**
Share of net profits for companies accounted for by the equity method	145,550		74,806			220,356
Gains and losses on other assets	(1,463)				(837)	(2,300)
Pre-tax operating profit	**513,664**	**109,390**	**71,225**		**(46,791)**	**647,488**
Corporation tax	(129,592)			(21,135)		(150,727)
Non-recurring income	91				(91)	
Net allocations to goodwill amortisation	(8,070)				8,070	
Consolidated net income	**376,093**	**109,390**	**71,225**	**(21,135)**	**(38,812)**	**496,761**
Minority interests	(3,695)					(3,695)
Net profit group share	**372,398**	**109,390**	**71,225**	**(21,135)**	**(38,812)**	**493,066**

DETAILED IMPACT OF THE APPLICATION OF IAS 32/39 STANDARDS

(in € thousands)	TIE	HFT & HFTO securities	AFS securities	Derivatives	IAS 32/39
Interest and similar income				(1,131,162)	(1,131,162)
Interest and similar charges				1,043,756	1,043,756
Income from variable income securities				(4,414)	(4,414)
Gains or losses on trading portfolios				(330,092)	(330,092)
Gains or losses on investment portfolios			98,002		98,002
Gains and losses on fair value financial instruments				485,463	485,463
Gains and losses on assets available for sale		4,244	(81,710)		(77,466)
Income and charges from other activities				14,715	14,715
Net banking income	**0**	**4,244**	**16,292**	**78,266**	**98,802**
General operating expenses	10,588	0	0	0	10,588
Gross operating profit	**10,588**	**4,244**	**16,292**	**78,266**	**109,390**

VII.8 Notes to the consolidated financial statements: financial risk policy and coverage policy

A. RISK MANAGEMENT POLICY

The Risk Department is the entity dedicated to permanent risk control at La Banque Postale. It reports to the Risk Director for the defining and implementation of the bank's financial and operational risk monitoring and control mechanism.

The principles of risk control and monitoring are described in the "Risk control policy". This document, written by the Risk Department, is revised at least annually as part of a process involving the executive board and the Risk Committee for validation, the Audit Committee and the Supervisory Board for information.

These major principles are then applied within operational limits reviewed periodically according particularly to changes to the business, the amount of equity and the economic climate. These limits are approved by the institution's risk committee, presided by an officer of the Executive Board.

Operational limits are calibrated in order to guarantee compliance with overall principles and limits featured in the risk control policy as well as those set out in regulations (particularly major risks).

The Risk Departments ensures operational limits are complied with and reports to the Executive Committee, particularly to the Risk Committee and the Audit Committee in compliance with article 39 of the CRBF n° 97.02 relative to internal control at credit institutions and investment companies.

B. ORGANISATION OF THE RISK DEPARTMENT

The Risk Department employed 38 people at the end of 2007 and has three divisions:

- the Market and Counterparty Risk Department covers all risks involved in financial markets and balance sheet management,
- the Credit Risk Department controls and monitors the risk of defecting on loans and overdrafts given by the bank to its retail customers,
- the Operational Risks Department is responsible for controlling and monitoring operational risks; it covers all functions set forth in banking and financial regulations, dedicated to business continuity, information systems security and means of payment security.

The Risk Department surveillance mechanism covers risks carried by La Banque Postale. However, each department may be led to centralise and analyse specific risk indicators for subsidiaries.

C. STRUCTURAL RISK FACTORS

Financial risks (excluding operational risks) that are part of the surveillance remit of the Risk Department include credit, counterparty, market, global interest rate and liquidity.

I. Credit risks

On market activities, credit risk comes from inter-bank cash operations (deposits, loans, pensions) and issuer risk inherent in the receivable securities negotiated by the trading room.

Prior to any investment, third parties are systematically rated and assigned an individual limit intended to curb the total value of the commitment. Where appropriate, limits known as group limits are applied in addition to the individual limits. Group limits encompass the exposure to a group of third parties considered to be the same beneficiary under the terms of Article 3 of CRBF Regulation 93-05.

Rated and approved third parties numbered 476 as of 31st December 2006. All have an internal rating of at least BBB+.

The individual limits are supplemented by a range of diversification limits intended to restrict concentration toward groups of counterparties classed in terms of country of origin, sector of activity or their internal rating. These diversification limits can be revised monthly at the Risk Committee meeting.

In retail banking, credit risk comes mainly from home loans and to a lesser extent, overdrafts granted on accounts opened by customers.

II. Counterparty risk

In the terminology used by La Banque Postale, the counterparty risk comes principally from term financial instrument operations.

These operations, performed uniquely with banking counterparties, are always covered by agreements that provide for a netting of exposure and the provision of collateral with regular calls for margin.

To date the collateral approved by La Banque Postale is principally cash. The residual risks, which are bound by limits and monitored periodically by the Market and Counterparty Risks Division, are of very little significance.

III. Market risks

Even though La Banque Postale does not operate a trading activity in the true sense of the word, it is exposed to market risks through its cash flow and balance sheet management activities (investment portfolio available for sale and hedging operations).

A market portfolio, including all operations subject to risk, includes not only the trading portfolio set out in articles 298 and 299 of the order dated 20th February 2007 relative to equity requirements applicable to credit institutions and investment companies, but also bank portfolio operations including security is available for sale and certain loan/borrowing operations.

The risks of variation in this market portfolio, defined in La Banque Postale risk control policy, are covered through sensitivity indicators, a Value at Risk (99%, 1 day) and crisis simulations (stress scenarios).

The market portfolio is mainly exposed to the risk of interest rate variations, credit spreads and to a lesser extent share markets and exchange rates.

The methods of calculating the VaR and the risk factors it covers are permanently adjusted to take account of changes to activities and the products traded.

The relevance and reliability of the VaR model are estimated using an ex-post analysis aimed at comparing daily variations in the value of the portfolio with the VaR. This analysis rests on counting the number of overruns and a set of three tests aimed at checking compliance with certain hypotheses that underlie the model.

The crisis simulation library, made up of 41 scenarios and the end of 2007, includes historical events (9/11, LTCM…) and hypothetic scenarios calibrated from a statistical analysis of variations in risk factors with the aim of simulating a worst-case scenario on a ten-yearly places.

This library is simulated monthly presented to the Risk Committee and the Audit Committee every six months.

IV. Liquidity risks

Due to the limits of the approval issued by the CECEI (no corporate funding, consumer loans limited to buying a home), La Banque Postale retail banking balance sheet shows, at 31st December 2007, a large resources surplus, outstanding home loans only represented a quarter of funds deposited by customers.

La Banque Postale is therefore, in theory, not dependant on the market to honour its obligations. It is however exposed to a liquidity risk arising from the transformation of its resources, primarily sight deposits, into longer term usage either by way of home loans or receivable securities and bonds.

The amounts to be allocated to the securities held are determined on the basis of a benchmark scenario modelling the outflow of liabilities under different stress scenarios, which specifically incorporate situations where inflows from sight deposits fall significantly.

The share of funds not devoted to investment securities or home loans can be used to build the portfolio of securities available for sale. These securities are negotiable and can be sold quickly should the need arise.

La Banque Postale's risk control policy defines two types of liquidity risk with two different approaches:

- risk of tactical liquidity,
  - linked to the institution's cash flow management,
  - operational threshold for limiting the funding requirement of the cash flow management division. The amount and period of observation fixed are fixed by the Risk Committee.
- risk of structural liquidity,
- linked to changes in the bank structural balance sheet
  - outflow agreements validated by the ALM committee taken into account,
  - management of this risk delegated to the ALM committee in line with principles and limits validated by the risk committee,
  - today measured by the medium and long-term liquidity gap that corresponds to a static outflow (through outflow agreements) of liabilities and assets. The Bank is assured in the long term of the liquidity represented by the gap in regard to an almost certain trust interval.

These two risks are bound by two limits reviewed periodically by the ALM committee.

Even although the ALM Committee and the Risks Committee has put in place a framework to ensure cautious liquidity risk management, La Banque Postale has also diversified its sources of funding:

- a €10 billion deposit certificate, the value of securities issued varies between 30% and 40% of the programme, the aim being to promote the name of La Banque Postale on the short-term market
- a €10 billion EMTN programme was introduced at the end of 2006. A €500 million issue of subordinated securities, eligible for classification as additional capital, was made in November 2006,
- access to the inter-bank market,
- repurchase agreements on securities in the investment portfolio held to maturity. This portfolio mainly comprises excellent quality government bonds that can be mobilised rapidly.

V. Global interest rate risk

The global interest rate risk is measured on the basis of La Banque Postale's retail banking balance sheet model (credits and deposits), the placement portfolio available for sale and the investment portfolio held to maturity.

In accordance with the Basel Committee recommendations for global interest rate risk, a limit has been set intended to limit to 15% of equity capital the impact on the economic value of the balance sheet of a sudden 200 base point movement of interest rates.

This indicator is systematically presented to the Risk Committee and the ALM Committee and every six months to the Audit Committee.

D. LA BANQUE POSTALE'S EXPOSURE TO RISK

I. Credit risks on market operations

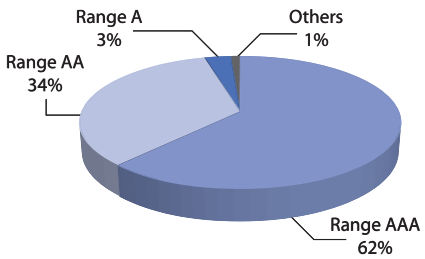
A large majority of the securitisation operations presented below are made up of AAA-rated European Asset Backed Securities. La Banque Postale has not identified risks in these operations as of 31st December 2007.

FINANCIAL ASSETS HELD TO MATURITY

These are very good quality assets as shown by the tables below (figures expressed in millions of euros).

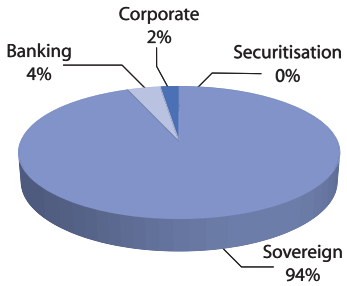
Notation	31.12.07	31.12.06
Range AAA	25,067.11	25,831.88
Range AA	13,639.13	12,057.14
Range A	1,383.19	1,103.07
Autres	260.88	258.63
TOTAL	**40,350.31**	**39,250.72**

Distribution of outstanding at 31st December 2007



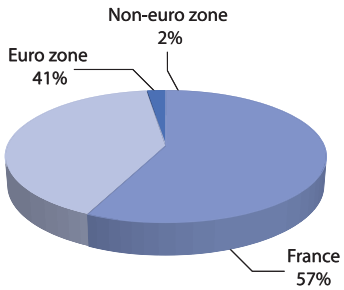
	31.12.07	31.12.06
Sovereign	37,875.54	36,717.31
Banking	1,809.24	1,784.97
Corporate	619.63	702.55
Securitisation	45.90	45.90
TOTAL	**40,350.31**	**39,250.72**

Distribution of outstanding at 31st December 2007



	31.12.07	31.12.06
France	22,793.85	23,653.70
Euro zone	16,686.06	15,102.68
Non-euro zone	870.40	494.35
TOTAL	**40,350.31**	**39,250.72**

Distribution of outstanding at 31st December 2007



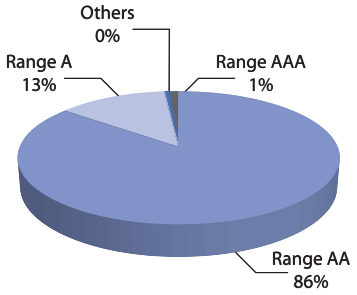
FAIR VALUE FINANCIAL ASSETS

This item comprises both securities and derivatives. Only the breakdown in securities is set out below, they represent the main fair value financial assets.

They are very good quality assets as shown by the tables below (figures expressed in millions of euros).

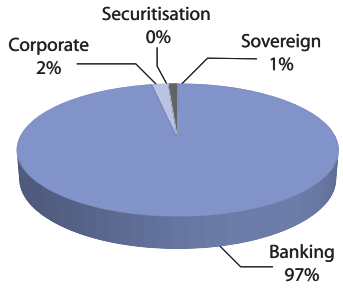
Notation	31.12.07	31.12.06
Range AAA	120.53	800.00
Range AA	12,829.71	8,512.41
Range A	1,871.27	2,268.56
Autres	65.16	309.74
TOTAL	**14,886.67**	**11,890.71**

Distribution of outstanding at 31st December 2007



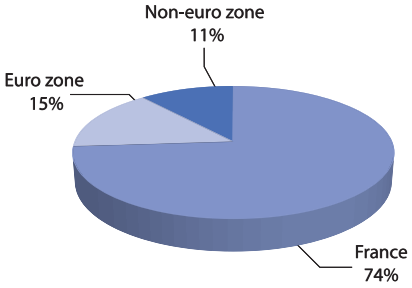
	31.12.07	31.12.06
Sovereign	101.23	-
Banking	14,463.42	11,455.54
Corporate	322.02	416.39
Securitisation	-	18.78
TOTAL	**14,886.67**	**11,890.71**

Distribution of outstanding at 31st December 2007



	31.12.07	31.12.06
France	10,901.09	8,794.93
Euro zone	2,300.67	1,841.14
Non-euro zone	1,684.71	1,254.63
TOTAL	**14,886.67**	**11,890.71**

Distribution of outstanding at 31st December 2007



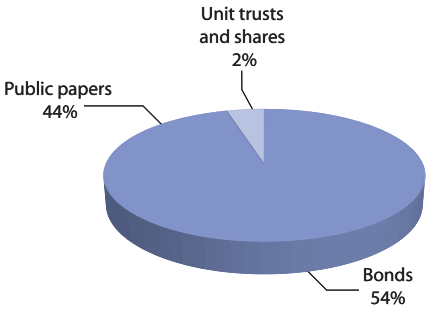
Fair value financial assets included in addition €348.9 million exposure to French sovereign TEC10 securities in 2007 and €348.4 million in 2006.

The presentation of risks on time financial instruments is detailed in paragraph VII.8.D.III on counterparty risk.

FINANCIAL ASSETS AVAILABLE FOR SALE

La Banque Postale outstanding on this item is as follows:

Distribution of outstanding at 31st December 2007

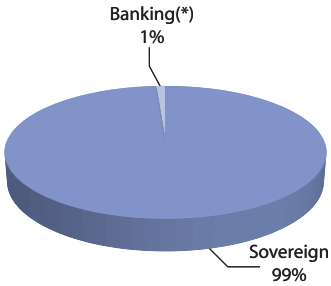


Public papers are broken down as follows (figures expressed in millions of euros):

	31.12.07	31.12.06
Sovereign	5,088.32	5,165.05
Banking(*)	34.47	34.50
TOTAL	**5,122.79**	**5,199.55**

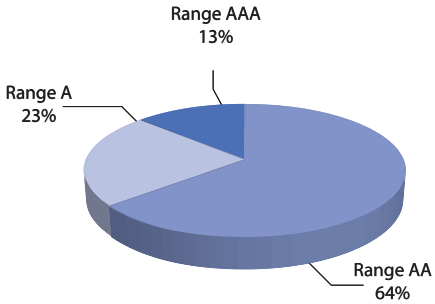
(*) This is the IBRD (The International Bank for Reconstruction and Development).

Distribution of outstanding at 31st December 2007



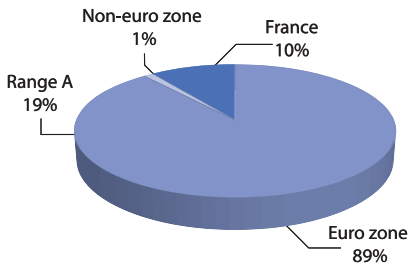
Notation	31.12.07	31.12.06
Range AAA	676.54	831.40
Range AA	3,256.02	3,145.63
Range A	1,190.23	1,222.52
TOTAL	**5,122.79**	**5,199.55**

Distribution of outstanding at 31st December 2007



	31.12.07	31.12.06
France	529.68	683.18
Euro zone	4,552.43	4,459.98
Non-euro zone	40.68	56.39
TOTAL	**5,122.79**	**5,199.55**

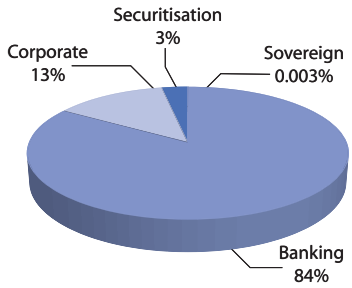
Distribution of outstanding at 31st December 2007



Bonds are broken down as follows (figures expressed in millions of euros):

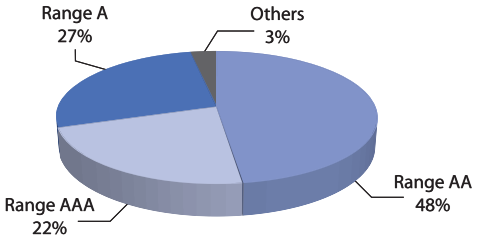
	31.12.07	31.12.06
Sovereign	20.68	266.93
Banking	5,220.60	4,452.04
Corporate	778.20	589.87
Securitisation	197.68	206.08
TOTAL	**6,217.16**	**5,514.92**

Distribution of outstanding at 31st December 2007



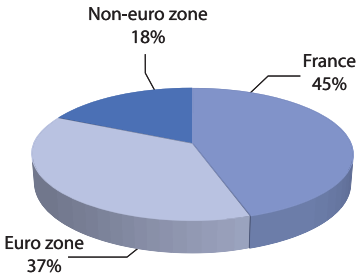
Notation	31.12.07	31.12.06
Range AAA	1,377.39	1,556.05
Range AA	2,956.60	2,113.13
Range A	1,705.99	1,731.27
Autres	177.18	114.47
TOTAL	**6,217.16**	**5,514.92**

Distribution of outstanding at 31st December 2007



	31.12.07	31.12.06
France	2,830.23	1,694.86
Euro zone	2,284.33	2,868.07
Non-euro zone	1,102.60	951.99
TOTAL	**6,217.16**	**5,514.92**

Distribution of outstanding at 31st December 2007



DEPOSIT OR REPO INTER-BANK OPERATIONS

As part of its everyday activities, La Banque Postale may perform inter bank security deposit or loan operations.

Deposits

The counterparty risk in inter-bank deposits is handled in the same way as issuer risk (deduction of these operations from individual and group diversification limits).

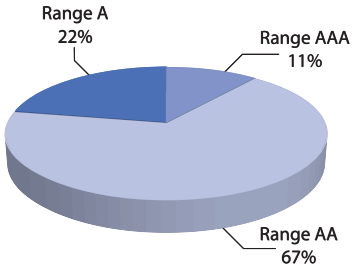
At the end of December 2007, La Banque Postale had a €4,820 million in inter-bank deposits and €3,021.6 million at less than three months and €857.12 million between three months and one year.

La Banque Postale also has €941 million in deposits and maturity of which is between five and eleven years. These are deposits made as part of investments for customers with sustainable development savings books. One year inter-bank deposits have only been made with AA and AAA-rated French banks.

The distribution of these deposits in millions of euros is presented below:

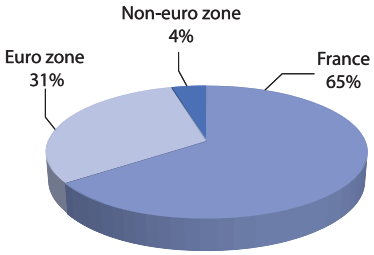
	31.12.07	31.12.06
Range AAA	518.65	-
Range AA	3,236.02	2,394.31
Range A	1,065.36	750.00
TOTAL	**4,820.04**	**3,144.31**

Distribution of outstanding at 31st December 2007



	31.12.07	31.12.06
France	3,104.36	1,244.31
Euro zone	1,514.40	1,400.00
Non-euro zone	201.28	500.00
TOTAL	**4,820.04**	**3,144.31**

Distribution of outstanding at 31st December 2007



Repo

The counterparty risk of loan/repurchase of securities is limited by the fact that La Banque Postale only works with leading banks with which it has signed a netting and collateral agreement.

In this context, loans and repurchasing of securities only generated a counterparty risk of €18.6 million at 31st December 2007 from five banks including four French banks and one bank in the euro zone. These five institutions are AA-rated.

II. Credit risk on customer operations

PRESENTATION OF THE RISKS

Credit risk is defined in the CRBF regulation n° 97-02 amended as in the event of a default by a counterparty or counterparties considered as beneficiaries. The notion of counterparty is defined in the CRBF regulation n° 93-05.

The operation is targeted at La Banque Postale are:

- **home loans to private individuals** aimed at financing a main home, the second home or homes to rent to bank staff,
- overdrafts on current accounts including short-term credit facilities for legal entities for retail customers,
- **consumer loans** for staff at La Poste and its subsidiaries,
- **microcrédits sociaux**. for staff at La Poste and its subsidiaries,
- social micro loans The French committee for credit institutions and investment companies (CECEI) authorised La Banque Postale to provide social micro-loans in March 2007. These are consumer loans. The first test aimed at providing this funding was launched with a partner in the voluntary sector in the Poitou-Charentes region.

La Banque Postale is not affected by a concentration risk.

Indeed, its main activity involves home loans to private individuals. At 31st December 2007, outstanding home loans were €23.2 billion, 0.21% of which were doubtful outstanding loans. They were €20 billion on 31st December 2006. The commercial network enables high division of the loan risk both in terms of the number of counterparties and the geographic distribution across the country.

Beyond the credit risk, La Banque Postale is confronted with risks of distribution and management of outstanding credit.

The institution is particularly attentive to the risk of non-compliance with text and regulations and to the effectiveness of its collection process either amicably or through the courts.

MECHANISM USED AT LA BANQUE POSTALE

Credit risk management policy translates La Banque Postale strategy defined by its executive body.

It comprises all measures and provisions taken in terms of risk, aimed at supporting and controlling La Banque Postale's activities with the aim of securing its profitability and equity.

The main measures and provisions aim to:

- define standards, procedures and tools to:
  - grant loans (rules and analysis tools or decision-making tool, scores),
  - the undertaking of operations (rules in terms of delegations),
  - operations management and the separation of functions,
- receivable collection amicably or through the courts, the classification and contagion as well as making provisions for credit risk,
- the coordinated deployment of these rules (distribution of instructions) and tools in the entities concerned as well as the good organisation of functions and responsibilities accompanying where necessary the stakeholders in the suitable training,
- monitoring the learning and correct application of these rules in the different entities,

To ensure the risk management mechanism is effective, the credit Risk Department runs a credit risk section. This involves all entities and stakeholders concerned by credit risk.

In terms of risk management, 2007 saw the generalisation of the ECLIPSE application which aims to recommend means of payment and authorised overdraft when a prospect opens a current account.

These recommendations used risk scores calculated using information collected during the interview with the prospect.

After six months, a risk score using behavioural information is calculated monthly for a current account. This score helps calibrate a calculated suitable overdraft for each account according to the level of risk.

This automatic score procedure for current accounts has been operational since 1999. 2007 saw the implementation of a new scoring formula that keeps the initial principles and updates the variables using a more recent representative population analysis.

Home loan requests are processed using the results of an expert decision-making assistance system. The results of this decision-making tool, associated with the characteristics of the request to find the level of delegation.

EXPOSURE FOR THE 2006 AND 2007 FINANCIAL YEARS

2006	Trial balance at 31st Dec. 06		Off-balance sheet at 31st Dec. 06		Total exposure at 31st Dec. 06	
(in € thousands)	Outstanding	% Total exposure	Outstanding	% Total exposure	Outstanding	% Total
Home loans	19,994,099	91%	1,876,869	9%	21,870,968	77%
Personal loans	37,569	86%	6,296	14%	43,865	0%
Accrued interest	50,190	100%	-	0%	50,190	0%
Social home loans	2,662	100%	-	0%	2,662	0%
Overdrafts and short-term credit facilities	233,639	4%	5,561,942	96%	5,795,581	20%
Charge cards	502,466	100%	-	0%	502,466	2%
Postal orders	111,623	100%	-	0%	111,623	0%
Market-based savings	1,341	100%	-	0%	1,341	0%
TOTAL	**20,933,588**	**74%**	**7,445,108**	**26%**	**28,378,696**	**100%**

2007	Trial balance at 31st Dec. 07		Trial balance at 31st Dec. 07		Total exposure at 31st Dec. 07	
(in € thousands)	Outstanding	% Total exposure	Outstanding	% Total exposure	Outstanding	% Total
Home loans	23,247,926	92%	1,995,148	8%	25,243,074	79%
Personal loans	63,043	93%	4,487	7%	67,530	0%
Accrued interest	57,169	100%	-	0%	57,169	0%
Social home loans	1,360	100%	-	0%	1,360	0%
Overdrafts and short-term credit facilities	467,291	8%	5,298,690	92%	5,765,981	18%
Charge cards	571,531	100%	-	0%	571,531	2%
Postal orders	104,897	100%	-	0%	104,897	0%
Market-based savings	1,233	100%	-	0%	1,233	0%
TOTAL	**24,514,450**	**77%**	**7,298,325**	**23%**	**31,811,542**	**100%**

Comment:

Information presented for credit risk on customer operations using management data do not include transaction costs directly linked to the issuing of loans, considered in accounting terms as part of the loan yield.

Outstanding home loans at the end of 2007 represented 80% of the total credit commitment compared to 77% at the end of 2006. This change is explained by the increase in outstanding home loans from €20 billion in 2006 to €23.2 billion at the end of 2007.

The share of off-balance sheet home loans is less, a direct consequence of authorised overdrafts on current accounts (€5.5 billion in 2006, €5.3 billion in 2007) of which only €170 million or 4% is used.

EXPOSURE TO CREDIT RISK

Maximum exposure to credit risk at year end

2006 (in € thousands)	Healthy outstanding		Gross non- compromised doubtful receivables		Gross compromised doubtful receivables	
	Outstanding	% Bilan	Outstanding	% Bilan	Outstanding	% Bilan
Home loans	19,946,202	99.76%	27,262	0.14%	20,635	0.10%
Personal loans	37,237	99.12%	23	0.06%	309	0.82%
Accrued interest	50,124	99.87%	66	0.13%	-	0.00%
Social home loans	2,254	84.68%	156	5.87%	251	9.45%
Overdrafts and short-term credit facilities	210,627	90.15%	8,236	3.53%	14,775	6.32%
Charge cards	502,466	100.00%	-	0.00%	-	0.00%
Postal orders	78,994	70.77%	32,629	29.23%	-	0.00%
Market-based savings	-	0.00%	419	31.22%	922	68.78%
TOTAL	**20,827,903**	**99.50%**	**68,791**	**0.33%**	**36,893**	**0.18%**

2007 (in € thousands)	Healthy outstanding		Gross non- compromised doubtful receivables		Gross compromised doubtful receivables	
	Encours	% Bilan	Encours	% Bilan	Encours	% Bilan
Home loans	23,198,015	99.79%	26 640	0.11%	23,270	0.10%
Personal loans	62,732	99.51%	59	0.09%	253	0.40%
Accrued interest	57,105	99.89%	63	0.11%	-	0.00%
Social home loans	1,155	84.94%	100	7.37%	105	7.69%
Overdrafts and short-term credit facilities	439,865	94.13%	10 742	2.30%	16,683	3.57%
Charge cards	571,531	100.00%	-	0.00%	-	0.00%
Postal orders	71,758	68.41%	-	0.00%	33,140	31.59%
Market-based savings	-	0.00%	247	20.00%	986	80.00%
TOTAL	**24,402,161**	**99.54%**	**37 851**	**0.15%**	**74,437**	**0.30%**

At 31st December 2006, outstanding home loans were €20 billion, including 0.24% of doubtful outstanding whereas consumer loans were €37 million including 0.88% doubtful outstanding.

At 31st December 2006, outstanding home loans were €23 billion, including 0.21 % of doubtful outstanding whereas consumer loans were €63 million including 0.49% doubtful outstanding.

The increase in outstanding due to new production (an increase of 16% for home loans and 68% for personal loans) naturally leads to a fall in the rate of doubtful loans (13% less for home loans and 44% less for personal loans).

	Trial balance at 31st Dec. 06		Off-balance sheet at 31st Dec. 06	
	Outstanding	% total balance sheet	Outstanding	% total off-balance sheet
	19,994,099	96%	1,876,869	25%
	37,569	0%	6,296	0%
	50,190	0%	-	0%
	2,662	0%		0%
	233,639	1%	5,561,942	75%
	502,466	2%	-	0%
	111,623	1%	-	0%
	1,341	0%	-	0%
	20,933,588	**100%**	**7,445,108**	**100%**

	Trial balance at 31st Dec. 07		Off-balance sheet at 31st Dec. 07	
	Outstanding	% total balance sheet	Outstanding	% total off-balance sheet
	23,247,926	95%	1,995,148	27%
	63,043	0%	4,487	0%
	57,169	0%	-	0%
	1,360	0%	-	0%
	467,291	2%	5,298,690	73%
	571,531	2%	-	0%
	104,897	0%	-	0%
	1,233	0%	-	0%
	24,514,450	**100%**	**7,298,325**	**100%**

Guarantees obtained

2006 (in € thousands)		Real security		Corporate security	
		Outstanding	% Balance sheet	Outstanding	% Balance sheet
Home loans	Healthy	5,885,158	29.51%	12,992,802	65.14%
	Doubtful non-compromised	13,872	50.88%	12,144	44.55%
	Doubtful compromised	15,427	74.76%	747	3.62%
	TOTAL	5,914,457	29.58%	13,005,693	65.05%
Personal loans	Healthy	-	0.00%	-	0.00%
	Doubtful non-compromised	-	0.00%	-	0.00%
	Doubtful compromised	-	0.00%	-	0.00%
	TOTAL	-	0.00%	-	0.00%

2007 (in € thousands)		Real security		Corporate security	
		Outstanding	% Balance sheet	Outstanding	% Balance sheet
Home loans	Healthy	6,844,611	29.51%	15,111,009	65.14%
	Doubtful non-compromised	13,699	51.42%	11,513	43.22%
	Doubtful compromised	17,975	77.25%	1,048	4.50%
	TOTAL	6,876,285	29.58%	15,123,569	65.05%
Personal loans	Healthy	-	0.00%	-	0.00%
	Doubtful non-compromised	-	0	-	0.00%
	Doubtful compromised	-	0.00%	-	0.00%
	TOTAL	-	0.00%	-	0.00%

The distribution of loan stock by type remained stable between 2006 and 2007. For home loans, only 5% of stock is not guaranteed by a personal guarantee or by a real security. For consumer loans, all stock is considered to be without guarantee.

Personal guarantee		No guarantee		Trial balance at 31st Dec 06	
Outstanding	% Balance sheet	Outstanding	% Balance sheet	Outstanding	% Total
1,274	0.01%	1,066,967	5.35%	19,946,202	99.76%
480	1.76%	766	2.81%	27,262	0.14%
596	2.89%	3,866	18.73%	20,635	0.10%
2,350	**0.01%**	**1,071,599**	**5.36%**	**19,994,099**	**100.00%**
-	0.00%	37,237	100.00%	37,237	99.12%
-	0.00%	23	100.00%	23	0.06%
-	0.00%	309	100.00%	309	0.82%
-	**0.00%**	**37,569**	**100.00%**	**37,569**	**100.00%**

Personal guarantee		No guarantee		Trial balance at 31st Dec 067	
Outstanding	% Balance sheet	Outstanding	% Balance sheet	Outstanding	% Total
1,482	0.01%	1,240,914	5.35%	23,198,015	99.79%
499	1.87%	930	3.49%	26,640	0.11%
525	2.26%	3,722	15.99%	23,270	0.10%
2,506	**0.01%**	**1,245,565**	**5.36%**	**23,247,926**	**100.00%**
-	0.00%	62,732	100.00%	62,732	99.51%
-	0.00%	59	100.00%	59	0.09%
-	0.00%	253	100.00%	253	0.40%
-	**0.00%**	**63,043**	**100.00%**	**63,043**	**100.00%**

Credit quality of financial assets that are neither suffering nor individually depreciated

2006

(in € thousands)	Breakdown of healthy loans	Outstanding healthy loans	% of healthy loan balance sheet
Home loans	Healthy with no missed payments	19,848,111	99.51%
	Healthy with missed payments	98,090	0.49%
	TOTAL HEALTHY	19,946,202	100.00%
Personal loans	Healthy with no missed payments	37,188	99.87%
	Healthy with missed payments	49	0.13%
	TOTAL HEALTHY	37,237	100.00%

2007

(in € thousands)	Breakdown of healthy loans	Outstanding healthy loans	% of healthy loan balance sheet
Home loans	Healthy with no missed payments	23,093,090	99.55%
	Healthy with missed payments	104,925	0.45%
	TOTAL HEALTHY	23,198,015	100.00%
Personal loans	Healthy with no missed payments	62,543	99.70%
	Healthy with missed payments	189	0.30%
	TOTAL HEALTHY	62,732	100.00%

For 2006 and 2007, the proportion of cases with no missed payments among the healthy ones is more than 99.5% for home loans and consumer loans to La Poste group staff.

2006

	Duration	% of the total
Home loans	between 0 and 5 years	2.86%
	between 5 and 10 years	12.59%
	between 10 and 15 years	37.00%
	between 15 and 20 years	36.69%
	between 20 and 25 years	10.87%
	TOTAL	100.00%

2007

	Duration	% of the total
Home loans	between 0 and 5 years	3.10%
	between 5 and 10 years	12.49%
	between 10 and 15 years	33.54%
	between 15 and 20 years	35.19%
	between 20 and 25 years	15.67%
	TOTAL	100.00%

The ranges presented correspond to initial durations.

The maximum duration of loans provided by La Banque Postale is 25 years.

The share of the longest durations increased between 2006 and 2000.

In 2006, outstanding home loans funded for an initial period of less than 20 years represented 89% compared to 84% at 31st December 2007

Current trends in the property market are leading to longer loan periods for new productions in the context of growing outstanding loans (up 16% in the year) explain this variation.

Financial assets suffering but not individually depreciated

2006

(in € thousands)	Maturity of the missed payment	Outstanding missed loan payments	% of missed loan payments balance sheet
Home loans	Missed payments < 30 days [a]	47,257	46.60%
	Missed payments 30 to 60 days [a]	20,376	20.09%
	Missed payments 60 to 180 days [a]	33,782	33.31%
	TOTAL MISSED PAYMENTS[a]	101,415	100.00%
	inc doubtful by contagion	3,325	3.28%
	Healthy missed payments	98,090	

(a) : These figures (from loan monitoring statements) include doubtful loans by contagion with missed payments. These represent 3.28 % of suffering financial assets

(in € thousands)	Maturity of the missed payment	Outstanding missed loan payments	% of missed loan payments balance sheet
Personal loans	Missed payments < 30 days	22	44.31%
	Missed payments 30 to 60 days	24	49.10%
	Missed payments 60 to 90 days	3	6.59%
	TOTAL MISSED PAYMENTS	49	100.00%

2007

(in € thousands)	Maturity of the missed payment	Outstanding missed loan payments	% of missed loan payments balance sheet
Home loans	Missed payments < 30 days [(a)]	66,105	60.44%
	Missed payments 30 to 60 days [(a)]	19,345	17.69%
	Missed payments 60 to 90 days [(a)]	9,604	8.78%
	Missed payments 90 to 180 days [(a)]	14,312	13.09%
	TOTAL MISSED PAYMENTS [(a)]	**109,366**	**100.00%**
	inc doubtful by contagion	4,441	4.06%
	Healthy missed payments	**104,925**	

(a) : These figures (from loan monitoring statements) include doubtful loans by contagion with missed payments. These represent 4.06% of suffering financial assets

(in € thousands)	Maturity of the missed payment	Outstanding missed loan payments	% of missed loan payments balance sheet
Personal loans	Missed payments < 30 days	161	85.22%
	Missed payments 30 to 60 days	20	10.44%
	Missed payments 60 to 90 days	8	4.34%
	TOTAL MISSED PAYMENTS	**189**	**100.00%**

Home loans with missed payments must be analysed by taking account of the number of days in each of the maturity ranges. The first two tranches can be compared in terms of numbers of days (30 days), the last ones include 120 days for 2006, broken down into two tranches in 2007 of 30 and 90 days. This explains the absence of decline and is logical given the collection that occurs at each of these maturities.

For consumer loans to La Poste staff, the lower volume of missed payments on 31st December 2006 (38 loans) does not show this phenomenon in expected decline (68 missed loan payments on 31st December 2007).

The distribution of guarantees held on healthy home loans with missed payments is as follows:

2006

(in € thousands)	Type of guarantee	Loans	% of the total
Healthy home loans with missed payments	Real security	46,716	48%
	Corporate security	46,297	47%
	Personal guarantee	1,448	1%
	No guarantee	3,630	4%
	TOTAL	**98,090**	**100%**

2007

(in € thousands)	Type of guarantee	Loans	% of the total
Healthy home loans with missed payments	Real security	48,092	46%
	Corporate security	51,309	49%
	Personal guarantee	336	0%
	No guarantee	5,188	5%
	TOTAL	**104,925**	**100%**

In this population, like the total home loan stock, only 5% are not guaranteed by a personal guarantee or real security.
An estimate of their fair value was not available at 31st December 2007.

Analysis of individually depreciated financial assets

2006 (in € thousands)		Type of guarantee	Loans (a)	% of the total	inc interest
Home loans	Doubtful non-compromised	Real security	11,403	42%	204
		Corporate security	6,693	25%	111
		Personal guarantee	479	2%	12
		No guarantee	319	1%	4
		Doubtful by contagion without missed payments	8,368	31%	-
		TOTAL	**27,262**	**100%**	
	Doubtful compromised	Real security	15,427	75%	305
		Corporate security	747	4%	27
		Personal guarantee	596	3%	16
		No guarantee	3,866	19%	64
		TOTAL	**20,635**	**100%**	
Personal loans		Doubtful	22	6%	0
		Doubtful by contagion without missed payments	22	6%	-
		Doubtful compromised	309	87%	10
		TOTAL	**354**	**100%**	

Guarantee value (b)	Balance to set aside (c)=(a)-(b)	Provision rate (c)/(a)
10,851	551	5%
6,598	95	1%
-	479	100%
-	319	100%
ns	-	0%
	1,444	**5%**
14,574	854	6%
721	26	3%
-	596	100%
-	3,866	100%
	5,341	**26%**
-	22	100%
ns	-	0%
-	309	100%
	332	**94%**

Analysis of individually depreciated financial assets

2007 31st December 2007 (in € thousands)		Type of guarantee	Loans (a)	% of the total	inc interest
Home loans	Doubtful non-compromised	Real security	9,100	34%	150
		Corporate security	5,882	22%	108
		Personal guarantee	263	1%	6
		No guarantee	422	2%	6
		Doubtful by contagion without missed payments	10,973	41%	-
		TOTAL	**26,640**	**100%**	
	Doubtful compromised	Real security	17,975	77%	341
		Corporate security	1,048	5%	27
		Personal guarantee	525	2%	19
		No guarantee	3,722	16%	64
		TOTAL	**23,270**	**100%**	
Personal loans		Doubtful	24	8%	0
		Doubtful by contagion without missed payments	34	11%	-
		Doubtful compromised	253	81%	7
		TOTAL	**312**	**100%**	

For home loans, the method of making provisions leads to a depreciation rate (before discounting) of 11% of non-compromised doubtful loans (5% at the end of 2006) and 22% compromised doubtful loans (26% in 2006), a direct consequence of the distribution of these outstanding loans by type of guarantee (and taking into account the value).

For consumer loans to La Poste group staff, the non-depreciation of loans without missed payments (doubtful by contagion), leads to a provision rate of 88% of loans from 2007 (94% in 2006).

NB. Overdrafts on current accounts and short-term credit facilities are not currently depreciated on an individual basis.

Collective provisions were €7,584,000 at 31st December 2007.

Guarantee value (b)	Balance to set aside excl. discounting (c)=(a)-(b)	Provision rate excl. discounting (c)/(a)	Discounted provisions (d)=(c) discount	Provision rate discounted (d)/(a)
8,337	763	8%	2 625	29%
5,674	208	4%	407	7%
-	263	100%	263	100%
-	422	100%	422	100%
9,582	1,391	13%	2,555	23%
	3,047	**11%**	**6,272**	**24%**
17,076	899	5%	2,842	16%
1,022	25	2%	128	12%
-	525	100%	525	100%
-	3,722	100%	3,722	100%
	5,172	**22%**	**7,217**	**31%**
-	24	100%	24	100%
ns	-	0 %	-	0 %
-	253	100%	253	100%
	277	**89%**	**277**	**89%**

III. Exposure to counterparty risk

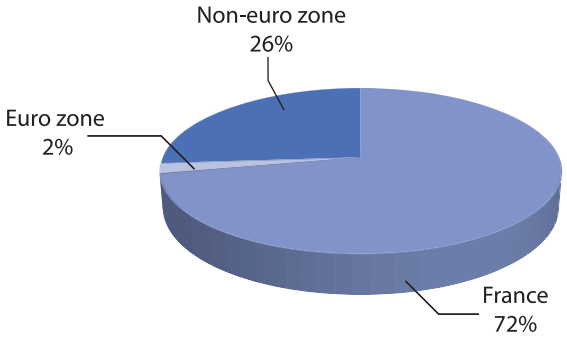
La Banque Postale is exposed to counterparty risk mainly as part of its term derivative instrument operations.

This risk is limited by the fact that the bank only works with leading institutions with which it has signed a netting and collateral agreement. In addition, the instruments used are mainly "vanilla" rate swaps.

At the end of 2007, our net total exposure of two these counterparties, after application of the colourful ways exists, was €51.99 million. These counterparties are all AA-rated.

	31.12.07	31.12.06
France	37.73	58.45
Euro zone	1.00	21.31
Non-euro zone	13.27	13.28

Distribution of outstanding at 31st December 2007



IV. Exposure to liquidity risk

Structural liquidity risk is measured by the medium and long-term liquidity gap that corresponds to a static outflow (through outflow agreements) of liabilities and assets.

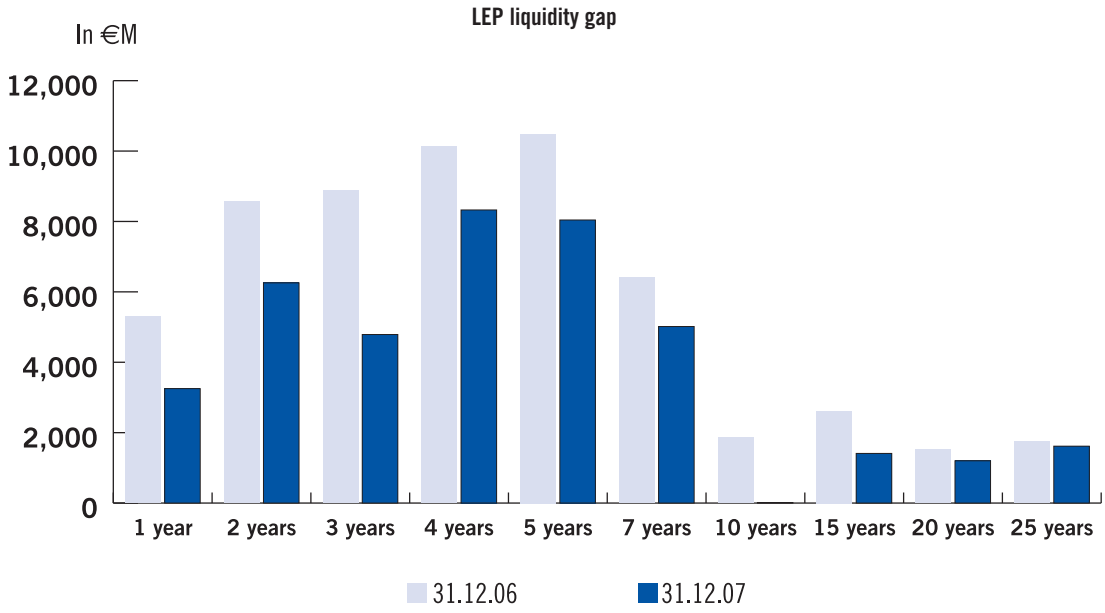
The hypotheses used in the medium-long-term liquidity gap are:

- equity net of fixed assets	in fine
- receivable	- contractual date or call date
- current accounts/savings books/home-loan saving plans	outflow agreement time account
- Home savings plan	outflow certain (see home loans provision)
- time accounts	outflow agreement time account
- home loans	contractual schedule + structural early reimbursement
- home loan credit option	probable production on average maturity observed
- bond securities/deposits	contractual schedule

The plots on which the calculations are based are as follows: 1 year, 2 years, 3 years, 5 years, 7 years, 10 years, 15 years, 20 years, 25 years. The gap is measured monthly and presented to the risk committees and ALM committees.

The gap measured on 31st December 2006 and 31st December 2007:

(in €M)	1 year	2 years	3 years	4 years	5 years	7 years	10 years	15 years	20 years	25 years
31.12.06	5,293	8,568	8,890	10,122	10,485	6,419	1,867	2,616	1,522	1,757
31.12.07	3,251	6,256	4,788	8,327	8,042	5,015	13	1,410	1,201	1,616



A positive gap on a plot means that the bank has more resources than maturity usage greater than the plot.

A positive liquidity gap realises La Banque Postale's liquidity excess. This abundance of liquidity is in addition strengthened by the quality of the financial assets held and their accounting classification used to manage the bank structural liquidity. The relative reduction in gaps for 2007 explained by an increase in volume of home loans and be continued reduction in home loan saving plan resources.

V. Market risk

All positions marked in the market (negotiated portfolio and AFS securities) are bound by a Value at Risk (99%, 1 day) the limit of which is reviewed monthly by the Risk Committee.

The VaR used by La Banque Postale is parametric, calculated using a variance-covariance matrix with 2,384 risk factors covering interest rate, spread, exchange rate risks and the risks of variations in stock market indexes to which the bank is exposed.

In € millions

	29.12.06	29.06.07	31.12.07
Global VaR	3.3	7.1	9.3
VaR of operations in trading portfolio	7.7	2.5	2.1

Contribution of risk factors to the overall VaR

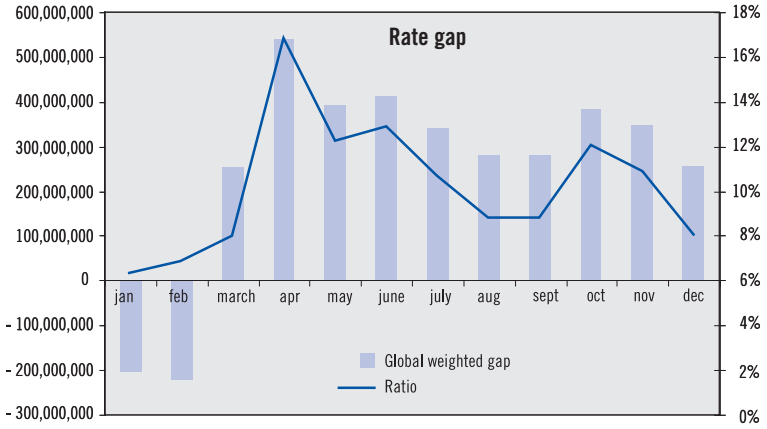
	29.12.06	29.06.07	31.12.07
Interest rate	2.4	8.1	6.5
Credit spreads	1.0	-1.0	3.2
Exchange rate	0.0	0.0	0.0
Share markets	0.0	0.0	-0.5
Volatility	-0.1	0.0	0.0
TOTAL	**3.3**	**7.1**	**9.3**

Statistics for 2007

(in €M)	Average	Minimum	Maximum
Global VaR	10.1	3.3	25.4
VaR of operations in trading portfolio	2.3	0.5	7.7

The VaR was on average €10 million over the year, with a maximum of €25.4 million seen during August. This peak comes essentially from the increase in the volatility of risk factors linked to the breaking out of the "sub-prime" loan financial crisis. Portfolio positions remain stationary during this period.

VI. Global interest rate risk



The "ratio" curve shows a percentage impact of an interest rate shock of 200 bps on the level of the bank's equity.

E. EXPOSURE TO RISK FROM THE CNP ASSURANCES GROUP

I. Credit risk

At 31st December 2007, the CNP Assurances portfolio included 95.6% of bonds A to AAA-rated by the main rating agencies, more than 49% of which had the best AAA rating.

II. Exchange rate risk

Active portfolios are mainly interested in euro zone securities.

III. Market risk

To analyse sensitivity to interest rate movements and changes to markets and exchange rates, the CNP Assurances group uses two major types of analysis:

- European Embedded Value (EEV) sensitivity analyses for life insurance,
- sensitivity to profit and equity analyses.

Sensitivity analyses at 31st December 2007

Sensitivity factors	Description
Interest rate	Impact of a variation in rate of +/-100bp
Shares	Impact of a variation in rate of +/-10%
Exchange rate	Impact of a variation in the €/$ and €/£ exchange rate by +/- 10%.

The table below shows France, Italy and Brazil

(in €M)	Interest rate* +100bp	Interest rate -100bp*	Shares +10%	Shares -10%	Exchange rate €/$ +10%	Exchange rate €/$ -10%
Impact on net profit	-13.3	33.1	97.8	-111.7	-48.1	-10.7
Impact on equity	-343.4	343.5	366	-352.1	-8.1	-3.2

* The profit sensitivity impact takes hedging into account

Sensitivity analyses at 31st December 2006

(in €M)	Interest rate* +100bp	Interest rate -100bp*	Shares +10%	Shares -10%	Exchange rate €/$ +10%	Exchange rate €/$ -10%
Impact on net profit	4.7	31.4	115.8	-123.8	-52.8	-11.1
Impact on equity	-233.5	233.7	284.8	-276.7	-1.8	-1.1

IV. Liquidity risk

Payment projection by maturity at 31st December 2007

(in €M)	Less than 1 year	Between one and five years	Between 5 and 10 years	Between 10 and 15 years	More than 15 years
Liabilities linked to insurance contracts and investment (inc unit-linked)	14,349	72,657	56,077	51,160	166,695

The amount of liabilities that can be immediately repurchased at 31st December 2007 is €208 billion

Payment projection by maturity at 31st December 2006

(in €M)	Less than 1 year	Between one and five years	Between 5 and 10 years	Between 10 and 15 years	More than 15 years
Liabilities linked to insurance contracts and investment (inc unit-linked)	13,361	64,696	50,322	43,276	130,827

The amount of liabilities that can be immediately repurchased at 31st December 2007 is €197 billion

V. Financial liability exchange rate risk

The tables below show a breakdown of technical provisions by exchange rate commitment

As of 31st December 2007

Minimum guaranteed rate	Technical provisions (M€)	%
0% (1)	98,825	42
]0%-2%]	8,478	3.6
]2%-3%]	46,416	19.7
]3%-4%]	4,402	1.9
]4%-4.5%]	5,516	2.3
> 4.5% (2)	911	0.4
Unit-linked	41,506	17.6
Others	29,464	12.5
TOTAL	**235,518**	**100%**

As of 31st December 2006

Minimum guaranteed rate	Technical provisions (M€)	%
0% (1)	85,557	39.3
]0%-2%]	8,940	4.1
]2%-3%]	40,817	18.8
]3%-4%]	7,891	3.6
]4%-4.5%]	5,440	2.5
> 4.5% (2)	532	0.2
Unit-linked	38,700	17.8
Others	29,666	13.6
TOTAL	**217,544**	**100%**

(1) Technical life insurance provision for policies without exchange rate commitment
(2) Provisions with a commitment greater than 4.5% mainly from a Brazilian subsidiary where the bond rates are greater than 10%

VII-9 Notes to the consolidated financial statements: notes on the balance sheet, profit & loss account and other information

NOTE 1 - LEDGER, CENTRAL BANKS

(in € thousands)	31.12.07	31.12.06
Ledger	191,210	175,487
Central Banks	2,476,655	1,196,133
Cash, central banks	**2,667,865**	**1,371,620**

NOTE 2 - FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

Fair value assets and liabilities

(in € thousands)	31.12.07			31.12.06		
	Trading	Fair value option	TOTAL	Trading	Fair value option	TOTAL
Government securities and equivalents		351,144	351,144		348,442	348,442
Bonds and other fixed-income securities	14,891,282		14,891,282	11,895,590		11,895,590
Equities and other variable income securities	36,712		36,712	32,705		32,705
Fair value financial assets	**14,927,994**	**351,144**	**15,279,138**	**11,279,138**	**348,442**	**12,276,737**

Derivatives held for transaction purposes

(in € thousands)	31.12.07		31.12.06	
	Assets	Liabilities	Assets	Liabilities
Derivate interest rate instruments	122,373	129,025	807,857	728,350
Other derivative instruments	2,925	160	1,910	
Derivatives held for transaction purposes	**125,298**	**129,185**	**809,767**	**728,350**

The strong fall in the derivatives portfolio between the two periods is explained by extensive unwinding of trading positions at the beginning of 2007.

(in € thousands)	31.12.07	
	Positive fair value	Negative fair value
Conditional operations	**2,925**	**160**
Interest rate options	2,925	160
Other derivatives	**122,373**	**129,025**
Interest rate swaps	122,373	129,025

NOTE 3 - DERIVATIVE HEDGING INSTRUMENTS

I. Fair value hedging derivatives

(in € thousands)	31.12.07		31.12.06	
	Assets	Liabilities	Assets	Liabilities
Derivate interest rate instruments	104,885	116,021	174,440	36,741
Fair value hedging derivative instruments	**104,885**	**116,021**	**174,440**	**36,741**

(in € thousands)		31.12.07	
	Notional	Positive fair value	Negative fair value
Interest rate swaps	6,412,000	104,885	116,021

II. Cash flow hedging derivatives

(in € thousands)	31.12.07		31.12.06	
	Assets	Liabilities	Assets	Liabilities
Derivate interest rate instruments		4,626		
Cash flow hedging derivative instruments		**4,626**		

(in € thousands)		31.12.07	
	Notional	Positive fair value	Negative fair value
Interest rate swaps	500,000		4,626

NOTE 4 - FINANCIAL ASSETS AVAILABLE FOR SALE

(in € thousands)	31.12.07	31.12.06
Government securities and equivalents	5,223,085	5,304,146
Bonds and other fixed-income securities	6,540,570	5,784,158
Equities and other variable income securities	398,644	175,290
Shares in non-consolidated companies, at cost	104,176	170,063
Financial assets available for sale	**12,266,475**	**11,433,657**

Detail of non-consolidated equity interests

(in € thousands)	31.12.07					31.12.06
	Book value of the securities	Avances & accrued interest	Depreciation	Net at	% share of the capital	Net book value of the securities
Crédit Logement	93,577			93,577	6.00%	93,577
Ciloger	3,053			3,053	45.00%	
Société Financière de Paiements	2,404			2,404	49.00%	
Europay	1,339			1,339	6.00%	1,339
X Ange Private Equity	1,237			1,237	90.00%	
Europost Management Cie	1,163			1,163	99.12%	
SCPI Atout Pierre Habitation	420			420	1.23%	422
SCPI Atout Pierre Habitation 2	420			420	8.11%	422
SAS Carte bleue	185			185	7.73%	185
Vernier Roosevelt	131			131	50.00%	
Eurogiro	65			65	9.52%	65
Fédération SF2	40			40	100.00%	40
Issy SF2-4	40			40	100.00%	40
EF Primo	27			27	100.00%	
GIE Cesu	25			25	16.66%	25
AM Lab	19			19	47.50%	
Coripost	17			17	33.00%	
Stelphia Asset Management	12			12	6.10%	12
BMS Exploitation	8,958	1,028	(9,986)	0	13.27%	660
BMS Développement	2,023		(2,023)	0	9.60%	0
SFPMEI	1,001		(1,001)	0	9.58%	0
Euronext				0		72,495
SA Actigestion				0		663
SCI La Maison du Capital Invest.				0		50
LBP SAM (Ex.Issy SF2-3)				0		40
Titres Cadeaux	0			0	50.00%	
Others	2			2		28
TOTAL INTERESTS AND ADVANCES	**116,158**	**1,028**	**(13,010)**	**104,176**		**170,063**

NOTE 5 - LOANS AND RECEIVABLES ON CREDIT INSTITUTIONS

(in € thousands)	31.12.07	31.12.06
Current accounts in debit	48,782	36,700
Securities received/purchased under resale agreements	221,682	294,867
Non-performing loans	153	
Accrued interest	4,714	5,316
Sight accounts and loans on credit institutions	**275,331**	**336,883**
Time accounts and loans	16,065,221	13,575,704
Subordinate and participating loans	186,304	205,475
Accrued interest	44,646	54,989
Time accounts and loans on credit institutions	**16,296,171**	**13,836,168**
Loans & receivables on credit institutions	**16,571,502**	**14,173,051**

NOTE 6 - CUSTOMER LOANS AND RECEIVABLES

(in € thousands)	31.12.07	31.12.06
Current accounts in debit	394,962	180,137
Other customer lending	71,758	78,994
Non-performing loans	27,165	22,813
Accrued interest	5,776	6,130
Depreciation	(16,555)	(11,771)
Sight customer loans and deposits	**483,106**	**276,303**
Short-term credit facilities	634,529	540,001
Housing credit	23,218,662	19,960,353
Non-performing loans	80,330	78,133
Accrued interest	61,559	54,580
Depreciation	(55,826)	(60,142)
Time customer loans and deposits	**23,939,254**	**20,572,925**
Customer loans & receivables	**24,422,360**	**20,849,228**

Consumer loans (cash loans) for staff at La Poste and its subsidiaries

NOTE 7 - ASSET DEPRECIATION

(in € thousands)	31.12.06	Additions	Write-Back	Reversal not utilised	Others	31.12.07
Customer loans & receivables	(71,913)	(24,056)	23,588			(72,381)
inc. collective provisions	(19,033)		11,449			(7,584)
Assets available for sale	(12,000)	(1,044)	18			(13,026)
inc. equity interests	(11,982)	(1,028)				(13,010)
Other provisions	(511)	(122)	285		(1)	(349)
Asset depreciation	**(84,424)**	**(25,222)**	**23,891**		**(1)**	**(85,756)**

NOTE 8 - GAINS AND LOSSES OF INTEREST-RATE HEDGING RESERVE

(in € thousands)	31.12.07	31.12.06
Gains and losses on interest-rate hedging reserve	317,114	217,883
Gains and losses on interest-rate hedging reserve	**317,114**	**217,883**

NOTE 9 - FINANCIAL ASSETS HELD TO MATURITY

(in € thousands)	31.12.07	31.12.06
Government securities and equivalents	34,674,497	32,838,897
Accrued interest on government securities and equivalents	949,064	777,053
Bonds and other fixed-income securities	4,599,285	5,494,001
Accrued interest on bonds and other fixed-income securities	127,460	140,415
Financial assets held to maturity	**40,350,306**	**39,250,366**

NOTE 10 - TAX ASSETS

(in € thousands)	31.12.07	31.12.06
Deferred tax assets	118,983	144,714
Other income from tax	164	947
Tax assets	**119,147**	**145,661**

Differed tax assets mainly concerning provisions for home loans

NOTE 11 - ACCRUALS AND OTHER ASSETS

(in € thousands)	31.12.07	31.12.06
Prepaid expenses & accrued income	587,500	577,451
Foreign currency and financial adjustment accounts	5	0
Collection accounts	93,007	143,799
Accruals and other assets – other businesses	4,490,655	5,511,542
Accruals and other assets	**5,171,167**	**6,232,792**
Collective management of Savings account for Sustainable Development	1,462,123	2,339,360
Miscellaneous receivables	666,806	749,272
Settlement accounts for securities operations	11,734	20,545
Depreciation	(349)	(511)
Misc. assets	**2,140,314**	**3,108,666**
Accruals and sundry assets	**7,311,481**	**9,341,458**

NOTE 12 - EQUITY INTERESTS CONSOLIDATED USING THE EQUITY METHOD

(in € thousands)	31.12.07		31.12.06	
	€M value	inc result	€M value	inc result
CNP Assurances group	1,832,035	227,057	1,657,148	219,901
Société Financière de Paiements			1,961	455
Equity interests consolidated per the equity method	**1,832,035**	**227,057**	**1,659,109**	**220,356**

NOTE 13 - TANGIBLE AND INTANGIBLE FIXED ASSETS

(in € thousands)	31.12.07							31.12.06
	Trial at 1st January	Acq.	Sales, scrap	Other movements	Trial at 31st December 2007	Amort. & prov.	Net	Net
Software, IT costs	226,012	315		81,912	308,239	(181,844)	126,395	90,014
Intangible assets in progress	80,670	52,246		(82,204)	50,712		50,712	80,670
Other intangible assets	32,929				32,929		32,929	32,929
Intangible assets	**339,611**	**52,561**	**0**	**(292)**	**391,880**	**(181,844)**	**210,036**	**203,613**
Land	73,618			(2)	73,616		73,616	73,618
Buildings	206,331	69	(286)	15,361	221,475	(10,731)	210,744	199,951
Machinery and equipment	47,701	85	(3,231)	2,833	47,388	(47,474)	(86)	5,612
Computer equipment	1,598	261		(70)	1,789	(1,511)	278	253
Tangible assets in progress	38,019	48,928		(72,456)	14,491		14,491	38,019
Other tangible assets	363,786	283	(39,995)	54,098	378,172	(277,964)	100,208	99,162
Tangible assets	**731,053**	**49,626**	**(43,512)**	**(236)**	**736,931**	**(337,680)**	**399,251**	**416,615**
Tangible and intangible fixed assets	**1,070,664**	**102,187**	**(43,512)**	**(528)**	**1,128,811**	**(519,524)**	**609,287**	**620,228**

(in € thousands)	31.12.07					31.12.06
	Total amorts. at 1st January 2006	Additions	Write-Back	Other movements	Total amorts. at 1st January 2007	Amort. & Prov.
Software, IT costs	(135,999)	(45,380)	5	(470)	(181,844)	(135,999)
Intangible assets	**(135,999)**	**(45,380)**	**5**	**(470)**	**(181,844)**	**(135,999)**
Buildings	(6,380)	(4,351)			(10,731)	(6,380)
Machinery and equipment	(42,089)	(8,779)	2,541	853	(47,474)	(42,089)
Computer equipment	(1,346)	(207)		42	(1,511)	(1,346)
Other tangible assets	(264,624)	(47,757)	34,804	(387)	(277,964)	(264,624)
Tangible assets	**(314,439)**	**(61,094)**	**37,345**	**508**	**(337,680)**	**(314,439)**

NOTE 14 - GOODWILL

(in € thousands)	31.12.07	31.12.06
Gross asset goodwill at 1st January	26,874	24,724
Differences arising from equity interests taken and changes in the group's structure	0	1,932
Other movements	(717)	218
Gross amortisation of goodwill	**26,157**	**26,874**
Depreciation at 1st January	0	0
Net loss of value for the period	0	0
Other movements	0	0
Gross depreciation of goodwill	**0**	**0**
Gross depreciation of goodwill - assets	**26,157**	**26,874**

This is La Banque Postale Asset Management (€24,810,000) and La Banque Postale Prévoyance (€1,347,000) goodwill.

NOTE 15 - DEBTS WITH CREDIT INSTITUTIONS

(in € thousands)	31.12.07	31.12.06
Ordinary credit accounts	87,993	79,385
Everyday accounts and loans	660,919	0
Other amounts due	249	56,270
Related receivables	60	0
Sight debts with credit institutions	**749,221**	**135,655**
Term loans and time-deposit accounts	409,776	348,947
Repurchase agreements	14,571,057	6,809,047
Related receivables	105,775	66,522
Time debts with credit institutions	**15,086,608**	**7,224,516**
Inter-bank transactions and similar: debts with credit institutions	**15,835,829**	**7,360,171**

NOTE 16 - OTHER CUSTOMER RECEIVABLES

(en k thousands)	31.12.07	31.12.06
PEL	20,926,447	22,841,034
CEL	6,243,813	6,244,553
PEP	936,840	1,152,549
LEP	13,293,848	13,048,730
Savings account for Sustainable Development	3,050,829	2,405,933
Youth Savings account	1,165,391	1,131,895
Livret B	3,204,117	3,351,643
PEA liquidity accounts	372,894	307,568
Related receivables	55	1,277
Savings accounts - special regime	**49,194,234**	**50,485,182**
Current accounts in credit	39,832,539	38,978,371
Other amounts due	1,510,467	1,548,089
Sight customer receivables	**41,343,006**	**40,526,460**
Time accounts	1,338,344	557,859
Repurchase agreements	168,378	0
Related receivables	22,503	11,772
Time customer receivables	**1,529,225**	**569,631**
Customer transactions	**92,066,465**	**91,581,273**

NOTE 17 - DEBTS REPRESENTED BY A SECURITY

(in € thousands)	31.12.07	31.12.06
Deposit certificates, short-term commercial papers	2,902,165	688,506
Related receivables	10,126	1,782
Debts represented by a security	**2,912,291**	**690,288**

NOTE 18 - TAX LIABILITIES

(in € thousands)	31.12.07	31.12.06
Deferred tax liabilities	2,616	3,094
Current taxes	35,855	47,276
Tax liabilities	**38,471**	**50,370**

NOTE 19 - ACCRUALS AND OTHER LIABILITIES

(in € thousands)	31.12.07	31.12.06
Expenses to pay & prepaid expenses	461,087	38,534
Foreign currency and financial adjustment accounts	274	12
Accruals and other assets – other businesses	4,644,187	5,695,693
Accruals and other assets	**5,105,548**	**5,734,239**
Security receivables	19,825	0
Collateral pledged	27,595	226,306
Miscellaneous creditors	665,430	942,376
Settlement accounts for securities operations	24,172	22,615
Related receivables	35,189	0
Misc. liabilities	**772,211**	**1,191,297**
Accruals and sundry liabilities	**5,877,759**	**6,925,537**

NOTE 20 - TECHNICAL PROVISIONS OF THE INSURANCE COMPANIES

(in € thousands)	31.12.06	Additions	Write-Back	Reversal not utilised	Others	31.12.07
Technical provisions	124,736	162,831	(130,508)			157,059
Technical provisions for non-life assurance	49,763	86,862	(49,763)			86,862
Equalisation provisions	6,143	7,603	(6,143)			7,603
Technical provisions	**180,642**	**257,296**	**(186,414)**	**0**	**0**	**251,524**

(in € thousands)	31.12.07	31.12.06
Technical "reflect accounting" insurance accounts	1,984	4,995
Shadow	**1,984**	**4,995**

These are provisions made by La Banque Postale Prévoyance

NOTE 21 - PROVISIONS

(in € thousands)	31.12.06	Additions	Reversal	Reversal not utilised	Others	31.12.07
Provisions for staff benefits	3,372	1,364	(891)			3,845
Provisions for home loan risks	373,617		(62,617)	(40,000)		271,000
Provisions for staff disputes and expenses	1,555	1,930	(1,288)		(267)	1,930
Other provisions	55,935	23,667	(3,883)	(6,006)	2,887	72,600
Provisions	**434,479**	**26,961**	**(68,679)**	**(46,006)**	**2,620**	**349,375**

Information about home savings (in €M)

Years in place	Sums collected	Loans granted	Provisions 2007	Provisions 2006	Net mvts
More than 10 years	7,309		29	102	-73
10 to 4 years	11,126		14	28	-14
Under 4 years	2,491		61	63	-2
TOTAL PEL	**20,926**	**385**	**104**	**193**	**-89**
TOTAL CEL	**6,244**	**1,330**	**167**	**181**	**-14**
TOTAL	**27,170**	**1,715**	**271**	**374**	**-103**

NOTE 22 - SUBORDINATE RECEIVABLE

(in € thousands)	31.12.07	31.12.06
Subordinated receivables	500,000	500,000
Subordinate receivable – related receivables	1,417	1,019
Other equity		123,855
Subordinated receivable & other equity	**501,417**	**624,874**

Other equity is an increase in the equity of Sopassure at year end on 31st December 2006

(in € thousands)	Date of issue	Maturity date (1)	Rate	Currency	31.12.2006
Term subordinated receivable	12.12.06	12.12.16	(2)	Euro	500,000
TOTAL					**500,000**

(1) La Banque Postale may request to make an early repayment of the receivable in full from 12th December 2011.
(2) Benchmarked against the Euribor 3 months.

NOTE 23 - INTEREST, INCOME AND SIMILAR CHARGES

(in € thousands)	Notes	31.12.07	31.12.06
Interest and similar on cash flow and inter-bank operations	24	1,436,572	1,258,268
Interest and similar customer transactions	25	1,118,612	1,201,359
Interest on hedging operations	27	36,076	
Interest on assets available for sale and held to maturity	26	2,182,181	2,081,417
INTEREST AND SIMILAR INCOME		**4,773,441**	**4,541,044**
Interest and similar on cash flow and inter-bank operations	24	(484,697)	(245,253)
Interest and similar customer transactions	25	(1,658,647)	(1,638,642)
Interest on hedging operations	27	(37,259)	
Interest on debts represented by a security	26	(134,110)	(64,305)
INTEREST AND SIMILAR CHARGES		**(2,314,713)**	**(1,948,200)**

NOTE 24 - CASH FLOW AND INTER-BANK OPERATIONS

(in € thousands)	31.12.07	31.12.06
Sight accounts	63,500	47,667
Inter-bank loans	1,363,765	1,204,057
Repurchase agreements	9,307	6,544
Other financial services turnover		
Income from operations with credit institutions	**1,436,572**	**1,258,268**
Sight accounts	(4,635)	(9,796)
Inter-bank loans	(17,998)	(8,138)
Repurchase agreements	(462,064)	(227,319)
Expenses from operations with credit institutions	**(484,697)**	**(245,253)**
Interest and similar on cash flow and inter-bank operations	**951,875**	**1,013,015**

NOTE 25 - CUSTOMER TRANSACTIONS

(in € thousands)	31.12.07	31.12.06
Current accounts in debit	19,412	18,472
Interest on trade receivables and other customer loans	932,208	860,027
Collective management of Savings account for Sustainable Development	3,352	84,217
Reversal of provisions for	102,617	237,000
Other financial services turnover	61,023	1,643
Income on customer transactions	**1,118,612**	**1,201,359**
Ordinary credit accounts	(36,417)	(35,574)
Savings accounts - special regime	(1,588,701)	(1,583,180)
Other expenses	(33,529)	(19,888)
Expenses on customer transactions	**(1,658,647)**	**(1,638,642)**
Interest and similar customer transactions	**(540,035)**	**(437,283)**

NOTE 26 - INTEREST ON ASSETS AVAILABLE FOR SALE, FINANCIAL ASSETS HELD TO MATURITY AND DEBTS REPRESENTED BY A SECURITY

(in € thousands)	31.12.07	31.12.06
Interest income from financial assets available for sale	445,146	346,099
Interest income from financial assets held to maturity	1,737,035	1,735,318
Interest income on operations on financial instruments	**2,182,181**	**2,081,417**
Expenses on operations on debts represented by a security	(134,110)	(64,305)
Interest expenses on operations on financial instruments	**(134,110)**	**(64,305)**
Interest income and expenses on assets available for sale and financial assets held to maturity	**2,048,071**	**2,017,112**

NOTE 27 - HEDGING OPERATIONS

(in € thousands)	31.12.07	31.12.06
Interest income on fair value customer transactions hedging operations	0	0
Interest income on cash flow hedging operations	102	
Interest income on fair value financial instrument hedging operations	35,974	0
Interest income on hedging operations	**36,076**	**0**
Interest expenses on fair value customer transactions hedging operations	0	0
Interest expenses on fair value financial instrument hedging operations	(37,259)	0
Interest expenses on hedging operations	**(37,259)**	**0**

NOTE 28 - COMMISSIONS

(in € thousands)	31.12.07		31.12.06	
	Income	Expenses	Income	Expenses
Commissions on cash flow and inter-bank operations	813	(415)	695	(101)
Commissions on customer transactions	930,668	(73,512)	874,549	(69,285)
Commissions on financial services	654,163	(127,666)	687,848	(144,752)
Commission on securities operations	236,637	(4,289)	219,895	(4,511)
Commission on insurance	29,149		26,672	0
Commission on financial instruments		(1,613)	0	(1,188)
Other commission	9,621		13,797	(67)
Commission income and expenses	**1,861,051**	**(207,495)**	**1,823,456**	**(219,904)**
Net commission	**1,653,556**		**1,603,552**	

NOTE 29 - NET GAINS AND LOSSES ON FAIR VALUE FINANCIAL INSTRUMENTS

(in € thousands)	31.12.07	31.12.06
Net profit on transaction financial assets (excl. derivative)	522,730	325,011
Net profit on transaction derivative instruments	19,534	156,627
Net profit on the revaluation of hedged elements and derivative hedging instruments	1,989	(5)
Profits on optional fair value financial assets	2,297	3,830
Net gains and losses on fair value financial instruments	**546,550**	**485,463**

NOTE 30 - NET GAINS OR LOSSES ON ASSETS AVAILABLE FOR SALE

(in € thousands)	31.12.07	31.12.06
Gains on sales of fixed-revenue securities	11,675	1,601
Losses on sales of fixed-revenue securities	(18,822)	(90,903)
Dividends and similar revenue	9,929	4,414
Gains on sales of variable-revenue securities	21,244	7,448
Losses on sales of variable revenue securities and loss of value		(26)
Gains or losses from AFS assets	**24,026**	**(77,466)**

NOTE 31 - INCOME AND CHARGES ON OTHER ACTIVITIES

(in € thousands)	31.12.07	31.12.06
Charges re-invoiced, income passed on and charge transfers	39,729	39,779
Other miscellaneous operating income and charges	(20,594)	(33,894)
Allocations/reversal of provisions for other operating expenses	(1,075)	(177)
Other net revenue and costs of banking operations	**18,060**	**5,708**
Net expenses on provisions	(70,882)	(65,687)
Premiums and contributions	157,435	101,497
Net investment income	(1,671)	(1,559)
Other expenses and insurance income	(40,525)	0
Gross margin from insurance activities	**44,357**	**34,251**
Income and charges from other activities	**62,417**	**39,959**

Other miscellaneous operations income and expenses include €11,277,000 exchange rate profit

NOTE 32 - GENERAL OPERATING EXPENSES

(in € thousands)	31.12.07	31.12.06
Wages and salaries	(84,171)	(69,509)
Net pension expenses	(4,527)	(9,444)
Other post-employment expenses and other welfare costs with assets	(2,782)	(2,711)
Other welfare costs	(31,047)	(28,606)
Performance-related pay and profit-sharing	(5,015)	(4,904)
Taxes and similar charges on remuneration	(17,289)	(11,766)
Allocations to/reversals of provisions	1,275	(1,379)
Transfer of staff costs	4,463	2,771
Staff costs	**(139,093)**	**(125,548)**
Taxes other than on income	(33,445)	(27,802)
Leasing charge	(7)	(23)
Rent and rental costs	(40,639)	(41,941)
Intermediary remuneration	(41,726)	(32,025)
Transport	(299)	(423)
General sub-contracting	(3,356,444)	(3,388,001)
Misc. external services	(481,547)	(484,880)
Transport and travel	(8,467)	(7,459)
Studies and research	(11,287)	(9,746)
Allocations to/reversals of provisions	(11,339)	(3,044)
Other general operating overheads	**(3,985,200)**	**(3,995,344)**
General operating expenses	**(4,124,293)**	**(4,120,892)**

General subcontracting expenses particularly include €3,452 million linked to service agreements between La Poste and La Banque Postale.

NOTE 33 - NET ALLOCATIONS TO AMORTISATION AND DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

(in € thousands)	31.12.07	31.12.06
Allocations to amortisation of the operating premises	(106,474)	(85,955)
Allocations to depreciation of the operating premises		(12)
Net allocations to provisions and depreciation of the tangible and intangible fixed assets	**(106,474)**	**(85,967)**

NOTE 34 - COST OF RISK

(in € thousands)	31.12.07	31.12.06
Allocations to customer depreciation	(24,055)	(21,201)
Reversals of customer depreciation	23,691	27,186
Losses on irrecoverable receivables covered by depreciation	(10,180)	(11,104)
Losses on irrecoverable receivables for which no depreciation was made	(11,084)	(7,167)
Sums recovered in respect of receivables written off	4,209	3,851
Allocations to depreciation on assets available for sale and other assets	(1,049)	(18)
Reversals of depreciation on assets available for sale and other assets	18	864
Allocations to/reversals of depreciation	660	(472)
Net additions to provisions for loan losses	**(17,790)**	**(8,061)**

NOTE 35 - GAINS AND LOSSES ON OTHER ASSETS

(in € thousands)	31.12.07	31.12.06
Gains or losses on sales of tangible and intangible assets	(2,769)	(1,396)
Gains or losses on sales of consolidated equity interests	(1,107)	(904)
Gains and losses on other assets	**(3,876)**	**(2,300)**

NOTE 36 - CORPORATION TAX AND DEFERRED TAX

(in € thousands)	31.12.07	31.12.06
Corporation tax	(148,418)	(56,687)
Deferred tax	(31,904)	(94,040)
Taxes	**(180,322)**	**(150,727)**

Variation in deferred taxes on assets and liabilities

(in € thousands)	31.12.06	31.12.07	Variation (1)	Impact result	Impact reserves
Movements in deferred taxes	**141,620**	**116,367**	**(25,253)**	**(31,904)**	**6,651**
Reclassification results/reserves					30,253
Deferred tax liabilities	**144,714**	**118,983**	**(25,731)**		
Deferred tax liabilities	**3,094**	**2,616**	**(478)**		

(1) inc - €300,000 for changes to group structure

Analysis of the tax charge

(in € thousands)	31.12.2007	
Net profit	**539,579**	
Minority interest share		
Income from companies accounted for by the equity method	-227,057	
Tax charge	180,322	
Pre-tax accounting income	**492,844**	
Tax at standard rate	**-169,686**	**-34.43%**
Effects of permanent differences	**-1,909**	-0.39%
Other effects	**-8,727**	-1.77%
Recorded tax charge	**-180,322**	**-36.59%**

NOTE 37 - OTHER COMMITMENTS GIVEN AND RECEIVED

Contractual value of commitments given or received

(in € thousands)	31.12.07	31.12.06
Funding commitments, guarantees and commitments given on securities		
Funding commitments		
to credit institutions	482,534	158,678
to customers	7,298,098	7,444,865
Guarantee commitments		
to customers	10,405	
Commitments on securities		
securities to be delivered	623,307	26,038
Funding commitments, guarantees and commitments received on securities		
commitments received on securities		
received from customers	1,060	
Commitments on securities		
securities to be received	25,931	6,031
Other commitments given and received		
Other commitments given	2,129	1,197
Commitments given and received		

Commitment related to Crédit Logement

La Poste and, following the transfer of assets, La Banque Postale, undertook to maintain the basic Credit Logement equity capital at 6%, the level of its interest in this company, to enable the latter company to adhere to its solvency ratio. As a result, La Banque Postale was led to subscribe to the category B security capital commitments through its subsidiary SF2. Furthermore La Poste, and subsequently La Banque Postale, undertook to re-build, if necessary, the mutual guarantee funds of Credit Logement by way of a surety against default of borrowers of the loans secured by the latter. The value of this commitment, corresponding to the portion of loan outstanding distributed through La Banque Postale network, stood at €182,307,000 on 31st December 2007.

NOTE 38 - COMMITMENTS RELATING TO CASH AND FORWARD FOREIGN EXCHANGE TRANSACTIONS AND CURRENCY LENDING/BORROWING

(in € thousands)	31.12.07	31.12.06
Cash exchange rate operations		
currency purchased not yet received	9,904	
euros sold not yet delivered	9,939	
Forward currency transactions		
currencies to be received in return for euros to be delivered	9,857	
euros to be received in return for currencies to be delivered	9,927	
Premium/discount not accrued		
receivable	310	

NOTE 39 - FAIR VALUE OF BALANCE SHEET ELEMENTS

The table below shows the fair value of balanced sheet elements accounted for at amortised cost.

	31.12.07		31.12.06	
(in € thousands)	Balance sheet	Fair value	Balance sheet	Fair value
Assets				
Loans & receivables on credit institutions				
Sight loans and receivables on credit institutions	275,331	275,331	336,883	336,883
Time loans and receivables on credit institutions	16,296,171	16,296,171	13,836,168	13,836,168
Customer loans & receivables				
Sight customer loans and deposits	483,106	483,106	276,303	276,303
Time customer loans and deposits	23,939,254	23,745,254	20,572,925	20,902,925
Financial assets held to maturity	40,350,306	39,505,313	39,250,366	39,058,353
Liabilities				
Debts with credit institutions				
Sight debts with credit institutions	749,221	749,221	135,655	135,655
Time debts with credit institutions	15,086,608	15,086,608	7,224,516	7,224,516
Customer accounts payable	92,066,465	92,066,465	91,581,273	91,581,273
Debts represented by a security	2,912,291	2,910,440	690,288	690,005
Subordinated receivables	501,417	486,850	501,019	499,770

Fair value of loans

The perimeter chosen is all loans drawn and on La Banque Postale balance sheet. Loans agreed but not yet drawn are not included on the basis that as their interest rate has just been fixed, their value should not be far from the nominal lent.

The main hypotheses underlying the calculation are as follows for the three types of loans sold by the bank:

- current account overdrafts: fair value = outstanding is a conservative hypotheses of the fact of the customer interest rate (12%) and the very short duration (less than one month)
- post office worker loans: discounting without taking into account hypotheses of early repayment (little history)
- home loans to private individuals: discounting taking into account structural early repayment

Fair value of deposits

The main hypotheses underlying the calculation are as follows:

- deposits for which the remuneration rate is regulated: fair value = outstanding
- Livrets B/Livrets jeune/PEP/CAT: fair value = outstanding
- sight accounts: fair value = outstanding - Cost value of hedging swaps of the DAV (via the "carve out" option).

NOTE 40 - SECTORIAL INFORMATION

La Banque Postale group is structured around the three following divisions:

- The **retail bank** includes La Banque Postale, SCI CRSF Métropôle and CRSF Dom that carry the buildings in which the bank works as well as the SF2 holding
- The **insurance division** made up of the CNP Assurances group, LBP Prévoyance (formerly Assurposte) and Sogerco
- **asset management** with La Banque Postale Asset Management group, La Banque Postale Structured Asset Management and La Banque Postale Gestion Privée (formerly Efiposte Gestion).

The group's activities are performed in France except the overseas subsidiaries of CNP Assurances.

Intra or inter-sector transactions are concluded in commercial market conditions

I. Results by sector of activity

Net banking income by sector of activity at 31 december 2006

	Retail banking		Insurance		Asset management	
(in € thousands)	External activities	Inter-sector activities	External activities	Inter-sector activities	External activities	Inter-sector activities
Interest and similar income	4,829,224				738	206
Interest and similar charges	(2,237,118)	(206)				
Commission (income)	1,578,465	154,421	32,443	(5,771)	212,549	(285)
Commission (charges)	(203,254)	(330)	(14)	(13,960)	(16,637)	(134,075)
Net gains and losses on fair value financial instruments	485,056		407			
Net gains and losses on assets available for sale	(82,932)		4,265		1,201	
Income and charges from other activities	6,963	(77)	33,681	163	(685)	(86)
Internal/External NBI	**4,376,405**	**153,808**	**70,782**	**(19,568)**	**197,165**	**(134,240)**
Net NBI	**4,530,213**		**51,214**		**62,925**	
Net NBI			**4,644,352**			

Net banking income by sector of activity on 31st December 2007

(in € thousands)	Retail banking		Insurance		Asset management	
	External activities	Inter-sector activities	External activities	Inter-sector activities	External activities	Inter-sector activities
Interest and similar income	4,932,885		592			197
Interest and similar charges	-2,560,737	-197				
Commission (income)	1,607,469	172,468	29,429	3,860	224,154	632
Commission (charges)	-192,822	-5,059		-25,710	-14,673	-146,190
Net gains and losses on fair value financial instruments	632,533		5			
Net gains and losses on assets available for sale	17,554		5,191		1,281	
Income and charges from other activities	12,320	227	50,476	-40	-379	-188
Internal/External NBI	**4,449,201**	**167,439**	**85,692**	**-21,890**	**210,383**	**-145,549**
Net NBI	**4,616,640**		**63,802**		**64,834**	
Net NBI			**4,745,277**			

Net results by sector of activity

As of 31st December 2006

(in € thousands)	Retail banking	Insurance	Asset management	Inter-sector and non-analysed	Consolidate Result
Net banking income	**4,530,213**	**51,214**	**62,925**		**4,644,352**
General operating expenses	(4,069,732)	(14,724)	(36,436)		(4,120,892)
Net allocations to provisions and depreciation of the tangible and intangible fixed assets	(85,516)	(49)	(402)		(85,967)
Gross operating profit	**374,965**	**36,441**	**26,087**		**437,493**
Net additions to provisions for loan losses	(8,262)	0	201		(8,061)
Operating profit	**366,703**	**36,441**	**26,288**		**429,432**
Share of net profits for companies accounted for by the equity method	455	219,901			220,356
The gains and losses on other assets	(1,900)	(1)	(399)		(2,300)
Pre-tax operating profit	**365,258**	**256,341**	**25,889**		**647,488**
Corporation tax				(150,727)	(150,727)
Consolidated net income					**496,761**
Minority interests				(3,695)	(3,695)
Net profit					**493,066**

As of 31st December 2007

(in € thousands)	Retail banking	Insurance	Asset management	Inter-sector and non-analysed	Consolidate Result
Net banking income	**4,616,640**	**63,802**	**64,835**		**4,745,277**
General operating expenses	(4,066,125)	(20,970)	(37,198)		(4,124,293)
Net allocations to provisions and depreciation of the tangible and intangible fixed assets	(105,951)	(79)	(444)		(106,474)
Gross operating profit	**444,564**	**42,753**	**27,193**		**514,510**
Net additions to provisions for loan losses	(17,792)		2		(17,790)
Operating profit	**426,772**	**42,753**	**27,195**		**496,720**
Share of net profits for companies accounted for by the equity method		227,057			227,057
The gains and losses on other assets	(3,870)		(6)		(3,876)
Pre-tax operating profit	**422,902**	**269,810**	**27,189**		**719,901**
Corporation tax				(180,322)	(180,322)
Consolidated net income					**539,579**
Minority interests					
Net profit					**539,579**

II. Balance sheet elements by sector of activity on 31st December 2007

(in € thousands)	Retail banking	Insurance	Asset management	Intra group inter-sectors	TOTAL
Cash, central banks	2,667,865				2,667,865
Fair value financial assets	15,363,095	41,341			15,404,436
Derivative coverage instruments	104,885				104,885
Financial assets available for sale	11,923,256	274,738	68,481		12,266,475
Loans and receivables	41,032,927	46,555	5,297	(90,917)	40,993,862
Equity interests consolidated per the equity method		1,832,035			1,832,035
Sectorial assets					
Fair value of financial liabilities	129,185				129,185
Derivative coverage instruments	120,647				120,647
Inter-bank transactions and similar: debts with credit institutions	15,835,229	34,780		(34,180)	15,835,829
Customer transactions	92,117,961	5,240		(56,736)	92,066,465
Debts represented by a security	2,912,291				2,912,291
Sectorial liabilities					

NOTE 41 - BALANCE SHEET ELEMENTS BROKEN DOWN BY TIME TO MATURITY

(in € thousands)	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years
Assets				
Cash, central banks	2,667,865			
Fair value financial assets	8,712,807	6,278,963	392,878	19,788
Derivative coverage instruments - Assets	35,479	65,551		3,855
Financial assets available for sale	78,700	2,456,172	8,438,048	1,293,555
Loans & receivables on credit institutions	15,671,292	900,210		
Customer loans & receivables	1,623,655	1,386,976	6,918,434	14,493,295
Gains and losses on interest rate hedging reserve	317,114			
Financial assets held to maturity	680,935	5,767,156	20,353,603	13,548,612
Liabilities				
Fair value of financial liabilities	105,301	659	110	23,115
Derivative coverage instruments - Liabilities	25,438	18,389	18,123	58,697
Debts with credit institutions	14,284,151	1,265,004	100,000	186,674
Customer accounts payable	88,692,575	1,240,524	2,098,544	34,822
Debts represented by a security	2,815,967	96,324		

NOTE 42 - INFORMATION TO RELATED PARTIES AND REMUNERATION OF MANAGERS

Parties related to La Banque Postale group include the main managers and companies consolidated by La Poste group. La Banque Postale is an entity controlled by La Poste.

I. Relations between consolidated entities

As transactions completed between La Banque Postale group fully-consolidated companies are eliminated in consolidation, only information on reciprocal operations with companies over which the group has joint control for the part not eliminated in consolidation and those over which it has notable influence is mentioned.

(in € thousands)	With La Poste Group companies [1]	With La Banque Postale partner companies	
		Proportional (share not elim.)	Equity method
Interest	-1,455		
Commission	7,696	25,990	476,537
Results/Financial operations			
Income/other activities	21	6	
NBI ELEMENTS WITH LINKED COMPANIES	**6,262**	**25,996**	**476,537**
Loans	165,720	39,488	
Other financial assets		2,547	
Other assets	84,562	16,301	332,538
TOTAL ASSETS WITH LINKED COMPANIES	**250,282**	**58,336**	**332,538**
Receivables	47,234	39,880	20,248
Other financial assets			
Other liabilities	325,525		35,490
TOTAL LIABILITIES WITH LINKED COMPANIES	**372,759**	**39,880**	**55,738**
Commitments given	134,280		
Commitments received			
TOTAL COMMITMENTS WITH LINKED COMPANIES	**134,280**	**-**	**-**

(1) These are almost exclusively operations carried out with La Poste.

II. Remuneration of officers

The Group has chosen officers of the Executive Board and the Executive Committee as related parties as understood by IAS 24.

The officers of the Executive Board receive a fixed annual remuneration to which may be added an annual bonus based on the achievement of business plan objectives and a 3-year super bonus if performance exceeds the business development plan.

They also receive membership of a health and welfare scheme and severance pay equivalent to thirty months fixed pay and annual bonus calculated on the basis of the last twelve months should their mandate on the Executive Board come to an end.

The total gross remuneration paid to officers of the Executive Board was €736,000 in 2007. Details of payments made feature in paragraph IV.3.D of the management report.

The remuneration paid to officers of the executive committee except officers of the Executive Board is detailed below:

(in € thousands)	2007	2006
Remunerations and benefits in kind	2,196	1,186
Post-employment benefits	323	221
TOTAL	**2,519**	**1,407**

The strong variation seen between the two years is explained by the nomination of four new officers to this committee on 1st March 2007.

Severance pay for officers leaving La Banque Postale may also be added.

NOTE 43 - CAPITAL AND STATUTORY RATIO MANAGEMENT

La Banque Postale's equity is managed to enable the bank to meet its strategy ratios and guarantee its solvency whilst distributing to a level of dividends to its shareholder La Poste that complies with its expectations and group policy.

The nature of La Banque Postale's business requires little equity for the solvency ratio. Firstly, the loan portfolio is still small in regard to the size of the balance sheet, despite a 17% growth in loans and receivables between 2006 and 2007. Secondly, the share portfolio is of very good quality as it is mainly invested in government securities or similar.

In addition, La Banque Postale is aiming to ensure its equity structure is similar to those in other credit institutions. Bond emissions have been and will be launched to exploit the different categories of equity whether it is basic (Tier 1) or additional equity (Tier 2).

Consequently, La Banque Postale, that applies CRBF regulation 2000-03 relative to financial conglomerates, maintained throughout 2007 a solvency ratio significantly higher than the minimum strategy requirement of a percent in compliance with the perspective incremented by the Basle 2 directive.

Indeed, the Basle 2 directive, applicable in 2008, will mean for La Banque Postale a higher equity requirement, particularly due to the taking into account of operational risk.

Therefore La Banque Postale already complies with strategy ratios calculated in line with the Basle 2 directive.

NOTE 44 - CONSOLIDATED COMPANIES

COMPANIES	Nationality	METH (1)	% control 2007	% Interest 2007	% control 2008	% Interest 2007
Retail banking						
LA BANQUE POSTALE (formerly Efiposte)	French	MERE	100.00	100.00	100.00	100.00
SCI CRSF DOM (2)	French	GLOB	99.94	99.94	99.94	99.94
SCI CRSF METROPOLE (2)	French	GLOB	100.00	100.00	100.00	100.00
SF2	French	GLOB	100.00	100.00	100.00	100.00
SOCIETE FINANCIERE DE PAIEMENTS	French	EQUI	-	-	49.00	49.00
TITRES CADEAUX	French	PROP	-	-	50.00	50.00
Insurance						
GROUPE CNP ASSURANCES	French	EQUI	35.48	19.71	35.48	19.71
LA BANQUE POSTALE PREVOYANCE (formerly Assureposte)	French	PROP	50.00	50.00	50.00	50.00
SOGERCO	French	GLOB	100.00	100.00	100.00	100.00
SOPASSURE	French	PROP	50.02	50.02	50.02	50.02
Asset management						
CILOGER	French	PROP	-	-	45.00	45.00
EF PRIMO	French	GLOB	-	-	100.00	100.00
LA BANQUE POSTALE GESTION PRIVEE (formerly Efiposte gestion)	French	GLOB	100.00	100.00	100.00	100.00
EUROPOSTE MANAGEMENT Cie	Luxembourg	GLOB	-	-	99.12	99.12
LA BANQUE POSTALE ASSET MANAGEMENT (formerly Sogeposte)	French	GLOB	100.00	100.00	100.00	100.00
LA BANQUE POSTALE STRUCTURED ASSET MANAGEMENT	French	GLOB	100.00	100.00	-	-
X ANGE PRIVATE EQUITY	French	GLOB	-	-	56.40	56.40

1) Consolidation method,
FULL Full consolidation - PROP: Proportional consolidation - EQUI: Equity method
(2) Property development company which owns the bank's business premises.

VIII. STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS

Auditors' report on the consolidated accounts

Year ended 31st December 2007

To shareholders

LA BANQUE POSTALE
34, rue de la Fédération
75015 Paris

Dear shareholders,

In compliance with the assignment entrusted to us by your General Assembly, we have audited the consolidated financial statements of La Banque Postale and its subsidiaries for the year ended 31st December 2007 as an attached to the present report.

The consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

These accounts were prepared for the first time in compliance with the IFRS reference as adopted by the European Union. They include, for the purposes of comparison, information on the financial year 2006 restated according to the same rules.

I - Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that the consolidated accounts give, in regard of the IFRS reference as adopted by the European Union, a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies.

II - Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Accounting estimates

- **your company accounts for depreciations to cover the credit risks inherent in its activities (part 1.5.6.2.1 "Rules governing presentation and evaluation - Loans and receivables"). As part of our assessment of these estimates, we examined the credit risk control mechanism, assessed the risk of a non-collection and their coverage with individual and collective depreciation.**
- **your company makes provision to cover the estimated unfavourable consequences of home loan contracts (part 1.5.6.4 "Presentation and assessment rules - Special regime savings accounts"). In our assessment of these estimates, we examined the mechanism for controlling the verification of models and determining the parameters used.**

- **non-consolidated equity interests are classified in the "asset available for sale" category and are assessed at their market value taking a multi-criteria approach (part 1.5.6.2.6 "Presentation and assessment rules - determining fair value or market value"). We have reviewed the approaches and hypotheses used by the company in determining the market value of the main portfolio items. We are assured of the reasonable nature of these estimates at year end.**
- **On the basis of information currently available, our assessment of provisions (part 1.5.6.5 "Presentation and assessment rules - Provisions") is founded on an analysis of processes set up by your company to identify and assess risk.**

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III - Specific verification

We have also verified, in compliance with professional standards applicable in France, the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 3rd April 2008

The Statutory Auditors

PricewaterhouseCoopers Audit | **Mazars et Guérard**

Gérard Hautefeuille **Agnès Hussherr** **Guillaume Potel**

IX. INFORMATION ON THE COMPANY ACCOUNTS

IX.1 Balance sheet and profit & loss account

A. BALANCE SHEET AT 31ST DECEMBER 2007

(in € thousands)	31.12.07	31.12.06
Assets		
CASH, CENTRAL BANKS	2,667,864	1,371,618
PUBLIC PAPERS AND RELATED SECURITIES	41,207,338	39,933,222
RECEIVABLES WITH CREDIT INSTITUTIONS	16,571,080	14,165,398
CUSTOMER TRANSACTIONS		
- Current accounts in debit	450,735	221,942
- Commercial receivables		
- Other customer lending, leasing operations and similar	23,993,321	20,641,334
BONDS AND OTHER FIXED-REVENUE SECURITIES	25,904,469	22,454,932
BONDS AND OTHER VARIABLE-REVENUE SECURITIES	280,453	68,341
HOLDINGS AND OTHER LONG-TERM SECURITIES	0	59,336
SHARES IN LINKED COMPANIES	1,144,736	1,346,162
INTANGIBLE ASSETS	209,879	203,179
ITANGIBLE ASSETS	386,340	141,601
OTHER ASSETS	1,718,271	2,958,060
ACCRUALS	5,467,990	6,656,720
TOTAL	**120,002,475**	**110,221,845**

Liabilities		
CENTRAL BANKS		
DEBTS WITH CREDIT INSTITUTIONS	15,835,458	7,361,497
CUSTOMER TRANSACTIONS		
- Savings accounts - special regime	49,244,061	50,485,182
- Ordinary customer credit accounts	39,532,756	38,695,803
- Other customer accounts payable	2,989,865	2,117,721
DEBTS REPRESENTED BY A SECURITY		
- Deposit note		
- Inter-bank market securities and negotiable debt securities	2,911,253	690,288
- Bond issues and related		
- Other debts represented by a security		
OTHER LIABILITIES	949,643	1,097,478
ACCRUALS AND OTHER ASSETS/LIABILITIES	4,692,097	6,028,430
PROVISIONS	348,659	449,408
SUBORDOINATE DEBT	501,417	501,019
FUNDS FOR GENERAL BANKING RISKS (FGBR)	22,000	22,000
COMPANY EQUITY (EXCL FGBR)		
- Subscribed capital	2,342,454	2,342,454
- Share premiums		
- Reserves	267,160	103,875
- Gains and losses		
- Untaxed provisions and investment grants	167	167
- Carried forward	1,345	1,665
- Net profit for the year	364,140	324,858
TOTAL	**120,002,475**	**110,221,845**

B. OFF-BALANCE SHEET AT 31ST DECEMBER 2007

(in € thousands)	31.12.07	31.12.06
FUNDING COMMITMENTS, GUARANTEES AND COMMITMENTS GIVEN ON SECURITIES		
Funding commitments		
to credit institutions	482,534	158,678
to customers	7,298,098	7 444,865
Guarantee commitments		
to credit institutions		
to customers		
Commitments on securities		
securities to be delivered	623,307	26,038
Commitments given by insurance companies		
FUNDING COMMITMENTS, GUARANTEES AND COMMITMENTS RECEIVED ON SECURITIES		
Funding commitments		
received from credit institutions		
received from customers	1,060	0
Guarantee commitments		
received from credit institutions		
received from customers		
Commitments on securities		
securities to be received	25,931	6,031
OTHER COMMITMENTS GIVEN AND RECEIVED		
Other commitments given		
Other commitments received		

Crédit logement commitments: La Poste and, following the transfer of assets, La Banque Postale, undertook to maintain the basic Credit Logement equity capital at 6%, the level of its interest in this company, to enable the latter company to adhere to its solvency ratio. As a result, La Banque Postale was led to subscribe to the category B security capital increases through its subsidiary SF2. Furthermore La Poste, and subsequently La Banque Postale, undertook to re-build, if necessary, the mutual guarantee funds of Credit Logement by way of a surety against default of borrowers of the loans secured by the latter. The value of this commitment, corresponding to the portion of loan outstanding distributed through La Poste network, stood at €182,307,000 at 31st December 2007.

C. PROFIT AND LOSS ACCOUNT AT 31ST DECEMBER 2007

(in € thousands)	31.12.07	31.12.06
INTEREST AND RELATED INCOME:		
- Cash and inter-bank transactions	1,776,735	1,258,225
- Customer transactions	1,057,820	1,121,192
- Bonds and other fixed-income securities	2,220,931	2,165,820
- Other interests and similar	814,042	1,129,292
INTEREST AND RELATED CHARGES:		
- Cash and inter-bank transactions	-484,384	-244,867
- Customer transactions	-1,657,218	-1,639,292
- Bonds and other fixed-income securities	-129,626	-60,909
- Other interest and similar charges	-1,079,071	-991,518
INCOME FROM VARIABLE-INCOME SECURITIES	80,967	61,050
COMMISSION (INCOME)	1,779,936	1,733,035
COMMISSION (CHARGES)	-191,934	-203,523
GAINS OR LOSSES ON TRADING PORTFOLIO TRANSACTIONS	536,405	330,092
GAINS OR LOSSES ON PLACEMENT PORTFOLIO AND RELATED TRANSACTIONS	-69,817	-105,433
OTHER BANKING INCOME	58,377	54,096
OTHER BANKING EXPENSES	-62,210	-69,279
Net banking income	**4,650,955**	**4,537,979**
GENERAL OPERATING EXPENSES:		
- Staff costs	-121,139	-107,733
- Other general operating overheads	-3,970,156	-3,988,298
- Amounts re-invoiced	-5	0
ALLOCATIONS TO AMORTISATION AND DEPRECIATION OF THE TANGIBLE AND INTANGIBLE FIXED ASSETS	-97,489	-77,579
Gross operating profit	**462,165**	**364,369**
COST OF RISK	-17,417	-8,436
Operating profit	**444,748**	**355,933**
GAINS OR LOSSES ON FIXED ASSETS	12,588	-441
Pre-tax operating result	**457,336**	**355,492**
NON-RECURRING INCOME AND EXPENSE		
CORPORATE INCOME TAX	-93,196	-30,631
NET ALLOCATIONS TO FGBR AND STATUTORY PROVISIONS	0	-3
NET COMPANY PROFIT	**364,140**	**324,858**
NET COMPANY PROFIT PER SHARE (in euros)	17.88	15.95

IX.2 The distribution of profits in 2007

Proposed distribution of profits submitted to the General Assembly on 14th May 2008

Distributable profit	
Previous balance carried forward	€1,345,044.01
Profit for the year	€364,139,821.44
Allocation to legal reserve	€- 18,206,991.07
TOTAL	**€347,277,874.38**

Allocation	
As dividend	€109,382,421.42
To other reserves	€237,000,000.00
To balance carried forward	€895,452.96
TOTAL	**€347,277,874.38**

A dividend of €5.37 is proposed for each of the 20,369,166 shares that make up the equity.

This dividend, eligible for the reductions set out in article 158-3 of the general tax code will be paid from 30th June 2008.

The dividends for 2004, 2005 and 2006 were as follows:

Year	Number of shares	Amount distributed	Dividend pr share
2004	10,125,000	€13,972,500	€1.38
2005	1,018,458,300	€30,553,749	€0.03
2006	20,369,166	€61,934,869	€7.95

IX.3 The last five financial years as of 31st December 2007

	2003	2004	2005	2006	2007
Financial situation					
Registered capital	162,000,000.00	162,000,000.00	2,342,454,090.00	2,342,454,090.00	2,342,454,090.00
Number of shares	10,125,000	10,125,000	1,018,458,300	20,369,166	20,369,166
Global profit					
Turnover (*)	2,018,737,392.05	2,189,871,354.57	2,394,860,208.14	7,747,368,226.27	8,255,396,044.25
Allocations to amortisement and net allocations to provisions	73,641,722.79	68,531,893.21	68,827,013.54	486,077,342.87	618,806,196.25
Corporation tax	-21,370,249.00	-23,490,502.00	-20,412,458.40	-30,631,279.41	-93,195,747.00
Profits after corporation tax, allocations to amortisement and provisions	46,964,188.78	41,665,162.53	47,058,852.58	324,858,318.89	364,139,821.44
Profit distributed (proposal)	15,592,500.00	13,972,500.00	30,553,749.00	161,934,869.70	109,382,421.42
Per share profit					
Profits before corporation tax, allocations to amortisement and provisions	6.75	6.44	0.05	22.36	25.80
Profits after corporation tax, allocations to amortisement and provisions	4.64	4.12	0.05	15.95	17.88
Profit distributed (proposal)	1.54	1.38	0.03	7.95	5.37
Staff					
Average staff numbers	69	75	92	1,120	1,249
Payroll	4,394,195.14	4,908,175.69	6,282,843.71	60,817,995.76	67,160,632.12
Social contributions (Social Security, community enterprises, etc)	1,919,139.93	2,011,305.03	2,977,080.21	35,804,599.05	34,643,555.63

(*) All income from banking operations (the net results of financial operations are included).

IX.4 Main subsidiaries and affiliates at 31st December 2007

AT 31ST DECEMBER 2007						
	SUBSIDIARIES (MORE THAN 50%-OWNED)					SUBSIDIARIES (10% TO 50% OWNED)
	LA BANQUE POSTALE GESTION PRIVÉE (1)	EFPRIMO (1)	SF2 (1)	SCI CRSF METROPOLE (1)	SCI CRSF DOM (1)	GIE CR CESU (2)
SIREN number	428,767,941	440,165,041	424,176,238	445,061,369	445,047,442	487,708,455
Capital	1,000,000.00	40,000.00	1,053,573,881.10	256,411,996.00	23,332,111.00	150,000.00
Reserve and balance carried forward before allocation of results	4,872,909.20	-13,210.45	137,774,727.58	12,176,000.00	277,000.00	
Share of capital held (percentage)	100.00 %	99.85 %	100.00 %	99.99 %	99.93 %	16.67 %
Book value of the securities held						
- Gross	762,245.08	39,940.00	1,143,908,525.78	256,391,996.00	2,331,611.00	25,000.00
- Net	762,245.08	39,940.00	1,143,908,525.78	256,391,996.00	2,331,611.00	25,000.00
Loans and advances granted by the company not yet reimbursed						45,000.00
Guarantees and endorsements given by the company						
Turnover excl taxes in the last financial year	1,733,220.70	0.00	83,347.83	29,233,879.00	613,760.00	
Results (profit or loss in the last financial year)	-250,408.26	-6,860.95	103,286,519.69	9,411,251.00	164,819.00	
Dividends collected in the last financial year			72,767,837.70	8,050,708.67	28,911.97	
Observations	Portfolio management company	Financial advisor company	Holding company	Property rental company	Property rental company	Universal services voucher

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X. SOCIAL AND SUSTAINABLE DEVELOPMENT POLICY

X.1 The personnel of La Banque Postale

The organisation adopted by La Banque Postale is based on three circles of personnel in the world of postal services: employees of the bank, those employed in financial and IT centres and financial advisers and sales advisers.

La Banque Postale employs, including those on long-term leave of absence, 1,332 people. 60% work in the head office and 40% in regional offices.

28,920 employees of La Poste working on behalf of La Banque Postale:

- 15,526 people work in back and middle office functions, in the 23 financial centres and 5 national centres (including Business Advisers based in financial centres)
- 1,351 IT technicians work on La Banque Postale's information system
- 11,653 people work in advisory roles (advisers and management), not including Business Advisers based in financial centres and the share of Post Office managers activities devoted to advice
- 390 people work in cross-function departments

A 66% majority of women working in the financial services should be noted.

The insertion of young people is one of La Banque Postale's human resources policy priorities with 875 financial advisers and 61 customer relationship managers currently in training.

X.2 Training

Since its creation, La Banque Postale has ensured its staff get all the training required to satisfy the new regulatory obligations linked to its status as a banking institution (compliance, inspection, etc).

La Banque Postale has put in place an ambitious training policy to give stakeholders the means to develop the skills necessary to properly perform their tasks and to enable La Banque Postale to meet its objectives.

149,000 days' training were provided for all La Banque Postale stakeholders in 2007.

The highlights of this training policy aimed at all stakeholders that work or provide services for La Banque Postale were:

- supporting reorganisations: in 2007, the training project supported the improvement of competitiveness in financial centres by training staff in new roles as part of the agreement on the future of banking activities in financial centres,
- uniting stakeholders in a customer service quality drive: a cross-function approach was started with certain training (Eclipse V1 and business sector) mixing populations, particularly the banking adviser line and back office staff,
- for La Banque Postale staff: the signing of the agreement on 16th July 2007 on career-long training at La Banque Postale specified the bank's priorities and commitments in terms of professional training for staff and the conditions of implementation. Particularly, access to diploma-based and qualification-based training is facilitated by the possibility given to staff to anticipate individual training rights; staff showed real interest for diploma-based training in the banking sector (BP Banque BTS Banque, CESB GP, ITB) and the commitment to 50 courses was met.

La Banque Postale, in coherence with La Poste group policy, is making its mark as a citizen company in favour of young people by making apprenticeship a priority and long-term means of recruitment. 175 financial advisers and 61 customer relationship managers are currently in training.

X.3 Diversity

La Banque Postale, in coherence with La Postale group policy, is making its mark as a citizen company in favour of young people by making apprenticeship a priority and long-term means of recruitment. promoting accessibility to all La Banque Postale roles is one of the bank's major commitments.

Disabled access

La Banque Postale is committed to encouraging disabled access to employment:

- an action plan was deployed in 2007 in La Poste's Financial Services department. It enabled it to exceed the objective of ensuring 6% of staff are disabled,
- in April 2007, La Banque Postale joined seven other banks and the CFPB to create Handiformabanques aimed at promoting insertion through training the disabled. 600 telephone adviser professionalisation contracts are planned over the next five years that "Handiformabanques" promotes to the audience is concerned, carries out selection interviews and presents two companies.

Accessibility also supposes buildings are brought up to standards:

- La Banque Postale set up a competition in 2007 between financial centres to encourage stakeholders to make their buildings accessible to the disabled. The Accessibility trophy was highly successful with 10 financial centres participating.

Opening jobs in the bank to a wider variety of people

La Banque Postale, heir to la Poste group's values founded on recognition and the consideration of people, is promoting a determined policy in terms of promotion and equal opportunities: it has joined IMS and L'Oréal to recruit young disabled graduates or graduates from the visible minorities in disadvantaged areas. The partnership with the IMS involves in the long-term assisting young graduates looking for a first job, participation in a working group on insertion and in recruitment forums in disadvantaged areas.

La Banque Postale is also committed to **promoting equal career opportunities**: a diagnosis of the recruitment and career management processes in the bank has been started with the discrimination observatory. Its aim is to assess all types of discrimination and its consequences, to work with prejudices and stereotypes and consequently define new practices to combat them.

X.4 Social dialogue

The construction of the bank's social foundation is continuing: 2007 was again marked by permanent concentration and active negotiation with union organisations and staff representative bodies.

As it considers that maintaining the quality of social dialogue is an essential condition for sustainable development, La Banque Postale continues to work to meet significant new stages in the construction of the bank's social foundation.

Four company agreements, each highly representative, were signed in the year:

- salaries 2007

Become the agreement on salaries for 2007 and the contribution by the employer to salary savings schemes was signed by the three union organisations, CFDT, CGC and FO, on 4th May 2007

- criteria for performance related pay

The amendment for 2007 to the performance related pay agreement of 22nd June 2006 was signed on 13th June 2007 by the four union organisations CFDT, CGC, CGT and FO

- professional training

The agreement signed on 16th July 2007 on career-long training was signed by the four union organisations represented at the bank

- working time agreement

A working time agreement: an agreement to establish available time credits and time savings plans was signed with two union organisations CFDT and FO on 14th December 2007.

After the company collective agreement, employee savings, electronic voting, union rights and more recently professional training, this agreement is **another major step in building the bank's social foundation.**

It is based on four major principles:

- the work/life balance
- the responsibility and independence of managers
- simplicity and flexibility in employee's daily lives
- solidarity through the recognition it institutes in favour of leave to work in the voluntary sector.

X.5 Sustainable development

Whether it is through its economic, social, societal or environmental dimension, La Banque Postale staff contribute daily to meeting a commitment to make their bank a model of social responsibility that respects environmental, social and governance criteria.

In coherence with its values, La Banque Postale develops a responsible finance approach for its customers giving them the opportunity to "invest differently". It gives its private and business customers responsible financial products that enable them to give meaning to their savings.

Beyond asset management, original products clearly oriented towards sustainable development combine performance, respect the environment, solidarity and a sense of social responsibility. A bank "like no others", La Banque Postale is necessarily mindful of affirming its citizen commitment to the challenges to society.

They are seen particularly in the fight against banking exclusion, social micro-loans and the support and commitment to solidarity of its staff.

Finally, La Banque Postale's environmental approach is part of a policy focused on proximity in the regions.

It has chosen to use responsible paper from sustainably managed forests using wood industry labels and certifications. In 2007, 70% of the paper used met these criteria.

XI. PERSPECTIVES

2008 will be for La Banque Postale an important stage in its development.

It firstly intends to continue its intrinsic development of retail customers by making the most of the decisions taken in 2007 aimed at meeting the objectives fixed in its strategic plan to be by 2010 the main bank of 10 million French people, to be a multi-channel bank that is closest to its customers, to achieve €5.6 billion net banking income and operating profits of more than €1 billion. This supposes continued product penetration, the development of savings and a presence in the loans market more in relation to the size of its customer base.

In addition, it is faced with important decisions in terms of changes to its business.

La Banque Postale has been authorised by its governing body to enter the consumer loans market which is an intrinsic part of a retail banks product range both for the intrinsic revenue that it generates and for the loyalty it encourages with customers.

La Banque Postale has started a process to select a partner with the aim of successfully launching this business was remaining faithful to the founding values that make La Banque Postale so original. In addition, the bank is preparing, following decisions by the European commission and the French government, for the generalised distribution of the Livret A. The bank's aim is to continue to have the resources required, in acceptable financial conditions, for the banking accessibility that it provides, will continue to provide and that has been recognised as such by the European Union.

Finally, La Banque Postale will continue its action aimed at improving operational and commercial efficiency. In addition to the action already started, it will provide its high-end customers with Asset Management Advisers and set up a Commercial Department that should contribute to better integrating La Postale Financial Services sales forces into its commercial action plans.

Finally, the bank is planning to transfer its head office in the middle of 2008.

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