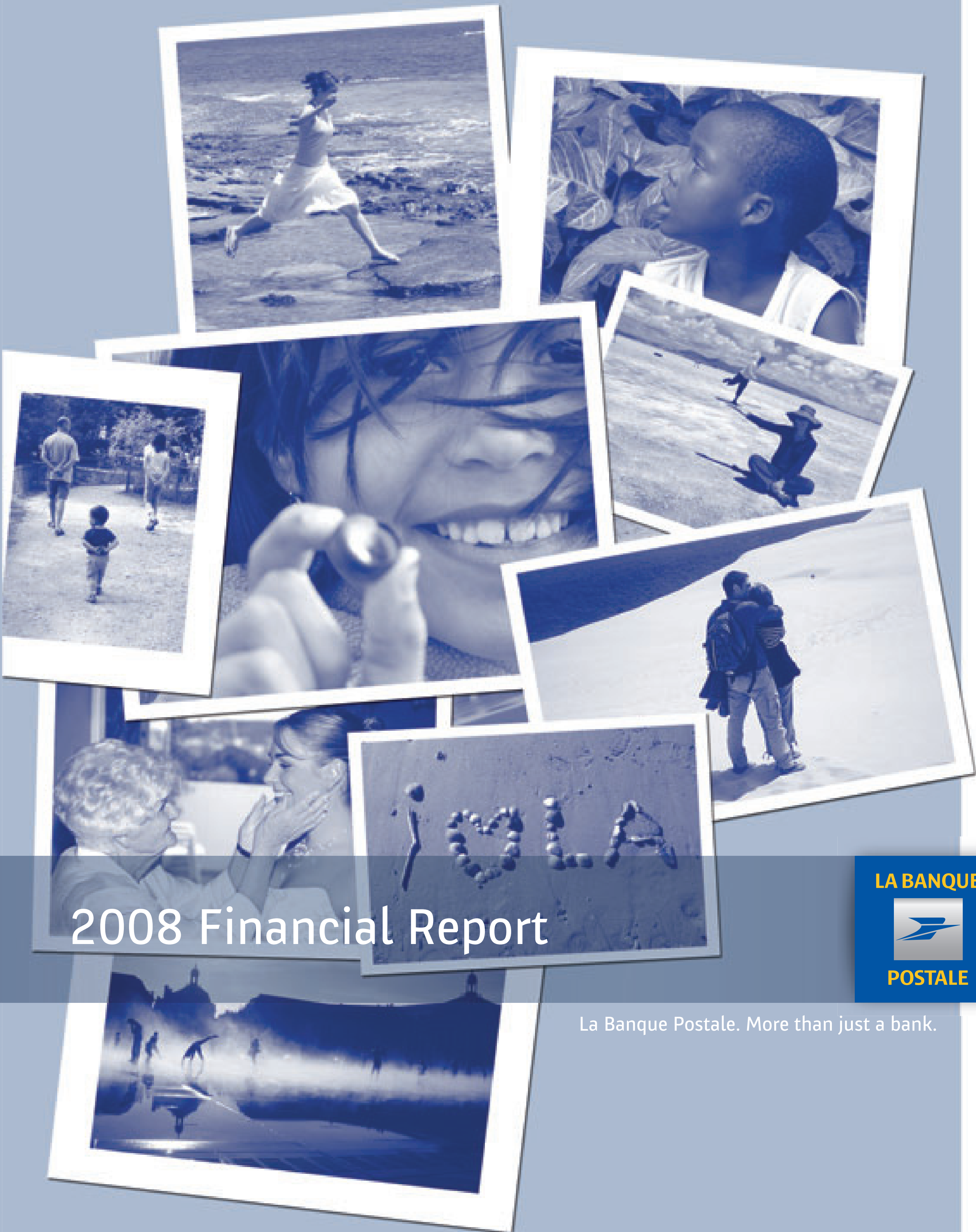

2008 Financial Report

LA BANQUE POSTALE

La Banque Postale. More than just a bank.

2008 FINANCIAL REPORT

CORPORATE GOVERNANCE AND INTERNAL CONTROL

1

1.1 Corporate governance and internal control report prepared by the Chairman of the Supervisory Board

1.1.1 Corporate governance

1.1.1.1 Conditions governing the preparation and structure of the work done by the Board

CORPORATE GOVERNANCE CODE

La Banque Postale is a limited company with Executive and Supervisory Boards wholly-owned by La Poste (a state-owned industrial and trading company). It began trading as a bank on January 1st 2006, having received CECEI approval as a credit institution on December 2nd 2005.

As a retail company, it is bound by the French Commercial Code. As a credit institution, it is bound by the French Monetary and Financial Code and CCLRF regulations, and as a company belonging to the public sector it is bound by the July 1983 Public Sector Democratisation legislation.

Since its formation, La Banque Postale has based its governance structure on the corporate governance principles contained in the Viénot and Bouton reports and published by the Afep/Medef in 2008 (www.medef.fr). La Banque Postale therefore complies with the majority of the recommendations made in this corporate governance code, subject to application of the provisions contained in the public sector democratisation legislation, which impose special conditions, as:

- the period of appointment for Supervisory Board members and the procedures for reappointment;
- the requirement for one-third of Supervisory Board members to be employee representatives, which results in a lower proportion of independent members and is recommended by the Afep code of corporate governance.

THE STRUCTURE AND OPERATION OF THE BOARD

Composition of the Board

The Supervisory Board is chaired by La Poste Chairman Jean-Paul Bailly. The Board has had fifteen members since the Annual General Meeting of February 12th 2008, which reappointed all the existing members. Seven members occupy senior management posts at La Poste, three are independent and five were elected by employees in February 2008. Employee representatives therefore make up one-third of the Board, as required by French public sector democratisation legislation. All Board members hold French nationality.
In accordance with the provisions contained in the French public sector democratisation legislation, Supervisory Board members are appointed for a five-year term.
The French government has also appointed a Government Commissioner to oversee its public service responsibilities.

Experience of Board members

Chairman of the Supervisory Board		
Jean-Paul Bailly (62)	Graduate of the École Polytechnique and MIT	· Career at RATP (the Paris public transport authority) as: Head of the Bus Fleet, Head of the Metro and Regional Rail System and Personnel Director. Appointed as Chief Operating Officer of RATP in 1990, and Chairman and Managing Director in 1994. · Member of the Conseil Economique, Social et Environnemental since 1995, Chairman of the International Post Corporation (IPC) since 2006 and Chairman of the Union Internationale des Transports Publics (UITP) from 1997 to 2001. · Chairman of the La Poste Group since 2002 and Chairman of the La Banque Postale Supervisory Board since 2006.

Vice-Chairman of the Supervisory Board

Marc-André Feffer (59)	Graduate of the IEP Paris, holder of a Masters degree in Law and former student of the ENA	· Public service career: member of the Conseil d'État, adviser to the President of the European Commission, and Head of the Prime Minister's office until 1988. · Vice-Chairman and Director General of Canal + until 2003. · Executive Director of the La Poste Group since 2004, Executive Committee member and Chairman of Poste Immo Executive Board.

Other members of the Supervisory Board occupying management posts within the La Poste Group

Didier Brune (52)	Graduate of the HEC and ENSPTT	· His career with the La Poste Group began in 1983, and includes the posts of Head of National and International Operations at Chronopost and Finance and Strategy Director of the Letter Post Division. · Group Strategy Director since 2003, with responsibility for corporate strategy, institutional negotiations with government (pensions, Banque Postale and the legal aspects of La Poste growth), business monitoring and planning.
Paul-Marie Chavanne (57)	Graduate of the École Centrale des Arts et Manufactures de Paris, former student of the ENA and Inspecteur des Finances	· Public service career: Office Manager and Deputy Director of the French Treasury until 1989. · Joined the Soparges Group before joining PSA Peugeot Citroën as Deputy Managing Director of Citroën cars (until 1997). · Chief Executive Officer of the Stafor-Facom Group in 1997, Chairman in 1998 and Chairman of Auto Distribution in 1999. · Executive Director of the La Poste Group since 2001, Executive Committee member, Head of Parcels and Chairman and Managing Director of GeoPost.
Nicolas Duhamel (55)	Graduate of the IEP Paris, former student of the ENA and Inspecteur des Finances	· Followed a career at the French Ministry of the Economy and Finance until 1984. · Head of Finance at France Télécom until 1988. · Held a number of media appointments (Managing Director of Pages Jaunes advertising sales, Finance Director of the Havas Group and Deputy Managing Director of the Publishing Division of Vivendi Universal). · Executive Director, Finance Director and Executive Committee member of the La Poste Group since 2002.
Georges Lefebvre (56)* *Georges Lefebvre represents La Poste on the Supervisory Board	Graduate in mathematics and the ENSPTT	· Followed a career in the French Post Office and Telecommunications Service, most notably as Human Resources Director and senior executive. · Joined the La Poste management team in 1991, with responsibility for the employee relations aspects of the change in status. · Human Resources Director of the La Poste Group since 1998, Group Managing Director and Executive Committee member.
Didier Négiar (54)	Graduate of the ENSAE, IEP Paris and the Université Paris-IX-Dauphine in monetary economics	· Began his career as an economist at the French Embassy in London, before managing a mid-size manufacturing and services company. · Associate Partner of McKinsey France in 1985, heading up the firm's banking and insurance group. · Deputy Managing Director of La Poste Grand Public in 2005, followed by Head of Shared Services at the La Poste Group, with additional responsibility for information systems, purchasing and cost optimisation.

Independent members of the Supervisory Board		
Gérard Barbot (62)	French treasury auditor (h)	· Followed a career at the French Ministry of the Economy and Finance until 1984. · Joined the Caisse des Dépôts et Consignations in 1984, before helping to set up CDC Ixis in 2000 and becoming its Managing Director. · Since 2004: independent adviser and director to a number of financial companies and chairman of several audit committees.
Sylvain Lemoyne de Forges (54)	Graduate of the École Polytechnique and former student of the ENA	· Followed a governmental career, as Head of Monetary and Financial Affairs in the French Treasury, Minister/Councillor for Financial Affairs at the French Embassy in London, French Senior Representative at the EBRD and Head of the Agence France Trésor (AFT) in the French Ministry of the Economy and Finance. · Joined the Veolia Group in 2003. Head of Risks and Markets at Veolia Environnement since 2007.
Didier Ribadeau Dumas (62)	Law graduate and former student of the ENA	· French Ministry of the Economy and Finance from 1971 to 1984, and Deputy Head of the Treasury (1981-1984). · Managing Director of a CIC Group bank until 1989. · Vice-Chairman and Senior Vice-President in the Paris office of Boston Consulting Group until 2006. · Head of DRD Conseil and Partner at Courcelles strategy consultants since 2006.

Employee representatives on the Supervisory Board		
Jean-Robert Larangé (54)	Graduate of the Institut Supérieur du Commerce International (ISCID-IFCE) and Masters graduate in International Affairs from the EDHEC	· Sales and marketing positions in a number of leading companies, including Thomson-CSF, Alliance.com and Iris Développement. · Joined the La Poste Group in 2002 as Head of Sales Development for Business Finance in the Paris Region financial centre, before being appointed as Head of Monitoring for General Audit Recommendations at La Banque Postale. · Head of Banking Services in the partnership-managed La Poste network and in non-post office entities since 2006.
Steeve Maigne (39)	Background and training in sales and finance	· Followed a career in the La Poste Group as Financial Adviser and Customer Service Manager from 1998 to 2004. · Regional Secretary of the CFE-CGC Paris and the Paris Region with responsibility for the La Poste public network and a member of the employee relations dialogue committees of La Poste until 2007. · Employee representative on the Supervisory Board of the La Poste Employee Savings Fund until 2007. · Leader of the La Banque Postale Business, Local Authorities and Voluntary Organisations Department Internal Synergies project since 2008.
Maryvonne Michelet (56)	DESS in banking and finance law, legal practitioner (*Certificat d'Aptitude à la Profession d'Avocat - CAPA*) and graduate in Applied Languages	· Joined the Personnel Department of the French Post and Telecommunications Ministry in 1979, moving to La Poste international financial services in 1986 and the La Poste Legal Affairs Department in 1997. · Currently a banking law counsel at La Banque Postale, with additional responsibility for international consulting at La Poste Group.

Serge Trinca (62)* * Serge Trinca resigned his appointment on January 15th 2009, and was succeeded by Françoise Paget Bitsch on that date.	Graduate in accountancy and holder of a DESS from the IAE (Financial Management option)	· Human Resources Director in a number of manufacturing and insurance companies (including Groupama) until 1991. · Human Resources Consultant at Romance Alant Consultants. · Joined the Human Resources Department of the La Poste Group in 1998, moving subsequently to the Financial Services Operations Department. · Leader of the "Disablement, equality and diversity" programme since 2006.
Hélène Wolff (53)	Graduate of the Université Paris-I (DEA in International Economics) and Paris-IX-Dauphine (DESS in Financial Markets and DESUP in Management IT)	· Marketing Manager at Crédit Mutuel until 1988, followed by a number of management positions in financial companies. · Joined the La Poste Group in 1993, occupying a succession of posts, from accounts organiser to project owner in the salaries core business and banking processes. · Since 2006: Head of Savings Project Ownership at La Banque Postale, and subsequently Head of Marketing and Competitor Monitoring for multichannel distribution.
Françoise Paget Bitsch (52)	Degree in fluid mechanics (Université d'Aix-Marseille)	· Joined the La Poste Group in 1979 as a branch management trainee. · Occupied posts as Sales Development Manager, Deputy Branch Manager and Branch Manager until 1994. · Departmental and Associate Management Controller until 2003, with responsibility for the euro transition project in the Vaucluse. · Operations Controller at La Poste, and Banking Operations Controller since 2006.

Experience of the Government Commissioner

Government Commissioner		
Christian Bodin (56)	Private law graduate of the IEP Paris, practising lawyer (CAPA) and former student of the ENA	· Public service career: CDC and Budget Department, followed by Deputy Director for Economic Affairs in the Ministry for the French Overseas Departments and Territories until 1995. · Economic and commercial adviser (Head of Regional Economic Mission in Côte-d'Ivoire and Saudi Arabia until 2005) and External Services Auditor of the DGTPE. · Since 2006: Economic and Financial Auditor General (DGTPE), Government Commissioner at La Banque Postale, the Caisse de Garantie du Logement Social, Crédit Maritime Mutuel and film funding companies (Sofica).

Assessing member independence

Ever since La Banque Postale was formed, its Supervisory Board has applied the general definition of this concept contained in the principles of corporate governance for listed companies published in 2003 by the Afep/Medef when assessing the independence of its members. Supervisory Committee members are therefore considered to be independent as long as they have no relationship of any kind with the company, its parent group or its management team capable of compromising his or her ability to exercise complete freedom of judgement.

Missions of the Board

The Supervisory Board exercises the powers granted to it under the French Commercial Code, the Public Sector Democratisation legislation of July 26th 1983 and Article 25 of the company's articles of association.

The Supervisory Board discusses major strategic, economic, financial and technological issues before they are submitted to the Executive Board for a decision.

It provides ongoing supervision of the company management exercised by the Executive Board, and grants prior approval for those transactions which the Executive Board cannot take alone under the terms of Article 14 of the articles of association.

It checks and audits the financial statements. It appoints the members of the Executive Board, sets their compensation and has the power to dismiss members under the terms of Article 12 of the articles of association.

Activities of the Board in 2008

The Supervisory Board met eight times during the 2008 financial year with an average attendance rate of 86%.

In addition to the Board members themselves, some directors of La Banque Postale occasionally attend Board meetings, depending on the agenda points to be discussed. The statutory auditors attend those meetings held to discuss the presentation of the annual and half-yearly financial statements.

During 2008, the activities of the Board focused primarily on:

- the composition of its committees,
- the quarterly Executive Board business reports,
- the bank's internal control policy,
- the annual company and consolidated accounts for 2007, the Executive Board management report and the proposed application of profit,
- the half-yearly financial statements for 2008,
- the strategic initiatives implemented during 2008,
- updating of the Livret A strategy,
- supervision of subsidiary business activity,
- the internal control and risk measurement and monitoring report (Articles 42 and 43 of CRBF regulation 97-02),
- plans for partnerships and acquisitions,
- the Compensation of company officers,
- the training programme for employee representative members,
- the 2009 budget.

In accordance with the internal rules of procedure, the members of the Supervisory Board are given 10 days' notification of Board meetings and receive the corresponding preparatory documents 7 days prior to each meeting.

Internal Rules of Procedure

At its meeting of January 25th 2006, the Supervisory Board adopted the internal rules of procedure governing the preparation and organisation of its duties. At the same meeting, it also adopted the La Banque Postale Supervisory Board Membership Charter, which sets out the rights, obligations and principles applying to Supervisory Board members.

ORGANISATION AND OPERATION OF THE SPECIALIST COMMITTEES

The Supervisory Board has formed three committees to assist it in its work: an Audit Committee, an Appointment and Compensation Committee and a Strategy Committee. These committees have been formed in full compliance with the recommendations made in the Afep/Medef code of corporate governance.
The tasks of each of these committees, the member selection criteria and their operating rules are contained in the internal rules of procedure approved by the Supervisory Board.

The Audit Committee

The Audit Committee has six members:

- three independent members: Didier Ribadeau Dumas, the Chairman, Gérard Barbot and Sylvain Lemoyne de Forges,
- one member from La Poste: Nicolas Duhamel,
- two employee representative members: Hélène Wolff and Steeve Maigne.

Government Commissioner Christian Bodin also attends Audit Committee meetings.

The scope of responsibilities of the Committee is mainly:

- to ensure that the financial information provided by the Executive Board is clear and to assess the relevance of the accounting methods adopted,
- to conduct the statutory auditor selection procedure,
- to measure the quality of internal compliance procedures, with particular emphasis on risk management.

The Audit Committee meets at least six times per year and prior to every meeting of the Supervisory Board where the agenda includes one or more items relating to its field of competence. The Committee submits a report to the Supervisory Board after every meeting.
In 2008, it met nine times with an average attendance rate of 83%.

During 2008, the work of the Board focused primarily on:

- fraud and misappropriation of funds,
- monitoring of the Banking Commission mission,
- reviewing the internal controls applied by the statutory auditor,
- counselling duties,
- the statutory and consolidated annual financial statements for 2007 and the 2007 annual report,
- the reports required under the terms of CRBF regulation 97-02 (Articles 38, 39, 42 and 43),
- the balance sheet management policy and associated risks,
- regulated savings,
- combating money laundering and the funding of terrorism,
- the General Inspection annual management report for 2007,
- the half-yearly financial statements for 2008,
- the General Inspection work programme for 2009,
- evaluating Committee operation.

The Appointments and Compensation Committee

The Appointments and Compensation Committee has three members: one 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 expected to sit on the Supervisory Board on the basis of their independence from the company and the La Poste Group, or to become members of the Executive Board,
- to examine the fixed and variable compensation paid to company officers, both in cash or as benefits in kind,
- to examine pension and welfare provisions,
- to examine the opportunity for introducing mandatory and/or discretionary profit-sharing schemes for company directors or employees, whether share-based or otherwise.

The Appointments and Compensation Committee met three times during the year with an attendance rate of 100%.

During 2008, the Board focused its work on the following:

- reviewing the compensation paid to Executive Committee members in 2007,
- changes to the medium-term bonus paid to Executive Board members,
- the variable remuneration paid to Executive Board members in respect of the 2007 financial year, any changes to be made in their fixed remuneration for 2008, and the key indicators to be used for calculating their variable remuneration for 2008,
- the implications of the TEPA (work, employment and purchasing power) legislation and the Afep/Medef recommendations on director remuneration published in October 2008,
- the supplementary pensions arrangements for Executive Board members and La Banque Postale Management Committee members with bank employment contracts.

The Strategy Committee

The Strategy Committee has five members:

- one independent member: Sylvain Lemoyne de Forges,
- two members from the La Poste Group: Marc-André Feffer (Chairman) and Paul-Marie Chavanne,
- two employee representative members: Jean-Robert Larangé and Serge Trinca (succeeded on January 15th 2009 by Françoise Paget Bitsch).

Government Commissioner Christian Bodin also attends Strategy Committee meetings.
The Strategy 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.
The Strategy Committee met twice during the year (with an attendance rate of 100%) to discuss potential La Banque Postale partnerships and acquisitions.

EVALUATION OF THE WORK DONE BY THE BOARD AND THE COMMITTEES

The Supervisory Board

After three years of operation since the creation of La Banque Postale, the work done by the Supervisory Board will be evaluated in Quarter 2 of 2009. This evaluation will be led by Gérard Barbot and will focus primarily on the training of Supervisory Board members, the operation of the Board in delivering its key missions, the operation of its committees and the information received by the Board in respect of the risks addressed by the bank and how they are managed.

The Audit Committee

At the year-end, the Audit Committee conducted a self-evaluation of its operation during 2008. This self-evaluation examined the training of members, the risk evaluation methodology used, the quality of issues addressed and the way in which the work of the committee is organised. The Committee also evaluated the quality of its report submitted to the Supervisory Board.

This self-evaluation highlighted the particularly satisfactory quality of the work done by the committee in close cooperation with the Executive Board and the bank's Risks Department, Compliance Department and General Inspection team. In terms of working methods, the decision to structure the Audit Committee's annual programme of work in a topic-based way insisting of summarised presentations documented by bank directors on issues of interest to the audit committee (combating money laundering and the financing of terrorism, issues surrounding regulated savings, etc.) was also found very positive.
A number of areas for improvement in the way information is provided to the Supervisory Board were also identified. These improvements would enable the Audit Committee to examine the impact of alternative accounting practices prior to the preparation of the financial statements. They would also encourage the Committee to continue development of its topic-based approach by focusing more specifically on risk management in the context of the financial crisis.

1.1.1.2 Shareholder participation in the General Meeting of Shareholders

The conditions governing shareholder participation in the General Meeting of Shareholders in La Banque Postale are detailed in Article 31 of the articles of association.

1.1.1.3 Principles and rules governing the compensation of company officers

APPLICATION OF AFEP/MEDEF RECOMMENDATIONS ON THE COMPENSATION OF EXECUTIVE COMPANY OFFICERS

On the basis of the work begun by the Appointments and Compensation Committee in 2008, the Supervisory Board meeting on March 11th 2009 resolved that those aspects of La Banque Postale policy not already compliant with the Afep/Medef recommendations on the Compensation of executive company officers published in October 2008 (severance payments for Executive Board members) should become compliant. However, the Supervisory Board resolved that the dismissal of Executive Board members will be accompanied by such payments, except in the case of dismissal for serious misconduct or gross professional error, or where the financial situation of the company is seriously deficient.

THE RULES APPLIED WHEN CALCULATING THE COMPENSATION PAID TO SUPERVISORY BOARD MEMBERS

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

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

The attendance fees paid to others 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.

The La Poste Group rules governing attendance fees apply to all La Poste representatives on the Supervisory Board. Their attendance fees are therefore paid to La Poste.

THE RULES APPLIED WHEN CALCULATING THE COMPENSATION PAID TO EXECUTIVE BOARD MEMBERS

The fixed Compensation paid to Executive Board members in respect of their appointment is set by the Supervisory Board on the basis of proposals made by the Appointments and Compensation Committee. It is set on the basis of a benchmarking analysis of compensation paid to executive managers of other French retail banks taken from a panel of lending institutions.

The fixed element of annual remuneration may be supplemented by a capped variable element. In accordance with the decision reached at the Supervisory Board meeting of September 25th 2008 (proposed by the Appointments and Compensation Committee), this variable element is capped at 80% of annual fixed compensation for the Executive Board Chairman and at 50% of that received by Executive Board member. Since 2008, this variable element has been calculated using a weighted combination of financial including the trend in NBP and quality criteria, the cost/income ratio and prudential ratios.

Executive board members may also receive a long-term variable element of compensation calculated over three years. This payment is potentially equivalent to one year's salary calculated on the basis of performance to the end of 2008. This element is designed to reward performance a year earlier of that set out in the business plan target.

1.1.2 Internal control

1.1.2.1 The internal control environment

The internal controlling function of La Banque Postale is structured around the provisionsof the French Monetary and Financial Code, CRBF regulation 97-02 (amended) and the AMF general regulations. It also reflects the good practices defined by the Basel Committee and the reference framework established under the aegis of the AMF.

These basic principles are implemented through the following internal documents: the "Audit Charter" governing periodic checks, the "Risk Management Policy" and the "Key Elements of an Effective Risk Management Policy" document intended for ongoing compliance of head office departments.

These documents are themselves interpreted in the form of operational compliance processes and procedures.

1.1.2.2 Principles

At La Banque Postale, internal control is based on two fundamental principles:

The responsibility of operational staff. This forms the basis of an effective management and compliance policy.
All employees must ensure that the work they do and the transactions they handle are completed in accordance with the appropriate procedures and to the required level of quality. All employees must be in a position to report at any time on the effective management of the work they do and the risks with which they are involved. This principle relies on close management involvement.

Proportionality between the controls applied and the level of risk to be managed. All managers analyse their own risks and implement appropriate compliance procedures in order to provide a reasonable assurance that their business activities are properly managed and comply with the relevant internal and external standards and regulations.

1.1.2.3 Scope

La Banque Postale internal controlling function covers every aspect of the bank's business. It covers every type of risk in every La Banque Postale entity, every direct employee and those who act in its name and on its behalf. The internal controlling function also extends to cover outsourced essential services.

1.1.2.4 Contributors to internal control

La Banque Postale internal compliance function is structured around:
- internal control governance committees,
- central control functions,
- permanent control measures for all departments.

INDEPENDENT MANAGEMENT STRUCTURES

La Banque Postale has introduced an Audit Committee, and operates a number of other committees addressing internal control issues. Each of these additional committees contains at least one of the bank's two Executive Board members.

The Audit Committee is a Supervisory Board body. Its purpose is to verify the clarity of information provided, assess the relevance of the accounting methods adopted by the bank and praise the quality of internal control measures.

The Compliance Committee is chaired by the Compliance Director. In addition to its responsibilities regarding compliance and business ethics, this committee coordinates compliance initiatives and examines the annual internal control reports.

The Risks Committee is chaired by the Risks Director.
Its purpose is to:
- set the credit, market and operational risks management policy,
- examine sensitive risks and approve major commitments,
- validate risk management procedures and ensure that they are respected.

Chaired by **the Executive Board member** responsible for internal control, the Internal Control Coordination Committee includes the internal control managers of the bank's central department, and is tasked with ensuring consistency and effectiveness of the internal controls applied at departmental level. Members include the Inspector General, Heads of Compliance and Risks and a representative of the Legal Department.

CENTRAL CONTROL FUNCTIONS

The General Inspection has exclusive responsibility for making the periodic checks required under CRBF regulation 97-02 amended. It evaluates risk management and the quality of internal control.
The central mission of the General Inspection is to carry out the following audit-related tasks in relation to every business activity and entity of the bank, its subsidiary companies and its outsourced service providers:
- to confirm the existence, quality, efficiency and appropriateness of internal control procedures,
- to confirm the reliability and integrity of accounting and management data processing, as well as all associated controls,
- to analyse, measure and manage risks, as well as the effective level of risk to which the bank is exposed,
- to ensure full compliance with all relevant laws, regulations, internal procedures and instructions, as well as business ethics and best professional practice.

The Compliance Department reports directly to the bank's Executive Board. Its purpose is to:
- manage the risk of non-compliance, as defined in Article 4 of CRBF regulation 97-02 amended. For this purpose, it focuses principally on the functions of business ethics and combating money laundering and the funding of terrorism,
- coordinate the continual control system, without prejudice to the responsibilities of Risks Department and, more specifically, to coordinate the Level 2 compliance teams. It is responsible for the functional management of banking supervisors working in the post office network. For this purpose, it supplies banking supervisors and their managers with the resources they require to carry out their control tasks: programmes, control questionnaires and systems to consolidate results aggregated at individual manager responsibility levels. The scope of this responsibility includes financial centre internal control managers and internal supervisors via the functional department responsible for control within the Banking Operations Department.

The Risks Department reports directly to the bank's Executive Board, and is tasked with defining the framework within which the operational staff of La Banque Postale do their jobs and enter into commitments on behalf of the bank and checking that the resulting rules are complied with all times. Its final task is to measure and monitor the development of risks, ensuring that they are commensurate with the bank's equity position, financial trends and strategy.
The Risks Department is subdivided into three sub-departments:
- the Market Risks Department, which ensures implementation of the risk monitoring and compliance procedures for market trading,
- the Credit Risks Department, which is responsible for credit risk-related activities,
- the Operational Risks Department, which is responsible for managing and monitoring the bank's operational risks This department covers all those functions identified in the banking regulations as being central to information systems security and business continuity.

Additional information is supplied by the La Banque Postale risk management team. Further details of this information may be found on page 93 of the management report.

BASING COMPLIANCE ON OPERATIONAL SYSTEMS

La Banque Postale exercises compliance as closely as possible to its business processes, and has implemented special provisions to ensure management control of transactions conducted in post offices. These provisions are implemented in coordination with the Enseigne La Poste.

Working on the basis of a specification written by the La Banque Postale Compliance Department, the La Poste management team is responsible for banking business conducted in post offices, and for the design and management of the Level 1 compliance procedures exercised by branch managers. For this purpose, it uses a compliance guide, which contains compliance tables for every topic and transaction, and a record sheet used to track all the corrective measures taken by branch managers to resolve identified problems.

Implementation of the compliance guide by branch managers is continually monitored so that line management and the Enseigne La Poste executive management can confirm the quality and application of compliance procedures.

Bank supervisors employed by La Banque Postale conduct Level 2 compliance checks of banking activities in post offices, report directly to the Regional Bank Representatives and are managed by the Compliance Department.

1.1.2.5 Controls applied to the preparation and processing of accounting information

Responsibility for the preparation and processing of accounting information lies with the La Banque Postale Accounts Department. Its key tasks are to produce and distribute high-quality accounting information with the support of the La Banque Postale accounts division and the accounting project ownership resources of the Accounts Department.

In addition to the Accounts Department, the La Banque Postale accounts division includes the bank back-office accounting teams who report to the financial centre managers. The bank's Accounts Department provides these teams with the instructions and compliance programmes required to ensure the required levels of data quality and consistency. The accounts division also includes a centre specialising in the accounts processing of the bank's general resources, and the Financial Transactions Department accounting team responsible for market transactions conducted by La Banque Postale.

The Accounts Department coordinates and defines the Level 1 justification and control programmes that must be implemented by the bank's operational accounts departments located in financial centres, national centres, the Financial Transactions Department and the general resources at head office and Brive. These compliance programmes are revised on the basis of the risk analyses run periodically as part of accounts preparation and control procedures.

The Accounts Department supplements Level 1 controls with a series of Level 2 controls consisting of recurring cross-functional checks designed to ensure the quality and comprehensiveness of the Level 1 controls applied by the operational entities. The control process is set out formally in a series of manuals, and is also based on the accounts justification and end-of-period data package formalisation procedures detailed in work programmes. The Level 2 controls are applied by a dedicated team of accounts supervisors, and include revision cycles for the bank's key activities and/or internal cross functional cycles, particularly in terms of regulatory production.

Level 2 controls are documented in cycle reports, and supported by a set of management indicators for retail bank accounting and market transactions. Its scope will eventually be extended to include general resources accounting.

The work programmes for accounts supervisors are periodically updated in order to:

- adapt them to suit changes in business activity and the regulatory environment,
- incorporate project developments,
- take account of newly identified risk factors and/or risk factors no longer applicable,
- optimize compliance efficiency as part of shortening end-of-period accounting lead times.

The Accounts Department also issues special instructions to coordinate the consolidation accounting of La Banque Postale Group.

It manages end-of-period accounting processes and ensures that subsidiary companies use the appropriate accounting systems and procedures. Lastly, the Accounts Department works with other departments (most notably the Risks Department and Tax Department) to apply the necessary controls to their shared production processes.

1.1.3 Approval of the corporate governance and internal control report prepared by the Chairman of the Supervisory Board

During the meeting on March 11th 2009, the Supervisory Board approved the draft corporate governance and internal compliance report prepared by its Chairman.

1.2 Information regarding Supervisory and Executive Board members

1.2.1 List of appointments

N.B.: An asterisk (*) is used to identify those appointments and posts held in companies whose equity shares are traded in regulated markets.

1.2.1.1 Executive Board members

Mr Patrick Werner, Chairman of the Executive Board of La Banque Postale:

- Executive Director - Financial Activities Director of La Poste (Industrial and Commercial Public Company),
- Chairman and Managing Director of SF2 (SA),
- Chairman of the Supervisory Board of La Banque Postale Asset Management (SA with Executive and Supervisory Boards),
- Chairman of the Supervisory Board of La Banque Postale Gestion Privée (SA with Executive and Supervisory Boards) since July 8th 2008,
- Chairman of the Supervisory Board of XAnge Private Equity (SA with Executive and Supervisory Boards),
- Permanent representative of SF2 and Director of Sopassure (SA),
- Chairman of La Banque Postal Prévoyance (SA),
- Director of CNP Assurances (SA)*,
- Chairman of the Supervisory Board of La Société Financière de Paiements (SAS),
- Chairman of the Supervisory Board of Issy-SF2 4 (SA with Executive and Supervisory Boards) since October 10th 2008,
- Chairman of BMS Développement (SAS),
- Chairman of BMS Exploitation (SAS),
- Director of Europay France (SAS),
- Chairman of SFPMEI (SAS),
- Director of Poste Immo (SA),
- Representative of La Banque Postale and Manager of CRSF Dom (SCI),
- Representative of La Banque Postale and Manager of CRSF Métropole (SCI),
- Chairman of the following UCITS: LBPAM Obli Court Terme until March 10th 2008 and LBPAM Actions Euro and LBPAM Actions Indice Euro until January 28th 2008,
- Permanent representative of La Banque Postale and Director of the charity AFPEN,
- Member of the Supervisory Board of Fonds de Garantie des Dépôts.

Mr Philippe Bajou, member of the Executive Board of La Banque Postale:

- Chairman of the Supervisory Board of La Banque Postale Gestion Privée (SA with Executive and Supervisory Boards) until July 8th 2008, and member of the Supervisory Board since July 8th 2008,
- Vice-Chairman of the Supervisory Board of La Banque Postale Asset Management (SA with Executive and Supervisory Boards),
- Vice-Chairman of the Board of Directors of Titres Cadeaux (SAS),
- Permanent representative of SF2 and Director of Colipost (Malian limited company) until July 29th 2008,
- Managing Director of EF Primo (SA),
- Chairman of Fédération-SF2 (SAS),
- Chairman of the following UCITS: LBPAM Actions Monde and LBPAM Obli Revenus,
- Chairman of Easybourse (SAS) since June 23rd 2008,
- Director of Fondation La Poste.

1.2.1.2 Supervisory Board members

Mr Jean-Paul Bailly, Chairman of the Supervisory Board and member of the Appointments and Compensation Committee of La Banque Postale:

- Chairman of La Poste (Industrial and Commercial Public Company),
- Permanent representative of La Banque Postale and Director of SF2 (SA) until April 11th 2008,
- Director of Sopassure (SA),
- Member of the Supervisory Board of La Banque Postale Asset Management (SA with Executive and Supervisory Boards),
- Director of CNP Assurances (SA)*,
- Permanent representative of La Banque Postale and Director of GeoPost (SA),
- Permanent representative of La Banque Postale and Director of Sofipost (SA),
- Permanent representative of La Banque Postale and Director of Post Immo (SA),
- Permanent representative of La Poste and Chairman of SF 12 (SAS),
- Director of Systar (SA)*,
- Permanent representative of La Poste and Director of Xelian (SA) since March 28th 2008,
- Government Representative Director and member of the Ethics, Environment and Sustainable Development Committee of GDF Suez (SA)* since July 16th 2008.

Mr Gérard Barbot, member of the Supervisory Board, member of the Audit Committee and Chairman of the Appointments and Compensation Committee of La Banque Postale:
- Member of the Supervisory Board and Chairman of the Audit Committee of La Banque Postale Asset Management (SA with Executive and Supervisory Boards),
- Director and Chairman of the Audit Committee of Geopost (SA),
- Member of the Supervisory Board of Oddo & Cie (SCA),
- Member of the Supervisory Board of Crédit Foncier de France (SA with Executive and Supervisory Boards),
- Chairman of the Supervisory Board of Vauban Mobilisation Garanties (SA with Executive and Supervisory Boards),
- Manager of Gimar Capital Investissement (SCA).

Mr Didier Brune, member of the Supervisory Board of La Banque Postale:
- Director Strategy at La Poste (Industrial and Commercial Public Company),
- Director of Sofipost (SA),
- Director of Somepost (SA),
- Director of Aspheria Holding (SA) until March 10th 2008.

Mr Paul-Marie Chavanne, member of the Supervisory Board and member of the Strategy Committee of La Banque Postale:
- Executive Director – Parcels Director of La Poste (Industrial and Commercial Public Company),
- Chairman and Managing Director of GeoPost (SA),
- Member of the Supervisory Board of GeoPost Imdh GmbH,
- Director of GeoPost UK,
- 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 GeoPost and Director of Chronopost (SA),
- Director of Sofipost (SA),
- Chairman of Europe Airpost (SA) until March 13th 2008, permanent representative of Sofipost and Director since March 13th 2008,
- Director of Generali Assurances IARD (SA),
- Director of Generali Assurances Vie (SA),
- Director and Government representative of GDF Suez (SA)* until July 16th 2008,
- Director of Aviation Group Limited (UK limited company) since April 15th 2008.

Mr Nicolas Duhamel, member of the Supervisory Board and member of the Audit Committee of La Banque Postale:
- Executive Director and Finance Director of La Poste (Industrial and Commercial Public Company),
- Director of SF2 (SA) until December 2nd 2008,
- Member of the Supervisory Board of La Banque Postale Asset Management (SA with Executive and Supervisory Boards),
- Director of La Banque Postale Prévoyance (SA),
- Director of GeoPost (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 Strategy Committee of La Banque Postale:
- Executive Director at La Poste Group with responsibility for Strategy, International Business Development, Legal Affairs and Regulation (Industrial and Commercial Public Company),
- Director of Sopassure (SA) until March 28th 2008, and Chairman and Managing Director of the company since that date,
- Permanent representative of Sopassure and Director of CNP Assurances (SA)*,
- Director of GeoPost (SA),
- Member of the Supervisory Board of Geopost Intercontinental (SAS),
- Chairman Poste Immo (SA),
- Chairman of the Supervisory Board of XAnge Capital (SA).

Mr Philippe Galopin, Banking Supervisor (Regional Banking Representation) and employee-elected member of the Supervisory Board of La Banque Postale until February 27th 2008.

Mr Jean-Robert Larangé, Strategy and Development Project Leader (Marketing Department), employee-elected member of the Supervisory Board and member of the Strategy Committee of La Banque Postale since February 27th 2008.

Mr Georges Lefebvre, Permanent Representative of La Poste, member of the Supervisory Board and member of the Appointments and Compensation Committee of La Banque Postale:
- Managing Director and Human Resources & Employee Relations Director of La Poste,
- Director and member of the Appointments and Compensations Committee of Geopost (SA),
- Director and member of the Appointments and Compensations Committee of Poste Immo (SA),
- Director and member of the Appointments and Compensations Committee of Sofipost (SA),
- Chairman of the following UCITS: LBPAM Profil 100, LBPAM Profil 50, LBPAM Profil 80, LBPAM Profil 80 PEA and LBPAM Profil 15,
- Chairman of Xelian (SA) since March 28th 2008.

Mr Sylvain Lemoyne de Forges, member of the Supervisory Board, member of the Audit Committee and member of the Strategy Committee of La Banque Postale:
- Director of Risks and Markets at Véolia Environnement (SA),
- Director of Veolia Environnement Services (SA),
- Chairman and Managing Director of Véolia PPP Finance (SA),
- Director and member of the Strategy Committee of La Monnaie de Paris (EPIC),
- Manager of SCI Fondvert (SCI).

- Mr Steeve Maigne, EPI Project Leader (Business, Local Authorities and Voluntary Organisations Department), employee-elected member of the Supervisory Board and member of the Audit Committee of La Banque Postale since February 27th 2008.

- Mrs Maryvonne Michelet, Lawyer (Legal Affairs Department) and employee-elected member of the Supervisory Board of La Banque Postale since February 27th 2008.

- Mr Didier Négiar, member of the Supervisory Board of La Banque Postale:
  - Director of Purchasing, Cost Optimisation and Information Systems and Director of Shared Services at La Poste (Industrial and Commercial Public Company),
  - Director and Managing Director of Xelian (SA) since March 28th 2008,
  - Permanent representative of Véhiposte SAS and Director of the Véhiposte EIG since February 7th 2008.

- Mr Didier Ribadeau Dumas, member of the Supervisory Board and Chairman of the Audit Committee of La Banque Postale:
  - Manager of DRD Conseil (SARL),
  - Manager of Sauvigny (SCI),
  - Non-voting director of ABC Arbitrage (SA).

- Mr Frédéric de Saint Léger, Derivatives Research and Development Manager (Financial Transactions Department), employee-elected member of the Supervisory Committee and member of the Strategy Committee of La Banque Postale until February 27th 2008.

- Mr Serge Trinca, Disability, Equality and Diversity Project Manager (Banking Operations Department), employee-elected member of the Supervisory Committee and member of the Strategy Committee of La Banque Postale since February 27th 2008.

- Mrs Hélène Wolff, Manager of the Multi-Channel Distribution Marketing and Competition Monitoring Unit, employee-elected member of the Supervisory Committee and member of the La Banque Postale Audit Committee.

1.2.2 Compensation

1.2.2.1 Compensation of Supervisory Board members

Attendance fees are granted to all members of the Supervisory Board, except for employee representatives. The total sum allocated for this purpose by the General Meeting of Shareholders held on May 23rd 2006 is €450,000.

The La Poste Group rules governing attendance fees apply to all La Poste representatives on the Supervisory Board. The attendance fees awarded to Supervisory Board members from La Poste are therefore paid to La Poste.

ATTENDANCE ALLOWANCES AND OTHER REMUNERATION PAID TO SUPERVISORY BOARD MEMBERS IN CONNECTION WITH THEIR LA BANQUE POSTALE APPOINTMENTS

Company officers	Amounts paid in 2007 (€)	Recipient	Amounts paid in 2008 (€)	Recipient
Jean-Paul Bailly				
Attendance fees	90,000	La Poste	90,000	La Poste
Other extraordinary remuneration	0	-	0	-
Marc-André Feffer				
Attendance fees	24,500	La Poste	26,000	La Poste
Other extraordinary remuneration	0	-	0	-
Didier Brune				
Attendance fees	15,000	La Poste	13,125	La Poste
Other extraordinary remuneration	0	-	0	-
Paul-Marie Chavanne				
Attendance fees	10,500	La Poste	12,375	La Poste
Other extraordinary remuneration	0	-	0	-

Company officers	Amounts paid in 2007 (€)	Recipient	Amounts paid in 2008 (€)	Recipient
Nicolas Duhamel				
Attendance fees	22,500	La Poste	15,750	La Poste
Other extraordinary remuneration	0	-	0	-
Georges Lefebvre				
Attendance fees	18,000	La Poste	17,625	La Poste
Other extraordinary remuneration	0	-	0	-
Didier Négiar				
Attendance fees	12,000	La Poste	13,125	La Poste
Other extraordinary remuneration	0	-	0	-
Gérard Barbot				
Attendance fees	53,500*	The member	56,125*	The member
Other extraordinary remuneration	0	-	0	-
Sylvain Lemoyne de Forges				
Attendance fees	25,500	The member	26,625	The member
Other extraordinary remuneration	0	-	0	-
Didier Ribadeau Dumas				
Attendance fees	37,500	The member	38,625	The member
Other extraordinary remuneration	0	-	0	-
Philippe Galopin				
Attendance fees	0	-	NA	-
Other extraordinary remuneration	0	-	NA	-
Frédéric de Saint Léger				
Attendance fees	0	-	NA	-
Other extraordinary remuneration	0	-	NA	-
Hélène Wolff				
Attendance fees	0	-	0	-
Other extraordinary remuneration	0	-	0	-
Jean-Robert Larangé				
Attendance fees	N/A	-	0	-
Other extraordinary remuneration	N/A	-	0	-
Steeve Maigne				
Attendance fees	N/A	-	0	-
Other extraordinary remuneration	N/A	-	0	-
Maryvonne Michelet				
Attendance fees	N/A	-	0	-
Other extraordinary remuneration	N/A	-	0	-
Serge Trinca				
Attendance fees	N/A	-	0	-
Other extraordinary remuneration	N/A	-	0	-
Total	**309,000**		**309,375**	

* Gérard Barbot received attendance allowances in respect of his appointments on the Supervisory Boards of La Banque Postale (€36,500 in 2007 and €39,125 in 2008) and La Banque Postale Asset Management (€17,000 in 2007 and €17,000 in 2008).

REMUNERATION OF EMPLOYEE REPRESENTATIVE SUPERVISORY BOARD MEMBERS

Employee representative Supervisory Board members receive no remuneration in connection with their Supervisory Board appointments.

Gross remuneration (including variable remuneration) paid to employee representative Supervisory Board members under their contracts of employment totalled €325,460 in 2008.

1.2.2.2 Compensation of Executive Board members

Executive Board members have no contract of employment with La Banque Postale. They therefore receive no remuneration other than that paid in respect of their appointment as company officers.

TABLE 1: SUMMARY OF GROSS REMUNERATION, SHARE OPTIONS AND SHARES ALLOCATED TO EXECUTIVE BOARD MEMBERS

	2007 financial year (€)	2008 financial year (€)
Patrick Werner		
Gross remuneration payable for the financial year* (see table 2 for breakdown)	464,000	Not known
Value of share options allocated during the financial year	N/A	N/A
Value of performance-related shares allocated during the financial year	N/A	N/A
TOTAL	**464,000**	**Not known**
Philippe Bajou		
Gross remuneration payable for the financial year* (see table 2 for breakdown)	366,572	Not known
Value of share options allocated during the financial year	N/A	N/A
Value of performance-related shares allocated during the financial year	N/A	N/A
TOTAL	**366,572**	**Not known**
EXECUTIVE BOARD TOTAL	**830,572**	**Not known**

* Portion of remuneration paid by La Banque Postale

TABLE 2: DETAILED SUMMARY OF GROSS REMUNERATION PAID TO EXECUTIVE BOARD MEMBERS

	2007 financial year (€)		2008 financial year (€)	
	Amounts payable for the financial year	Amounts paid for the financial year	Amounts payable for the financial year	Amounts paid for the financial year
Patrick Werner				
Fixed remuneration*	320,000	320,000	344,000	344,000
Annual variable remuneration	144,000	91,200	(a)	144,000
Extraordinary remuneration	0	0	(b)	0
Attendance allowance	0	0	0	0
Benefits in kind**	0	0	0	0
TOTAL	**464,000**	**411,200**	**Not known**	**488,000**
Philippe Bajou				
Fixed remuneration*	250,000	250,000	280,000	280,000
Annual variable remuneration	112,000	70,400	(a)	112,000
Extraordinary remuneration	0	0	(b)	0
Attendance allowance	0	0	0	0
Benefits in kind**	4,572	4,572	4,572	4,572
TOTAL	**366,572**	**324,972**	**Not known**	**396,572**
EXECUTIVE BOARD TOTAL	**830,572**	**736,172**	**Not known**	**884,572**

* Portion of remuneration paid by La Banque Postale
** Company car
(a) The amount of variable remuneration due in respect of the 2008 financial year will be set by the La Banque Postale Supervisory Board during Quarter 2, 2009. The total amount due in respect of the 2008 financial year was therefore not known at the time of publication of this financial report.
(b) The three-year long-term variable remuneration due in respect of the period 2006-2008 will be set by the La Banque Postale Supervisory Board during Quarter 2, 2009. The total amount due in respect of the 2008 financial year was therefore not known at the time of publication of this financial report.

The fixed remuneration paid to the Executive Board members in respect of their appointments is set by the Supervisory Board having considered the Appointments and Remuneration Committee proposal, which is based on a benchmarking analysis of remuneration paid to senior managers of other French retail banks taken from a panel of lending institutions.

This fixed annual remuneration may be supplemented by a capped annual variable element. Executive board members may also receive a three year long-term variable payment (cf. Corporate governance and internal compliance report prepared by the Chairman of the Supervisory Board on page 107).

Executive board members also benefit of health and welfare coverage from a scheme to cover health care and welfare costs.

BENEFITS GRANTED TO DIRECTORS ON TERMINATION OR CHANGE OF APPOINTMENT

Executive board members are eligible to receive severance payments on termination of their appointments.

During the meeting of December 19th 2008, the Appointments and Compensation Committee began the process of ensuring compliance with the French law of August 21st 2007 (the TEPA legislation) and the October 2008 Afep/Medef recommendations on the remuneration of company officers. The Supervisory Board meeting of March 11th 2009 decided:

- That a severance payment will be made on termination of appointment in the following circumstances, except in the case of dismissal for serious misconduct or gross professional error, or where the financial situation of the company is seriously deficient:
  - dismissed during the period of appointment,
  - a change of control or strategy resulting in permanent departure from the La Poste Group.
- The maximum amount of the payment will be capped at twice the total annual remuneration paid for the three previous financial years.
- The severance payments would be subject to the fulfilment of the following performance related conditions:
  - a company valuation greater than equity capital,
  - achievement of at least 80% of annual targets in the previous three full financial years.

If both conditions are met, the severance payments will be made in full. Where only the first condition is met, and achievement of annual targets falls within the range 50%-79%, the severance payment would be reduced by 50%.

- Where appointment as a company officer is not renewed, the decision of whether or not to make a severance payment will be made by the Supervisory Board on the basis of a recommendation from the Appointments and Remuneration Committee. The amount of this payment will be set in accordance with the rules and performance related conditions described above.

Where a former company officer rejoins the public sector within two years of forced departure from the company, the amount of the severance payment will be reduced in proportion to the annual remuneration (including bonuses) payable to a public servant of the grade at which the person concerned rejoins the public sector.

SUPPLEMENTARY PENSION ARRANGEMENTS FOR EXECUTIVE BOARD MEMBERS

At December 31st 2008, there were no supplementary pension arrangements in place for La Banque Postale Executive Board members.

1.2.2.3 Compensation of Executive Committee members

Gross remuneration (including variable remuneration) paid to Executive Committee members under their contracts of employment totalled €2,888,341 in 2008.

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2.1 Business environment and highlights

FROM FINANCIAL CRISIS TO RECESSION

Already shaken by rocketing commodities prices, the developed economies suffered a new shock in 2008 with the aggravation of the financial crisis that originated in the USA, the property crash and the drying-up of home loans. The crisis reached fever pitch in the autumn, when the very survival of world-leading banks was threatened and even compromised. The recovery measures adopted by the authorities managed more or less to stabilise the financial system, but were not sufficient to prevent the crisis developing into full-blown recession. The result was a marked contraction in the availability of credit and demand for it, which, in turn, curbed expenditure financed by borrowing. The effects of reduced spending were amplified by a general lack of confidence, a return to saving and a reduction in household budgets fuelled by fears of an uncertain future, all of which had led to a marked downturn in production and employment by the end of 2008. Spread through trading activity, the recessionary wave has also broken over the emerging countries, which have also been impacted by the repatriation of significant amounts of capital to the developed world. Commodities exporters seem worst affected by tumbling prices for many basic products.

A SHARP REVERSAL OF INFLATION

In fact, the surge in commodities prices, which continued for much of the first half of the year driven partly by sustained demand from emerging countries and partly by speculation, gave way to a spectacular fall in share prices at the first signs of a downturn in global economic activity. Having flirted with $150 in July, the oil price had fallen to just $40 by the end of 2008, despite production cutbacks announced by OPEC. Similarly, the high food prices seen earlier in the year also faded. These violent turnarounds in basic products triggered equally-large fluctuations in consumer prices. Inflation in the eurozone peaked last year at 4.1% in July (3.6% in France), before falling back to 1.5% by the end of the year (1% in France). The one positive effect of this sharp reversal of inflation was to lighten the load on household budgets at the end of the year, and leave the field free for central banks to focus their efforts on reviving credit availability and stimulating business activity.

CENTRAL BANKS AND GOVERNMENTS TAKE ACTION TO COUNTER THE FINANCIAL CRISIS

In an effort to contain the recession and get credit flowing again, central banks have cut base rates to the bone. The US Federal Reserve (the Fed) cut its base rate virtually to zero in December. The ECB, which had raised its base rate to 4.25% in July when inflation still seemed a threat, rushed to lower it in the autumn, to end the year at 2.5%. At the same time, the central banks pumped massive liquidity into the banks, extending loan periods and expanding the range of counterparties required. By the end of the year, these measures were relieving some of the extreme short-term funding strain felt by banks. Governments played their part by underwriting the longer-term loans raised by the banks and bolstering balance sheets where necessary.

GOVERNMENT BOND RATES: INITIAL FALLBACK COUNTERED BY THE UPWARD DRIFT IN FUNDING REQUIREMENTS

Government bond rates rose in spring 2008 in response to the steep rises seen in basic product prices and the increased risk of inflation. They then fell back as central banks cut base lending rates, price rises ran out of steam, recession became a reality and investors became increasingly risk-averse and sought the safety of government-backed securities. However, the inflow of cash into government bonds and the corresponding fall in yields had, by the end of the year, been encountered by the prospect of massive bond issues as public funding requirements jumped as a result of budgetary stimulation, falling tax revenues and the need to raise the cash used to consolidate failing banks. The result was increasing investor mistrust of governments, which were judged as being preoccupied with budgetary issues. Hence the rise seen in bond risk premiums in the countries concerned.

VIOLENT FALLS IN SHARE MARKETS

In the autumn, the deepening financial crisis and the arrival of recession triggered dramatic falls in share prices in every world market. Bank shares suffered badly, but so did those of manufacturers in so-called cyclical industries, where revenue and profit are highly sensitive to the general economic environment. Stock markets fell particularly dramatically in October. The introduction of measures to protect the financial system then calmed the situation a little. But share markets remained volatile through to the end of the year. In total, the leading stock market indices lost between 30% and 50% over the year (-34% for the Dow Jones, -43% for the CAC 40 and -44% for the Euro Stoxx 50).

THE SAVINGS AND CREDIT MARKETS IN FRANCE: EXCESSIVE CASH DEPOSITS AND THE DOWNTURN IN THE PROPERTY MARKET

The flow of financial investments in France fell back in 2008, but remained at a substantial level: approximately €115 billion (including reinvested capitalised interests), or 9% of taxed income. Of this amount, a high proportion - about 75% - was invested in liquid or quasi-liquid products like savings books, term deposit accounts and money market mutual funds. What was happening was that households were being driven to look for risk-free cash investments by economic and financial events, such as the worsening world economy, tumbling share markets, the sharp rises in short-term market rates in the first half of the year and regulated interest rates. More specifically, net payments into Livret A and Bleu accounts leapt (€18 billion) following the August rate rise to 4% as savers saw the safe haven at the height of the crisis

during the autumn. Cash investments drained the savings market at the expense of instant-access deposits on the one hand, and non-money mutual market funds and unit-linked life policies on the other, both of which suffered sharp declines in inflows. As a result, payments into unit-linked products declined by 40% in 2008. Cash savings also continued to benefit from saver disaffection with home purchase savings plans (PELs), which again suffered from unfavourable legislative and tax changes. Lastly, despite their status as a safe investment, euro-denominated life insurance policies were not able to benefit from the financial crisis, since the returns offered were less attractive than short-term investments in 2008.
Having begun in 2006, the slowdown in the residential property market gave way during 2008 to a real downturn, which was undoubtedly accentuated by the tightening of bank lending as a result of the financial crisis. As a result, new home loans fell by nearly 20% in 2008, having increased fivefold since the middle of the 1990s.

2.1.1 News from retail banking

BUSINESS SECTORS

La Banque Postale reported a strong rise in deposit inflows to regulated savings products. Average deposits in Livret A accounts rose very significantly by over €4.5 billion during the year. Livrets Développement Durable and Livrets d'Épargne Populaire deposits also performed well.

In 2008, the funds invested in Livret Développement Durable sustainable development savings accounts were used by La Banque Postale on the basis of the same management principles adopted in 2007. Unable to lend to companies, the bank invested deposited funds in OSEO, BNP Paribas and a number of new banks (particularly Banques Populaires).

In August, La Banque Postale launched a campaign to fight the deregulation of Livret A account distribution, at the same time as securing the loyalty of existing customers and winning new business. The transfer of Livret A deposits received on December 31st 2008 by the Caisse Nationale d'Epargne took place on January 1st 2009, adding €59 billion to the La Banque Postale balance sheet.

Business volumes for the year were also marked by dynamic activity in home loans, where average borrowing rose by more than €3.5 billion at the expense of market-related assets, and particularly the investment portfolio, where funds under management fell by €2.7 billion between December 31st 2007 and December 31st 2008. This dynamic trend was felt throughout the year, and continued unrestrained throughout the autumn period as the financial crisis accelerated. The strong liquidity of La Banque Postale and the measured impact of the crisis on its financial management have enabled the bank to maintain its lending policy, even during the most demanding periods.

Given the recent and still-incomplete entry of La Banque Postale into the loans market, the bank continues to have significant lending resources, most of which are invested in government bonds and similar securities (offering similar guarantees), with a limited level of investment in other instruments, such as corporate bonds issued by highly-rated companies. In this way, La Banque Postale had invested in standard bonds issued by Lehman Brothers (then rated AA/A+), which were provisioned at €78 million on December 31st 2008.

Other effects of the financial crisis can be seen in the recognition of depreciation on financial instruments held for the purposes of portfolio management, and in the progressive reduction in the short-term equities portfolio. This particular movement reflects the general climate surrounding the sharp reduction in trading volumes seen in financial markets, particularly in the second half of 2008.

These no longer active market conditions played their part in the decision of La Banque Postale to use the amendments issued by the IASB on October 18th 2008. With effect from July 1st 2008, La Banque Postale has retrospectively reclassified €2.5 billion of financial assets for which the underlying market has become inactive (essentially negotiable debt instruments), from "Assets available for sale" to "Loans and receivables". These reclassifications enable La Banque Postale to converge the level of the AFS (Available For Sale) portfolio more quickly with the La Banque Postale target level.

NEW PRODUCTS & SERVICES

2008 saw the launch of many new products and banking services:

- The introduction in March 2008 of the La Banque Postale Compte sur Livret savings account expands the range of savings products on offer beyond passbook accounts with tax incentives.

- Also in March, La Banque Postale launched a new postal banking offer:
  - more closely personalised to reflect customer age and financial needs;
  - more flexible account viewing and management (remote account viewing, online statements via the bank's website, new rates, new website, etc.);
  - more responsible, thanks to lower account management charges, loyalty programme discounts (Adesio) and free monthly statements.

- The May 15th 2008 launch of new products for business customers designed to complement the La Banque Postale range of Employee Benefits products. These new products are designed to maximise employee retirement benefits (retirement bonuses and Article 83 and PERE retirement solutions) and promote human capital (the HR Service range).

- The launch by La Banque Postale of REITs for personal customers. Managed by Ciloger, these REITs are marketed by La Banque Postale and the Caisses d'Epargne to their respective customer bases.

- The launch in June 2008 of the "Tekemel" range of assistance and insurance services for North African customers resident in France.

- The launch in November 2008 of a new multi-fund, multi-manager life insurance contract (Cachemire).

- The launch by La Banque Postale and the SNCF of a prepaid cobranded card for young customers (the Régliss card).

ORGANISATIONAL STRUCTURE

Changes continued to be made to the organisational structure of La Banque Postale during the year, particularly in the first half of 2008. Three changes were introduced on January 1st 2008:

- The Financial Services Operations Department (DESF in French) of La Poste was transferred to the Banking Operations Department of La Banque Postale. This transfer aims to bring the Banking Operations Department closer to other head office departments.

- The Bank Sales and Marketing Department (DCB in French) was also created with effect from January 1st 2008. Its staff is taken from the La Banque Postale Sales and Marketing Department (DMC) and the Banking Business Department (DAB) of La Poste Grand Public (now Enseigne La Poste). The missions of the Bank Sales and Marketing Department include defining:
  - the La Banque Postale Sales and Marketing Action Plan,
  - the marketing processes and sales methods,
  - the project management of the sales systems used by La Banque Postale staff and the sales and marketing management system.

At local level, the 25 regional bank sales and marketing departments implement initiatives developed by the Sales and Marketing Department and manage the 107 local bank sales and marketing departments.

- Lastly, the Business, Local Authorities and Voluntary Organisations Department has been created to develop new the business banking market with the introduction of a totally new entity dedicated to these customers. This new entity will progressively diversify the range of products offered to customers and exploit multi-market internal synergies to expand La Banque Postale business banking volumes.

At the same time, the contractual relationship between La Banque Postale and La Poste has been updated in response to two specific needs:

- the need to reflect organisational changes. These changes involve the banking support and expertise teams reporting to La Poste financial services, rather than to La Poste Retail, as was previously the case.
  The same transfer also applies to home loan advisers.
  This first stage was completed in June 2008;

- The need to adjust the relationship after two years of operational experience. This second stage continued throughout 2008.

In 2008, La Banque Postale united its teams in a new central head office in Issy-les-Moulineaux. As a result, it vacated the premises it had previously occupied in the Rue de la Fédération. The central head office of La Banque Postale is now 30, boulevard Gallieni, Issy-les Moulineaux. The bank's head office departments gradually migrated to this new site throughout 2008.

2.1.2 News from subsidiary companies

NEW SUBSIDIARIES AND HOLDINGS

On January 25th 2008, La Banque Postale and Société Générale formed a joint venture called Transactis to unite and develop the e-banking business of both groups by pooling expertise and investments. The company began trading on April 2nd 2008. The service provider contracts and software licences held by the two businesses were then gradually migrated to Transactis.

On April 18th 2008, SF2 acquired 95.01% of Easybourse at a total cost of €3.2 million. On November 7th 2008, SF2 paid €0.2 million for the remaining 4.99% of Easybourse.
During 2009, Easybourse will assume the status of an Investment Services Provider in order to provide online share dealing services.

PARTICIPATION IN CAPITAL TRANSACTIONS INVOLVING EXISTING SUBSIDIARY COMPANIES

Working via its subsidiary SF2, La Banque Postale participated in two successive transactions undertaken to improve the financial situation of BMS Exploitation: the first was a capital increase for all partners, followed by a capital reduction designed to absorb previous losses.
Plans are also in place for the recapitalisation of BMS Développement, the capital reduction and cancellation of outstanding receivables by all partners.

PARTNERSHIPS

On October 25th 2007, La Banque Postale and Oddo & Cie signed a preliminary agreement concerning portfolio management services for the asset management customers of La Banque Postale and the provision of portfolio management advice and coordination services for La Banque Postale Asset Management Advisers (CGPs). This agreement led to the sale on July 1st 2008 of a 49% stake in La Banque Postale Gestion Privée to Oddo & Cie at a price of €16 million. The purpose of this transaction was to extend the expertise and missions of the company:

- in order to manage the six bearer security asset management profiles marketed to La Banque Postale asset management customers, which represented assets under management totalling over €200 million at June 30th 2008;
- in order to coordinate and train the bank's 54 Asset Management Advisers.

In November 2007, La Banque Postale was granted approval to market consumer loans. On completion of the highly structured selection process implemented during the first half of 2008, Société Générale and La Banque Postale entered an exclusive negotiation phase leading to the creation of the joint venture formed to develop consumer loan products for La Banque Postale customers.
The company Issy-SF2 4 will be used for the development of this subsidiary. It has been converted into a French limited company with executive and supervisory boards for the purposes of this project. A capital increase exclusive to Société Générale will enable the latter to gain an equity stake in the company.
Lastly, La Banque Postale was also granted approval to market general insurance products. It is therefore engaged in a new selection process in order to identify the insurance partner with which it will launch this new business.

COMPANY DISSOLUTIONS

On July 29th 2008, the Extraordinary General Meeting of Shareholders in Coripost-Africa SA resolved on the premature dissolution of the company (formed on September 8th 2007) on the basis that conditions were not suitable for its success:

- the parties had not succeeded in negotiating a shareholder agreement,
- the board of directors had not adopted a realistic business plan capable of ensuring the company's financial self-sufficiency,
- no regulated agreement governing the relationship between Coripost and its preferred contractor Ça-va Mali had been approved by the board of directors,
- by the beginning of 2008, the shareholder Post Invest had not put in place the initial provisions required to fund operations.

2.2 The La Banque Postale Group in 2008

2.2.1 Overview of the Group's business activities

La Banque Postale focuses principally on the French retail banking market for personal customers. This core business is complemented by the two additional divisions of insurance and asset management.

RETAIL BANKING

The Group's presence in retail banking is essentially supported by the areas of business specific to La Banque Postale in e-banking, payment facilities, savings products and loans.

In delivering these services, La Banque Postale uses La Poste staff whose cost is entirely funded by the bank:

- advisory and sales staff, most of whom are located in post offices,
- counter staff for the banking aspects of its business,
- the financial centre and national centre staff responsible for the back-office processing of customer transactions,
- Financial Services IT staff.

In 2008, La Banque Postale began developing a new area of business focusing on businesses, local authorities and voluntary organisations.

INSURANCE

This division includes the health and personal risk insurance activities introduced in 1998 via a company owned jointly with CNP. The resulting company – La Banque Postale Prévoyance – offers death, health and other personal insurance cover, and is one of the French market leaders.

This division also includes the broker Sogerco, which operates primarily in payment insurance with products like Alliatys, and is particularly noted for its contribution to the design and implementation of insurance products specifically for post office staff.

Lastly, this division also manages the Group's equity holding in CNP Assurances.

ASSET MANAGEMENT

The LBP-AM sub-group covers the asset management activities of La Banque Postale, and has responsibility for creating and managing the mutual funds marketed by retail banking.

The sub-group also includes structured product management and a business start-up investment company that invests in innovative and/or specialist management companies with the aim of allowing La Banque Postale customers to invest in products that benefit from this leading-edge expertise.

The asset management sub-group also includes private equity activities and provides management of a broad range of property investments (REITs) for bank customers.

2.2.2 Results for 2008

As in 2007, the business environment in which La Banque Postale operates was significantly impacted by the effects of the global financial crisis. The management directions taken during the year take this environment fully into account, and continue the management policy implemented since the bank's creation in 2006. They are founded on prudent financial management and the continued development of banking products and services offered at the best price to the largest-possible number of customers.

Customer deposits increased significantly during the year, alongside a continued high level of activity in home loans. The number of active customers rose from 9.3 million at the end of 2007 to 9.5 million at the end of 2008. During the same period, the take-up of products by customers also increased to achieve payment card penetration of nearly 56%, whilst 39% of customers opted for package offers.

The steep decline in stock market values, combined with significant pressure on credit spreads, resulted in very different effects in terms of financial management. Portfolio management suffered from the unfavourable effects of the pressure on signature spreads, whilst high liquidity levels in cash management generated higher margins on business volumes which declined throughout the second half of the year.

La Banque Postale results for 2008 are characterised by a €70.1 million increase in NBP (Net Banking Product), reflecting a rise of 1.5% compared with 2007. After correction for the variance in home savings provision, neutralisation of the capital gain made in 2007 on disposal of La Banque Postale holding in Euronext and the recognition of impairments caused by the effects of the global financial crisis, NBP rose by 4.6% during the year.

Operating expenses rose by 4.4% to €184.6 million for different reasons. One of the most significant was the increase in staff costs resulting from the finalisation of recruitment begun in 2007, and the changes in scope following structural reorganisations. The provision for penalties relating to regulated savings products had a €52.5 million impact on operating expenses. Lastly, we will also draw attention to the effects of IT investment, which rose in response to the increasing workload of the business lines, and the IT expenditure made necessary by relocation and reorganisation. Conversely, counter costs and postal charges were significantly lower in 2008.

Gross operating profit for the year totalled €400 million, representing a fall of €114 million on the figure for 2007. Up by €94.5 million in 2008, provisions for loan losses were impacted chiefly by the effects of provisions totalling €78 million recognised following the collapse of Lehman Brothers.

The cost/income ratio for the year was 91.8%.

Net income from companies accounted for by the equity method was €96.5 million lower than the 2007 figure, since the effects of the financial crisis also impacted on the results of CNP Assurances. The group share of net annual profit was €302.6 million.

2.2.3 Ratings

At the time La Banque Postale was created, its Fitch rating was AA+/F1+. In April 2008, the same agency aligned its rating of La Banque Postale with that awarded to La Poste by Standard & Poor’s. At this time, La Banque Postale was rated AA-.

On January 21st 2009, after the financial year-end, Standard & Poor’s reduced its long-term rating for La Banque Postale alongside that of the Group. The rating was reduced from AA- to A+. At the same time, the short-term rating for La Banque Postale was revised from A1+ to A1, despite the strong liquidity of La Banque Postale.

2.3 Governance

2.3.1 Executive Board

La Banque Postale is a company with Executive and Supervisory Boards.
The general management of the Company is provided by the Executive Board, which has the most extensive powers to act on behalf of the company in all circumstances within the limits set by the company purpose, subject to those powers expressly conferred upon the Supervisory Board and the General Meeting of Shareholders by French law and the Company's articles of association, and more specifically Article 25.

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

The two Executive Board members are managing executives within the meaning of Article L.511-13 of the French Monetary and Financial Code.

The members of the Executive Board share management duties as authorised by the Supervisory Board. They have also set financial limits beyond which certain commitments on behalf of the company will require the prior approval of the Executive Board. Failure to secure this approval may result in the individual concerned being personally liable to the Company and its shareholders.

Experience of Executive Board members

Executive Board Chairman		
Patrick Werner (58)	Graduate of the IEP Paris, former student of the ENA and Inspecteur des finances	· Inspection des Finances (French government audit body) from 1976 to 1980. · Head of General Inspection at La Caisse des Dépôts et Consignations in 1980, then Managing Director of C3D (holding company for CDC subsidiaries) from 1998 to 1991. · Managing Director of the Victoire group of insurance companies from 1991 to 1995. · Managing Director (subsequently Vice-Chairman and Managing Director) of the Federation of French Insurers (Fédération Française des Sociétés d'Assurance - FFSA) from 1995 to 1998. · Joined the La Poste Group in 1998: Executive Committee member and Executive Director with responsibility for finance. · Since 2006: Executive Board Chairman of La Banque Postale and Executive Director of La Poste with responsibility for finance and member of the La Poste Executive Committee.
Executive Board member		
Philippe Bajou (50)	Graduate of ENSPTT and BSC in Electronics (Paris XI)	· Joined the La Poste Group in 1982, seconded to the French Post and Telecommunications Ministry in 1989, followed by a series of posts in the La Poste Finance Department. · Head of Financial Affairs and Holdings at La Poste in 1995, with responsibility for the postal banking fund management project from 1998. · CEO of Efiposte in 2000. · Since 2006: La Banque Postale Executive Board member.

2.3.2 Executive Board committees

In addition to the Executive Committee and the Management Board, La Banque Postale has seven internal committees, each chaired by an Executive Board member.

The members of these committees are heads of the departments concerned and the insurance and asset management divisional directors. The Bank's Regional Representatives also attend selected committee meetings.

Meeting agendas are drawn up in consultation with committee members and approved by the Committee Chairman. Members receive an agenda 24 hours prior to each meeting. Minutes are taken of every meeting and submitted to the Chairman for approval.

• **The Executive Committee** assists the Executive Board in defining the strategic directions of the Company, taking major collective decisions and implementing decisions at operational level. It develops the Company's strategic plan. It meets three times a month and occasionally holds Executive Committee strategy meetings to examine the implementation of strategic decisions and monitor major projects.

At December 31st 2008, the Executive Committee had the following members:

- Patrick Werner, Executive Board Chairman,
- Philippe Bajou, Executive Board member,
- Serge Bayard, Head of Strategy,
- Philippe Blin, Information Systems Director,
- Yves Brassart, Finance Director,
- Yves Caplain, Inspector General,
- Marie Cheval, Deputy Head of Banking Operations and Quality, Processes and Procedures Director,
- Bernard Condat, Sales Director,
- Jean-Luc Enguéhard, Head of the Asset Management Division,
- Sylvie François, Human Resources Director,
- Sylvie Lefoll, Communication Director,
- Marc Levy, Compliance Director,
- Bernard Rayne, Director of Banking Operations,
- Alain Saubole, Risks Director,
- François Schwerer, Legal Affairs Director,
- Pierre-Manuel Sroczynski, Financial Operations Director,
- Didier Vuillaume, Marketing Director,
- Danielle Wajsbrot, Head of the Insurance Division.

• **The Management Committee** provides a forum for mutual sharing of information, with particular focus on deployment of the bank's major policies, projects and budget updates and the results reported by the bank. It makes an up-to-date assessment of the bank's performance using key management indicators to track business trends, and produces a quarterly analysis of how the bank's sales and marketing policy has been implemented and the results it has achieved. It also manages the career paths of senior executives and potential high-flyers. This committee meets monthly. At December 31st 2008, its members included the members of the Executive Committee, as well as the bank's six Regional Representatives (Philippe Bettinger, Anne-Laure Bourn, Danièle Faivre, Bernard Feissat, Eric Moitié and Jean-Luc Thiebault) and Philippe Espanol, the Head of Corporate, Local Authority and Voluntary Organisation Banking.

• **The Risks Committee** helps define the credit policy for each business sector, reviews sensitive risks, approves major commitments, monitors market and operational risks and validates risk control procedures. This committee meets monthly.

• **The Compliance and Business Ethics Committee** monitors the consistency and effectiveness of initiatives implemented in respect of the legal and regulatory provisions specific to banking and finance. More specifically, it monitors the effectiveness of the measures anti combat money laundering and anti terrorism funding, coordinates internal control initiatives, ensures compliance with the rules of business ethics, updates the list of "sensitive" staff and investigates major conflicts of interest. This committee meets monthly.

• **The ALM Committee** ensures consistency within the bank's financial and sales policies, forecasts and manages future trends in margins net of interest and manages financial risks to the balance sheet, with particular emphasis on equity, exchange rate and credit/counterparty risks.

• **The Information Systems Strategy Committee** monitors the IT budget and ensures that the portfolio of IT projects matches the needs of the Company's strategic plan. This committee meets quarterly.

• **The Sales and Marketing Committee** approves the marketing mix implemented in priority NBP development markets. This committee meets monthly.

• **The Customer Quality Committee** proposes quality policy recommendations and monitors customer satisfaction, the quality of the service delivered and industry best practices. It launches Quality action plans and monitors their progress. This committee meets quarterly.

• **The Sustainable Development Committee** was formed in 2008 to define, prioritise and direct sustainable development projects. It analyses the results of its projects and encourages their adoption by the bank's business lines. This committee meets quarterly.

2.4 Shareholder relations

In accordance with Article 16 of French law n°2005-516 of May 20th 2005 and its implementing decree of August 30th 2005, La Poste transferred all the assets, rights and obligations related to its financial services to La Banque Postale with effect from December 31st 2005. This included equity holdings, but excluded, where appropriate, those required for the activities it operated directly. In payment for these contributions, it was allocated 1,008,333,000 La Banque Postale shares with a nominal value of €2.16. On completion of these transactions, La Poste held 99.99% of La Banque Postale equity capital.

Article 16 explicitly states that La Poste must maintain a majority shareholding in its subsidiary.

Furthermore, under the terms of the Transfer Agreement, La Poste has given its commitment to hold its shares in the company for a period of at least three years. La Banque Postale has no knowledge of any other agreements whose effect would be to change the shareholding of La Poste at any future date.

La Poste and La Banque Postale enjoy a very close relationship in terms of governance and management bodies and in industrial and commercial relations. The Executive Board Chairman of La Banque Postale is also Deputy Managing Director of La Poste, with responsibility for finance. He is also a member of the La Poste Executive Committee. 7 of the 10 shareholder-elected members of the La Banque Postale Supervisory Board are employed by the La Poste Group, and its Chairman is the Chairman of La Poste. La Poste is also represented on the Supervisory Board committees.

La Poste is the main service provider of La Banque Postale, which uses La Poste resources to conduct the operational aspects of its business. A number of agreements have been signed between La Poste and La Banque Postale to this effect and to ensure compliance with Article 16 of French law n°2005-516 of May 20th 2005. In accordance with the provisions of Article L.225-86 of the French Commercial Code, the most important of these agreements have been ratified by the La Banque Postale Supervisory Board. La Poste Executive Committee members did not vote on this motion. These agreements are regularly updated to reflect changes in the relationship, with all updates being submitted to the Supervisory Board for approval.

Lastly, La Banque Postale is the lead banker of La Poste.

In addition to its close relationship with its parent company, La Banque Postale also has regular contact with the French Government Shareholding Agency which gets regular update of the strategy of the bank.

2.5 Information about the statutory auditors

La Banque Postale statutory auditors	Date of first appointment	Appointment expiry date
PricewaterhouseCoopers Audit 63, rue de Villiers 92200 Neuilly-sur-Seine represented by Gérard Hautefeuille and Agnès Hussherr substitute: Pierre Coll	April 28th 2004	The annual general meeting of shareholders called in 2010 to vote on the financial statements for the year ended December 31st 2009
Mazars et Guérard Tour Exaltis 61, rue Henri-Régnault 92400 Courbevoie represented by Guillaume Potel substitute: Anne Vaute	May 23rd 2006	The annual general meeting of shareholders called in 2012 to vote on the financial statements for the year ended December 31st 2011

2.6 Risk management

2.6.1 Risk management of non-compliance

COMPLIANCE

The articles of CRBF Regulation n°97-02 transposed the "Compliance" function into French law. They came into force on January 1st 2006, the same day on which La Banque Postale was launched.

So, right from its inception, the governance committees of La Banque Postale have included a Compliance and Business Ethics Committee. The bank also has its own Compliance Department, whose Director is a member of the Executive Committee.

The Compliance and Business Ethics Committee

This committee meets monthly under the chairmanship of the Compliance Director, and reports to the La Banque Postale Executive Board.

Its mission is to:

- ensure the consistency and effectiveness of initiatives implemented in respect of the legal and regulatory provisions specific to banking and finance, especially in terms of anti money laundering and anti terrorism funding,
- coordinate General Inspection activities,
- validate and the business ethics policy and ensure its implementation,
- examine the annual General Inspection reports and the reports produced by the Head of Compliance for Investment Services.

Its members are: the Executive Board members, the Inspector General, and the Banking Operations, Quality, Processes and Procedures, Risk and Legal Affairs, Marketing and Sales Directors. Two of the bank's Regional Representatives also attend meetings on half-yearly rotation.

The Compliance Department

The Compliance Department reports directly to the bank's Management Board.

Its missions are:

- to manage the risk of non-compliance, as defined in Article 4 of CRBF regulation n°97-02 amended. For this purpose, it focuses principally on the functions of business ethics and anti money laundering and anti terrorism funding;
- to coordinate the continual compliance function, without prejudice to the responsibilities specific to the Risks Department and, more specifically, to coordinate the Level 2 compliance teams.

The Compliance Department has its own budget, and is entitled to see the budgets of the other compliance bodies within the system (the internal compliance bodies of the financial centres and the network banking supervisors). If the Compliance Director disagrees with these budgets, the committee can request that they are submitted to the Executive Board for a final decision.

The Compliance Director has full responsibility for the functional operation of the Compliance Department, whose staff consists principally of the assistants to the Bank's Regional Representatives who are responsible for the banking supervisors and the financial centre internal supervisors. These responsibilities also extend to career management consistent with the specific needs of each organisation.

The Compliance Department also manages all the Level 1 and 2 controls applied by La Banque Postale. This involves:

- **managing the network banking supervisors:** working with the Bank's Regional Managers, it drafts and circulates the compliance methodology, and with the Risks Department to determine on the content and procedures for reporting and consolidation;
- **coordinating the various Level 1 and 2 permanent control teams:** ensuring consistency of methodologies, contributing to the definition of management indicators and reporting channels, and consolidating information. The Risk Department defines its own management indicators, the data for which are fed back directly to it;
- **drafting or centralising the statutory internal control reports.**

The Compliance Department delivers its missions through five distinct units.

- **The Expertise and Compliance Unit** drafts the "written notice" required under new product regulations. It also validates all the pre-marketing material, such as the internal procedures that accompany products and services, the training and information documentation for employees and the sales support material provided to customers.
This unit is also responsible for regulatory monitoring.

- **The Business Ethics Unit** is responsible for drafting and circulating the rules of good conduct and coordinating the Business Ethics Officers. The statutory Investment Services Compliance Manager also reports to this unit.
It draws up the business ethics policy for the bank and its subsidiaries, and distributes it throughout the network and operating facilities.

- **The Level 2 Control Management Unit** is responsible for the functional management of the banking supervisors working in the post office network. It provides the 200 banking supervisors and their 12 managers with the resources they need to perform their compliance tasks: programmes, compliance questionnaires and systems to consolidate results aggregated at individual manager responsibility levels. The scope of this responsibility includes the 28 financial centre internal control managers and their 83 internal supervisors via the functional department responsible for compliance within the Banking Operations Department.

- **The Anti Money Laundering and Terrorism Funding Department** manages the system that implements the teams of TRACFIN officers who report to it, as well as the dedicated staff working on these issues in financial centres and the post office network. It validates the procedures, training material and information circulated to all staff, and monitors the effective implementation of training initiatives.It also project manages the IT applications dedicated to addressing these issues.

- **The permanent control summary unit covering head office departments, subsidiary companies and PSEs** is responsible for summarizing the risk management internal control measures for those business activities within its scope. Its tasks include adopting initiatives to improve these systems within the framework of CRBF regulation n°97-02, working in coordination with the Risks Department within its own areas of responsibility. This unit is also responsible for drafting a number of statutory reports.

All these units work together to provide advice and ensure that good practices and the company's culture and values are put into practice in its day-to-day activities in order to:
- protect customers against the risk of receiving inappropriate advice,
- protect the bank and its employees against the risk of non-compliance with regulations,
- protect society by combating money laundering and the funding of terrorism.

In 2008, the bank appointed an internal personal data protection officer (CIL), who operates independently of the Compliance Department and all other departments. The task of the CIL is to act on behalf of the company officers to ensure that La Banque Postale complies fully with French data protection legislation.

The customer relationship

The principle of putting customer's interests first is an essential part of this relationship.

The initiatives developed to achieve this aim are built on values of trust absolutely fundamental to La Banque Postale and the La Poste Group. The fact that a significant part of our customer base is made up of senior or disadvantaged and low-income customers makes this obligation all the more important.

The duty to provide advice is therefore integral to every aspect of the product creation process and the way customer relations are managed:
- paying special attention to promotional material when creating new products;
- ensuring consistency between the composition of the sales force, the method used to calculate sales commission, the products and services offered to customers and the profile of the customers themselves;
- ensuring that the information contained in customer files is appropriate to satisfy the checks carried out in this respect by the banking supervisors.

La Banque Postale pays particular attention to ensuring that the products it offers are suitable for the customer concerned and can be clearly understood. This means they contain no information that may mislead non-expert customers, especially within the meaning of the MiF Directive, which classifies all private customers as "non-professionals".
This is one of the criteria the Compliance Department addresses when drafting the written notice it submits to the Marketing Committee in accordance with Article 11-1 of CRBF Regulation n°97-02 amended.

This practice of paying continual attention to providing transparent customer information also guides the Compliance Department in its validation of all the procedural memos issued to the network to support products and services and of promotional material in all formats. More than 1,200 documents were validated in this way during 2008.

La Banque Postale takes particular care to ensure consistency between the advisory team, its training, its skills and the products and services individuals are permitted to offer and the profile of the customers themselves. La Banque Postale also ensures that the method used to calculate the commission paid to advisers is totally disconnected from the level of risk inherent in the products offered to customers.

The bank has also incorporated the provisions of the MiF directive into its compliance programmes, with the result that a significant part of the work done by the banking supervisors focuses on:
- making systematic checks to ensure that all the right documents are in place to match products and services to individual customer requirements;
- checking compliance with the customer targeting instructions specific to the network.

BUSINESS ETHICS

At the time of its formation, La Banque Postale opted to retain the title of "Head of Business Ethics" for the Investment Services Compliance Manager.

This decision clarifies the meaning of the function, improves its visibility and creates a kind of "benchmark" in terms of "good conduct rules" that is fully consistent with the "whistle blowing" mechanism of CRBF Regulation n°97-02 amended.

For this purpose, the banking business ethics function is structured at three levels:

- the business ethics unit of La Banque Postale, which reports to the Compliance Department;
- the business ethics officers working in the operational units, the Enseigne La Poste, the financial centres, the Financial Services IT Department, the subsidiary companies and the head office departments;
- the local contacts.

At La Banque Postale, the position of business ethics officer is held by employees reporting directly to the Director of Banking Operations, the Head of Enseigne La Poste, the Poste Financial Services IT Director and the head office departments.

The role of the business ethics officer can be undertaken by employees with other responsibilities, provided that these responsibilities are totally independent from the business ethics issues concerned.

These employees are tasked with distributing business ethics standards within their respective entities. They are the guardians and promoters of the rules of behaviour applied by La Banque Postale.

The local business ethics contacts are coordinated by the business ethics officers. Working at branch level, these local business ethics contacts are in a position to pick up any lapses or breaches and report them. They also have an educational role to play in passing on information and raising awareness among staff. Approximately 100 local business ethics contacts work in the network, reporting to the Directors of Enseigne La Poste. The Internal Control and Compliance Manager of each financial centre also acts as a local business ethics contact.

The recommendations in respect of good conduct rules are integral to the internal procedural rules of both La Banque Postale and La Poste. The business ethics rules are appended to the internal procedural rules.

Ongoing training in business ethics is provided in every entity of the bank, the retail network and the financial centres. Special training is given to newly-recruited staff members.

Checks are also made to ensure that business ethics standards are applied in practice.

Lastly, La Banque Postale has implemented a system for withdrawing the right to act on its behalf and in its name from La Poste Retail and financial centre staff found to have breached the business ethics rules. This process is managed by the Head of Business Ethics and the Compliance Director.

ANTI MONEY LAUNDERING AND ILLEGAL ACTIVITIES

La Banque Postale pays particularly close attention to this responsibility. The bank is particularly mindful of these responsibilities, given its very wide customer base and money order services, which are available to one-off customers.

Taking action on these issues requires a close and detailed coordination between La Banque Postale, the financial centres, La Poste Retail and the subsidiary companies.

Identifying customers and "knowing" them is the first obligation of vigilance.

Procedures in place are strict, they are applied scrupulously and the financial centres are forbidden to open any account without the legally-required proofs of address and identity. Application of these rules is closely monitored by specialist compliance bodies.

Details of any suspicious approaches are forwarded by branch managers and financial centre managers to the finance centre financial transaction security units (SOFs). Any circumstances with the potential to require declaration are forwarded to one of the TRACFIN officers working for the Anti Money Laundering and Terrorism Funding Department in the Compliance Department of La Banque Postale. Contacts deal exclusively with TRACFIN.

The SOF unit technicians and TRACFIN officers also have systems designed to detect suspicious transactions. La Banque Postale uses a battery of powerful systems. These systems filter all accounts and almost all transactions for evidence of terrorist-related activity; those transactions not processed by the system are checked manually. In terms of money laundering, these systems generate the vast majority of all TRACFIN declarations.

An ongoing training programme was introduced in 2007 in coordination with La Poste Retail and the financial centres. These training sessions are attended by all bank employees authorised to act on behalf of the bank. Given the number of employees involved (80,000 people), the e-learning training programme is very large, and will continue to be implemented in 2009.

The operation of these procedures was tested several times during the year to ensure procedural compliance and management effectiveness.

2.6.2 Financial management risks

2.6.2.1 Structural risk factors

The structural risk factors affecting La Banque Postale relate primarily to its retail banking activity, and include **liquidity risks, the interest rate risks** associated with converting short-term customer funds to longer-term use, the credit risks associated with home loans and, to a lesser degree, the risks relating to overdraft accounts.
Given that the financial assets for a significant portion of the total assets, **market and counterparty risks** also represent structural risk factors, and are therefore closely monitored by the bank.

LIQUIDITY RISK

As a result of the approvals limitations imposed by the CECEI (no corporate funding agreement and consumer lending restricted to home loans), La Banque Postale retail banking balance sheet to December 31st 2008 shows a large surplus of funds, due to the fact that home loans represented only a quarter of total customer deposits.

La Banque Postale is therefore not dependant on the market to honour its obligations. Nevertheless, it is exposed to liquidity risk arising from the conversion of funds (chiefly current account deposits) for longer-term use as home loans or negotiable debt instruments.

The amounts to be allocated to the portfolio of securities held to maturity are calculated on the basis of a benchmark scenario that models the outflow of liabilities under a series of different stress scenarios. These specifically include situations where current account inflows fall significantly.
The proportion of funds not devoted to investment securities held to maturity or home loans is contained in the portfolio of securities available for sale. These securities are negotiable and may be sold quickly should the need arise.

The risk control policy implemented by La Banque Postale identifies two types of liquidity risk, and takes a different approach to each:

- **Tactical liquidity risk**

This risk relates to cash flow management.
An operational limit is set to cap the funding requirement of the cash flow management division. The amount and period of observation are set by the Risks Committee.

- **Structural liquidity risk**

This risk relates to changes in the structure of the bank's balance sheet.
It reflects the outflow agreements validated by the ALM committee.
Management of this risk is delegated to the ALM committee in accordance with principles and limits validated by the Risks Committee.
This risk is currently measured as the medium- to long-term liquidity deficit that corresponds to a static outflow of liabilities and assets (through outflow agreements). The bank has the long-term assurance of the liquidity represented by the deficit relative to an almost certain confidence interval.

Both these risks are ring-fenced by individual limits reviewed periodically by the ALM committee.

At the beginning of 2008, the liquidity risk measurement methodology was developed to reflect actual asset and liability liquidity and the bank's refinance capacity. This development is designed to reflect the highly liquid nature of 50% of the sovereign equities portfolio (central bank securities, for example), at the same time as introducing limits intended to accommodate any weakening of the equity buyback market. This change of methodology is the cause of the subsequent rise in surplus liquidity seen in the liquidity indicator, which was largely offset by a similar adjustment to the limits.

The outflow agreements used to measure structural liquidity risk are based on modelling the outflow of liabilities with no fixed maturity, off-balance sheet loans and taking account of the realization potential of the sovereign equities portfolio.

The outflow agreements for liabilities with no fixed maturity are revised at least once every year in order to set them at the minimum levels relative to the deposit volatility trend (behavioural changes, etc.).
Outflow of off-balance sheet loans is based on a model that reflects product range changes, payment periods and the new income-generating lifespan of loans.

Although the framework put in place by the ALM and Risks Committees provides for prudent liquidity risk management, La Banque Postale has recourse to a diverse range of funding sources:

- A €10 billion certificates of deposit programme (issues vary between 30% and 40% of the programme) designed to the keep the La Banque Postale name alive in the short-term market.
- A €10 billion EMTN programme introduced at the end of the 2006 financial year. A €500 million subordinated notes issue eligible for additional treasury stock was made at the end of November 2006.
- Access to the interbank market.
- The use of buyback for the shares held on the portfolio of financial assets held to maturity. The majority of this portfolio is made up of rapidly-realizable high-quality government bonds.

INTEREST RATE RISK

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

La Banque Postale uses two types of indicator to track interest rate risk:

- those that support the hedging decision-making process,
- those designed to evaluate the ability of the bank to withstand external impact.

The first of these families includes sensitivity indicators.

They draw both on the record of future revenues (sensitivity of future margins) and the discounted value of future flows (present value sensitivity).

These sensitivity ratios are established partly using both deterministic rate scenarios and the stochastic dispersion method, which provides a more accurate picture of the implicit and explicit options available in the balance sheet.

It is always necessary to model customer behaviour, but in this instance, it is important to do so in light of changes to the interest rate environment. Of all 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 falling interest rates,
- risks relating 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 market rates rise. A special provision is recognised to cover these risks, calculated using the same behavioural model for home loan savings customers as is used to simulate future margins.

The second family of indicators includes the measurement of economic equity capital related to the overall interest rate risk.

- Measuring economic equity capital provides a way of demonstrating the bank's ability to withstand market downturns within a given confidence interval provided by its equity capital.
- Stress scenarios based on historic or hypothetical situations can provide a clearer understanding of the bank's risk profile and allow it to predict the measures to be adopted if a particular scenario were to materialise.

The key to interest rate risk management is the selection of maturity date and indexation terms of the coupons attaching to the assets held in the financial assets portfolio. Fixed derivatives and options are used only as secondary mechanisms, and may, for example, be used to manage future exposure unsuited to "cash" hedging.

MONITORING LIQUIDITY AND INTEREST RATE RISKS

The monitoring of liquidity and interest rate risks is primarily the responsibility of the ALM committee. Chaired by an Executive Board member and coordinated by the Financial Operations Director, the members of this committee are the Sales and Marketing Director, the Risks Director and the Financial Director.

- The ALM Committee periodically reviews the customer deposit models and formally validates the outflow hypotheses produced.
- It monitors the interest rate and liquidity risk indicators, and forecasts how these may develop as a result of the bank's sales policy and the latest observations of customer behaviour.
- Lastly, it sets the financial asset investment and hedging policies to be implemented.

Also chaired by an Executive Board member, the Risks Committee validates the ALM risk control mechanism, paying special attentions to the ALM limits.

The guidelines set out by the committees are applied operationally by the Financial Management Committee chaired by the Financial Operations Director, and implemented by the trading room operators of La Banque Postale's ALM department.

The new IFRS 7 regulation requires that the notes to consolidated financial statements a detailed presentation of financial management risks.

2.6.2.2 Market and counterparty risks

The market and counterparty risk exposure information required by IFRS 7 is contained in the notes to the consolidated accounts (Notes to the consolidated accounts: financial risk and hedging policy).

2.6.2.3 Liquidity risks

The liquidity risk exposure information required by IFRS 7 is contained in the notes to the consolidated accounts (Notes to the consolidated accounts: financial risk and hedging policy).

2.6.3 Credit risks

The credit risk exposure information required by IFRS 7 is contained in the notes to the consolidated accounts (Notes to the consolidated accounts: financial risk and hedging policy).

2.6.4 Operational risks

2.6.4.1 Governance of operational risk management

The Risks Division reports to the Executive Board on the management and monitoring of the bank's operational risks.

The Operational Risks Department (part of the Risks Department) reports to the Risks Committee on the preparation and implementation of the operational risk management and control policy. In terms of risk monitoring, it sets the monthly operational risk monitoring indicators validated by the Risks Committee. The Operational Risks Division is therefore responsible for ongoing control tasks.

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

- to ensure that La Banque Postale has correctly defined and formalised its objectives for information systems security, and identified its principle areas of vulnerability. The Head of Information Systems Security has ownership of this process, and sets the level of security and defines the corresponding rules in accordance with professional standards and at the level requested by the Executive Board. The Head of Information Systems Security also validates the implementation of these measures and monitors their application.
- to ensure that La Banque Postale has business continuity plans in place and, where necessary, to conduct tests and make any necessary improvements,
- to identify the operational risks within a risk map of each process and each entity, analyse them, rate them (in terms of impact and occurrence), rank them in order of importance, monitor implementation of the recommended action plans and submit indicator-based reports,
- to monitor and deal with payment card-related risks and comply with statutory requirements, specifically in terms of reporting (to the Banque de France, French Bank Supervisor etc.).

The Operational Risks Department is supported by networks of contacts working in the following three areas, either exclusively or in operations generally:

- information system security,
- business continuity,
- risk mapping and/or monitoring of processing schedules.

2.6.4.2 Operational risk management rules

FRAMEWORK

The definition of operational risk adopted by La Banque Postale is: "the risk of loss arising from the inadequacy or failure of procedures, staff members, internal systems or external events, including the risk of injury to reputation, but excluding strategic risks."

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

La Banque Postale has adopted the standard method of calculating equity requirements to cover operational risks.

In this respect, the Operational Risks Department has put in place risk analysis, measurement and management procedures that comply with the recommendations made in the Ministerial Order of February 20th 2007 covering the equity requirements applicable to lending institutions and investment companies.

These procedures are based chiefly on:

- the creation of an operational risks map for each process and entity,
- the implementation of a system to report incidents and losses occurring in La Banque Postale entities to the Risk Department,
- a monthly report on the main operational risk indicators submitted to the Risks Committee and Management Committee.

These procedures have been designed to deliver the best response to the requirements described for implementing advanced measurement of operational risk and help prepare La Banque Postale for the possible transition to the advanced method.

The aim is to provide La Banque Postale and all those entities acting on its behalf with an organisational structure that will enable the identification, evaluation and monitoring of operational risks in order to provide information for the company's senior management and employees and introduce an appropriate risk management system.

The causes and potential consequences are analysed for every risk identified in the map. The criticality of each risk is evaluated using a forecast "expert view" score based on the combination of impact and occurrence. The incidents and losses listed are systematically related to the corresponding risk to supplement qualitative analysis and risk scoring.

DEVELOPMENTS IN 2008

In 2008, the Operational Risks Department continued working on the CaRO (Operational Risk Mapping) project. Introduced in Quarter 3, 2007 the aims of this project are to:

- provide La Banque Postale with an operational risk management system marketed by a software publisher,
- decentralise all the component parts involved in operational risk identification and management (risks, incidents, losses, risk management resources, action plans, etc.) and bring them closer to the operational teams,
- and, as a result, expand the network of operational risks officers and formalise their roles and missions in relation to the ORD.

On the basis of tenders received from seven software developers between November 2007 and January 2008, La Banque Postale adopted Front Risk package from e-Front provider at the end of January 2008.

Configuration and testing (technical and functional) occupied the months from March to October, and the system went live on November 12th 2008.

By December 31st 2008, approximately 700 users working in the bank's head office, financial centres and regional offices had been trained and approved in the use of the package. Complete deployment in all La Banque Postale departments, entities acting on behalf of the bank and subsidiaries will be completed early in 2009.

2.6.4.3 Information technology security management rules

FRAMEWORK

Drafted in January 2007, the La Banque Postale Information Technology security policy applies to all the information systems and organisations that contribute to La Banque Postale operations. As required by ISO 27001, information system security management at La Banque Postale is subject to a process of continual improvement.

La Banque Postale IT security level management system introduced in 2007 is supported by:

- the IT Security Committee chaired by the bank's IT security manager. This committee is responsible for monitoring the corrective action plans implemented to cover those IT security risks identified as the result of incidents, internal audits and compliance investigations. This committee reports regularly to the bank's Risks Committee;
- the use of monthly indicators that provide data for the periodic reports submitted to the Risks and Audit Committees.

DEVELOPMENTS IN 2008

La Banque Postale has defined its IT accreditation policy, and has set up a network of "accreditation" officers to cover all the entities of the bank. The Operational Risks Department is currently overhauling its IT accreditation management processes and systems as part of a project that will be completed in 2010. During 2008, accreditation officers were appointed in all bank entities. 80% of the job- and function-specific system access profiles were completed during the year.

The Operational Risks Department continued its information and support initiatives for the project ownership teams of the bank's business lines, as part of implementing security management procedures as an integral part of IT developments.

An IT security level compliance policy was drafted in 2008. The IT security level control committee was formed. This committee conducts and coordinates compliance audits, and meets bimonthly under the chairmanship of the bank's IT security manager. These audits involve all four IST domains.

The audit results are used as the basis for developing progress plans.

2.6.4.4 Business continuity planning (BCP) management rules

FRAMEWORK

The general business continuity planning policy sets out the main principles, reference framework and organisational structure required to ensure continuity of essential services in the event of crisis.

This policy applies to all banking and financial entities and staff acting on behalf of La Banque Postale. It also applies to all La Banque Postale group subsidiaries.

The organisational structure adopted by La Banque Postale to implement and check the bank's BCP is supported by:

- a network of Business Continuity Officers (BCOs) responsible for operational deployment of the BCP within their business line, supervising the plan and reporting on it,
- a network of Business Continuity Contacts formed by each BCO. The Business Continuity Contacts collect information about priority processes and implement the BCP in each entity.

The Global BCP is defined as the overall business continuity plan that brings together all the bank's plans to ensure the backup, recovery and continuity of essential service provision, and is the responsibility of the La Banque Postale Business Continuity Manager in the bank's Risk Department.

The BCOs are the Business Continuity Planning contact points for BCP issues within the scope of their competence.

DEVELOPMENTS IN 2008

La Banque Postale conducted a BCP maturity appraisal in all bank entities. This appraisal identified the need for special attention to be paid to the head office BCP.

The Operational Risks Department introduced a project to measure the business impact on the bank's head office in the event of extreme circumstances. The measurements obtained will then be used to define continuity strategies and procedures.

Also in 2008, 52 business continuity planning tests and exercises were conducted, including a head office business continuity test. La Banque Postale also took part in the financial sector test conducted on June 4th by the Banque de France, which was based on a scenario of a total electricity blackout in the Paris region.

2.6.5 Insurance cover and policies

La Banque Postale Group has put in place an insurance programme designed to cover the Group in respect of:
- vehicle usage,
- civil liability for banking activities,
- casualty,
- transport,
- construction,
- exhibitions and events,
- staff travel.

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

2.7 Accounting information

2008 was a year of growth in Group Net Banking Product, which increased by €70.1 million (1.5%) to €4,815.4 million.
In 2008, NBP growth was achieved despite the unusual market conditions created by the global financial crisis. It was against this background that the bank delivered continued dynamic commercial performance.
Customer lending remained particularly dynamic throughout the year. In savings, inflows of funds from customers focused particularly on cash savings products, largely as a result of the higher returns offered by these accounts during the year, and also helped by the high levels of sales promotion surrounding Livret A accounts.
New life insurance products also contributed to the growth in NBP.
As in 2007, retail banking activities made the largest overall contribution to NBP.

NBP by sector (€ million)	2008	2007	Change
Retail banking	4,672.9	4,616.6	1.2%
Asset management	75.7	64.8	1.7%
Insurance	66.8	63.8	4.7%
TOTAL	**4,815.4**	**4,745.2**	**1.5%**

Operating expenses rose by 4.4% to €4,305.6 million, excluding depreciation allowances and fixed asset depreciation.
Net depreciation and fixed asset depreciation allowances totalled €109.8 million, reflecting a slight rise on the 2007 figure (+€3.3 million).
Cost of risk were €94.5 million higher than in 2007. There were two main contributory factors to this change: an impairment provision recognised in relation to the Lehman Brothers bonds held by La Banque Postale (€78 million) and, to a lesser extent, a rise in net provisions for loans and instant-access deposits as result of La Banque Postale sales growth. Operating profit for the year was down by €209 million to €287.7 million.
Net income from companies accounted for by the equity method was €96.5 million lower, largely as a result of the significant reduction seen in the contribution from CNP Assurances.
The profits of companies accounted for by the equity method contributed €130.6 million to Group net profit for 2008, which totalled €302.6 million after tax, reflecting a fall of €237 million.

2.7.1 Results for retail banking

In 2008, retail banking contributed 41% of Group net profit (compared with 49.5% in 2007).

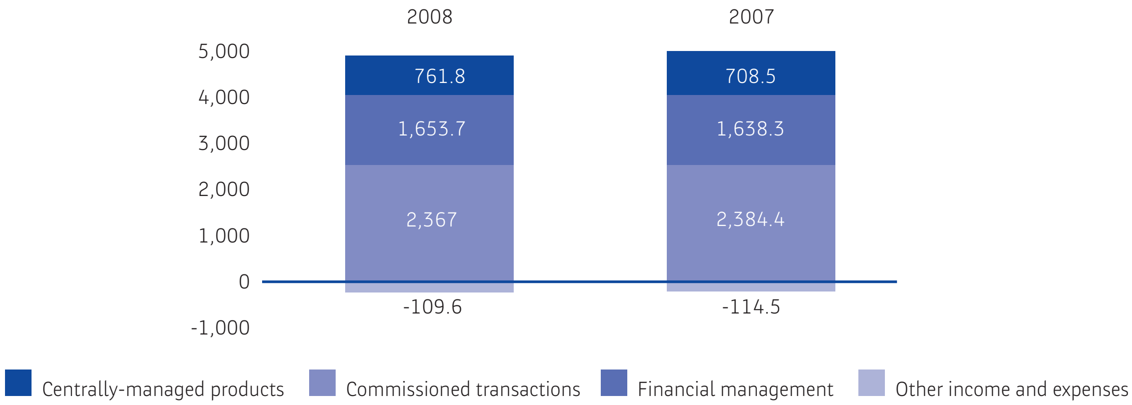
Retail banking (€ million)	2008	2007	Change
Net Banking Product	**4,672.9**	**4,616.6**	**56.2**
General operating expenses	-4,240.4	-4,066.1	-174.3
Depreciation allowances	-109.0	-106.0	-3.0
Gross operating profit	**323.4**	**444.6**	**-121.2**
Provisions for loan losses	-109.0	-17.8	-91.2
Operating profit	**214.4**	**426.8**	**-212.4**
Net income from companies accounted for by the equity method	-	-	-
Gains and losses on other assets	-0.7	-3.9	3.2
Pre-tax profit	**213.6**	**422.9**	**-209.3**

NET BANKING PRODUCT

Retail banking NBP is made up of commission from customers, NBP from financial management (interest margins, profits from share portfolios and income from cash flow management) and income generated by centrally-managed products.

(€ million)	2008	2007	Change
Financial management	2,367	2,384.4	-17.4
Commissioned transactions	1,653.7	1,638.3	15.4
Centrally-managed products	761.8	708.5	53.3
Other income and expenses	-109.6	-114.5	4.8
Total NBP	**4,672.9**	**4,616.6**	**56.2**

Changes in the breakdown of NBP from retail banking (€ million)



Centrally managed products

(€ million)	2008	2007	Change
Livret A	641.4	703.2	61.8
LEP	54.8	56.2	1.4
LDD	12.3	2.4	-9.9
NBP from centrally-managed products	**761.8**	**708.5**	**+53.3**

Livret A accounts delivered strong growth, reflecting the marked increase in average deposits (nearly €4.8 billion). NBP generated by Livret d'Épargne Populaire (LEP) account remains virtually stable from year to year. Average LEP deposits grew slightly.

NBP generated by centrally-managed deposits in Livret de Développement Durable (LDD) accounts fell during the year as a result of a decline in the centralisation rate that boosted deposit inflows during 2008. The LDD centralisation rate fell from 50% at December 31st 2007 to 0% at December 1st 2008.

Retail customers

NBP from commissions paid on received rose by 1% to €1,653.7 million.

(€ million)	2008	2007	Change
Customers	966.9	897.2	69.7
Insurance	498.7	523.9	-25.2
Securities and unit trusts	188.1	217.2	-29.1
NBP from commissions paid on received	**1,653.7**	**1,638.3**	**15.4**

Commissions charged on banking services rose by 7.8% to €966.9 million.

The main reason for this increase was the continued implementation of the successful sales policy. As a result, the number of active customers rose from 9.3 million at the end of 2007 to 9.5 million at the end of 2008. During the same period, the take-up of payment cards rose to 55.8%, whilst 39% of customers opted for package offers.

Despite the rise in commissions from creditor insurance, total NBP from insurance commissions fell by €25.2 million, reflecting a sharp decline in life insurance commissions.

Commissions on securities and unit trusts fell by €29.1 million against the background of the global financial crisis, which drove down the volume of customer transactions generally, and the amount of deposits held in securities in particular.

Financial management

Two trends during the year had a favourable effect on NBP: the first was low interest, which grew strongly (+€151.7 million) driven by dynamic business volumes, and the second was dividend income, which benefited from the €29.6 million payment received by La Banque Postale from Visa Inc. by the end of the year.

Conversely, the rise in the average rate paid on deposits depressed NBP, reducing the total by €77.5 million. Two additional factors also contributed to reducing NBP in this area: the change reversal of provisions for home loans savings accounts (-€77.6 million) and the reduction in NBP from market trading (-€58.6 million). Overall, NBP from financial management fell by €17.4 million.

(€ million)	2008	2007	Change
Reversal of home loan savings provisions	25.0	102.6	-77.6
Deposit interest	-1,253.9	-1,176.4	-77.5
Loan interest	1,100.8	949.1	151.7
Market transactions	2,369.6	2,428.2	-58.6
Dividends	125.5	80.9	44.6
NBP from financial management	**2,367**	**2,384.4**	**-17.4**

A more detailed analysis of balance sheet management transactions conducted by the bank reveals the following breakdown:

(€ million)	2008	2007	Change
Assets held to maturity (HTM)	1,718.4	1,731.2	-12.8
Assets available for sale (AFS, including fair value hedges)	349.9	453.6	-103.7
Assets available for sale reclassified to loans and receivables (L&R)	63.4	0.0	63.4
Livret Développement Durable (including cash flow hedges)	92.6	22.9	69.7
Cash	140.7	180.1	-39.4
Derivatives	4.6	40.4	-35.8
NBP from financial management	**2,369.6**	**2,428.2**	**-58.6**

NBP from HTM portfolio fell by €12.8 million during the year, largely as a result of lower volumes.

The change in NBP generated by the AFS and L&R is analysed overall. Three influences were important during 2008:

- the effect of reclassifying AFS to L&R, following the decision reached by La Banque Postale in October 2008 (with retrospective effect from July 1st 2008). The effect of these reclassifications was to realise interest revenue of €63.4 million on the L&R portfolio for 2008 (zero in 2007),
- the effect of depreciating the assets contained in the AFS portfolio resulted in the recognition of depreciation totalling €50 million in 2008,
- additional effects related to three factors:
  - revenue generated from the sale of Euronext shares recognised in 2007 (-€15 million),
  - the acquisition of variable income securities recognised at IFRS fair value (-€12.5 million),
  - the overall reduction in AFS portfolio assets under management, offset by higher returns than those seen in 2007 (-€26.2 million).

The refinancing of non-centralised Livret de Développement Durable deposits resulted in an increase of €69.7 million due to the gradual reduction of the centralisation rate during 2008 in the period leading up to the full repayment of industrial development securities in December of the year. The rates of return obtained on reinvested funds rose significantly.

Other market transactions activities (cash and derivatives portfolio management) were affected by rate fluctuations and the almost total lack of market liquidity following the collapse of Lehman Brothers in September 2008, which led in turn to La Banque Postale suspending any renewal of its short-term equities portfolio.

Operating expenses

Operating expenses excluding depreciation allowances rose by €177 million.

(€ million)	2008	2007	Change
Staff costs	170	122	48
Other operating expenses	4,070	3,944	126
Depreciation allowances	109	106	3
TOTAL	**4,349**	**4,172**	**177**

The increase in staff costs was due largely to the rise in staff numbers at La Banque Postale (the average workforce increased by 390 in 2008). The growth in bank personnel numbers was the result of staff transfers from La Poste following the creation of the Bank Sales and Marketing Department, and the filling in 2008 of vacancies created in 2007.

The agreements with La Poste concerning the use of production and distribution resources and franking services accounted for 76% of operating expenses, reflecting a rise of €34 million on the 2007 figure.

Agreement-related expenses were made up as follows:

- expenses re-invoiced under the terms of the "counter agreement" (€1,149 million in 2008, compared with €1,153 million in 2007),
- expenses relating to banking advisers, which fell by 54 million (€1,051 million in 2008, compared with €1,105 in 2007),
- expenses relating to La Poste personnel working in financial centres and IT services rose by €88 million, largely as a result of the creation of the banking sales line. Process optimisation projects continued during the year, and helped support the growth of the bank as a result of improved workforce management.

The provision for penalties relating to inspections of regulated savings products had a €52.5 million impact on operating expenses.

The bill for postage costs totalled €266 million (6% of operating expenses) representing a saving of €25 million generated largely by rebilling inter-monthly statements to customers.

Depreciation allowance rose by €3 million.

Provisions for cost of risk

Impacted by the collapse of Lehman Brothers, provisions for cost of risk in retail banking rose by €91.2 million to €109 million. This movement included depreciation of €78 million recognised at December 31st 2008 in respect of the Lehman Brothers bonds held by La Banque Postale. The most significant other events were: loan impairments of €11 million as a result of a significant rise in lending and longer-term effects, a €4 million impairment of provisions on instant-access deposits, a €1 million impairment of bank payment card receivables and the reversal of €2 million of provisions in respect of African receivables.

Operating profit

Operating profit from retail banking fell by €212.4 million to €214.4 million.

2.7.2 Results for asset management

Assets under management totalled almost €111 billion at December 31st 2008, compared with €35 billion on the same date in 2007. The main increase is related to the end-of-year signature of a management agreement worth nearly €68 billion between CNP Assurances and La Banque Postale Asset Management (LBPAM), which makes this France's Number 6 unit trust manager. LBPAM reported a record year in terms of net new money for unit trusts, with over €7 billion. Despite a particularly difficult year, this level of new funds enabled La Banque Postale Asset Management to report unit trust deposit growth (excluding portfolio management) of 5.41% for the year, compared with a market that declined by nearly 18% overall.

In 2008, NBP totalled €75.7 million, compared with €64.8 million in 2007: the falls in deposits in equity and diversified units trusts (largely due to market influences) were offset by high levels of new money in money market unit trusts and the CNP portfolio management agreement.

Operating expenses rose to €45 million, compared with €37 million in 2007.

Lastly, Group net profit from this sector was €20 million, reflecting an 11% rise on the 2007 figure.

2.7.3 Results for the insurance sector

NBP for 2008 was up €3 million to €66.8 million in what was a year of contrasts. Revenue from the creditor insurance portfolio increased, as did that from the Alliatys policy that provides payment card cover. Conversely, the extraordinary revenue generated in 2007 by the group health and personal risk insurance policy in place to cover the needs of La Poste Group employees fell in 2008.

On the other hand, expenses remained contained at €21 million – the same level as in 2007. The insurance sector reported a contribution of €159 million to Group net profit, most of which was generated from the equity consolidation of the CNP Assurances: €131 million, compared with €227 million for the 2007 financial year. It should be noted that CNP Assurances was affected by the collapse of Lehman Brothers bank.

2.7.4 Consolidated balance sheet

N.B.: the balance sheet for 2007 shown in the financial statements has been corrected to reflect the restatement contained in accruals.

The total balance sheet for the Group fell by €7.6 billion, largely as a result of the decline in financial assets at fair value through profit and loss (-€6.9 billion), which included a fall of €7.1 billion in the value of trading securities against a background of tight market liquidity, which impacted on La Banque Postale cash management services. This reduction was also influenced by:

- the fall in the value of financial assets available for sale (-€3.4 billion) related to the transfer of securities valued at €2.5 billion to the Loans and Receivables item following the amendment to IAS 39 and the ongoing programme to reduce the total amount of assets available for sale (AFS);
- the reduction in financial assets held to maturity (-€2.7 billion).

These reductions were offset by the rise in customer loans and receivables (+€5.8 billion) resulting from the significant growth seen in home loans, reflecting the dynamic growth of this business sector during the year.
The lending policy of La Banque Postale has remained unchanged during the financial crisis.

€2,620 million of the "Debts represented by a security" item at December 31st 2008 were accounted for by certificate of deposit issues. These certificates of deposit are issued short periods as part of cash flow management.

2.7.5 Prudential ratios

INTERNATIONAL SOLVENCY RATIO

The solvency ratio is the measure used to rate the ability of financial institutions to withstand risk. The solvency ratio at December 31st 2008 reflects the introduction of Basel II Pillar 1, which focuses primarily on addressing operational risk and the use of internal models to quantify minimum capital requirements.

La Banque Postale has decided to use the standard approaches for each of the risks covered by Pillar 1.

On the basis of the financial statements to December 31st 2008, the solvency ratio of La Banque Postale is 12.4%, with a Tier 1 ratio of 10.7%.

Prudential capital, weighted deposits and solvency ratios

(€ million)	31.12.2008 (Basel II)	31.12.2007 (Basel I)
Prudential capital		
Shareholder equity	3,577	3,918
Dividends	-96	-272
Minority interests after dividend distribution	0	2
Prudential deductions(1)	-572	-849
Other deductions(2)	-28	
Total core equity	2,881	2,799
Total additional equity	500	500
Other deductions(2)	-28	-52
Total prudential capital	3,353	3,247
Weighted risks	**2,156**	**1,831**
International solvency ratio	12.4%	14.2%
Tier 1 ratio	10.7%	12.2%
Hedging ratio	155.5%	177.0%

(1) Principally consolidated goodwill, intangible assets and elimination of IFRS effects.
(2) Equity interests in financial or insurance companies whether non-consolidated or consolidated using the equity method.

CAPITAL ADEQUACY RATIO

The equity requirements for the La Banque Postale Group refer to the coverage of required equity by available equity:

- 133.6% for Tier 1 capital only,
- 155.5% when additional capital is included.

Since the La Banque Postale Group has been classified as a financial conglomerate by the French Banking Commission under the terms of the legislation enacting EU Financial Conglomerates Directive into French law, Group capital must always be equivalent to, or greater than, the total solvency requirements applicable to its banking and insurance business.

This requirement was met as at December 31st 2008.

OTHER RATIOS

Control of major risks

Under the terms of major risk legislation, financial institutions must comply with the following two constraints:

- the total amount of risk relating to a single beneficiary must not exceed 25% of group net capital. Banque Postale complies with this ratio at all times, and has set exposure limits for each of its counterparties. Furthermore, institutions must inform the French banking commission of any beneficiary accounting for over 10% of consolidated net capital. In this respect, La Banque Postale declares three counterparties, all of which relate to its French banking business.

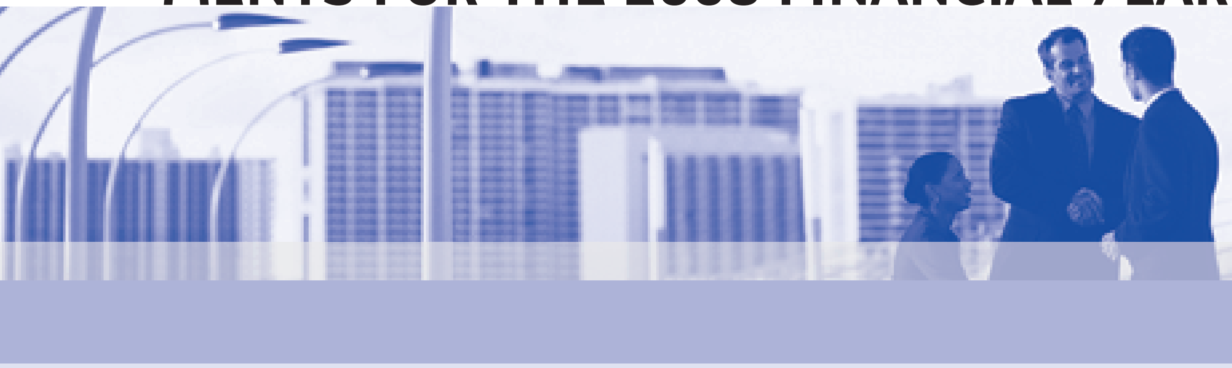
- total risk exposure for all those beneficiaries where individual risk exposure exceeds 10% of net consolidated capital must not exceed 8 times the value of consolidated capital. Only 7.5% of this limit has been used by La Banque Postale, which therefore complies at all times with this constraint.

Liquidity ratio

This short-term liquidity monitoring ratio is calculated monthly and must always be above 100%.

La Banque Postale always complies with this ratio. In 2008, it averaged 164%, having reached its lowest point of 154% in April.

OBSERVATIONS OF THE SUPERVISORY BOARD REGARDING THE EXECUTIVE BOARD REPORT AND FINANCIAL STATEMENTS FOR THE 2008 FINANCIAL YEAR



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During financial year 2008, the Supervisory Board complied fully with all legal and statutory provisions in applying the verifications and checks it deemed necessary as part of delivering its mission to supervise the management of the company by the Excecutive Board.

In accordance with legal requirements, the supervisory board therefore inspected the company and consolidated financial statements for financial year 2008, as submitted by the Executive Board. It also inspected the management report prepared by the Executive Board, which reports on the business activities of the La Banque Postale Group during this financial year.

The Supervisory Board has no specific observation to make concerning the financial statements or the Executive Board management report.

On behalf of the Supervisory Board,
Chairman,

Jean-Paul Bailly

CONSOLIDATED FINANCIAL STATEMENTS

4

Consolidated balance sheet as at December 31st 2008

(€000)	Notes	31.12.2008	31.12.2007
ASSETS			
Cash and central banks	1	2,138,554	2,667,865
Financial assets at fair value through profit or loss	2	8,468,249	15,404,436
Derivatives used for hedging purposes	3	272,400	104,885
Financial assets available for sale	4	8,821,901	12,266,475
Loans & receivables credit institutions	5	18,889,024	16,571,502
Loans & receivables-customers	6	28,795,903	24,422,360
Remeasurement adjustment on interest rate risk hedged portfolios	8	147,548	317,114
Financial assets held to maturity	9	37,649,538	40,350,306
Current/deferred tax assets	10	132,435	119,147
Accruals and misc. assets(1)	11	4,413,108	4,834,683
Equity interests consolidated using the equity method	12	1,565,966	1,832,035
Tangible and intangible fixed assets	13	624,397	609,287
Goodwill	14	26,157	26,157
Total		**111,945,180**	**119,526,252**
LIABILITIES			
Financial liabilities at fair value through profit or loss	2	270,550	129,185
Derivatives used for hedging purposes	3	174,668	120,647
Payables-due to credit institutions	15	6,904,765	15,835,829
Payables-due to customers(1)	16	92,302,124	91,225,311
Debts represented by securities	17	2,620,113	2,912,291
Current/deferred tax liabilities	18	4,945	38,471
Accruals and misc. liabilities(1)	19	4,892,456	4,242,115
Insurance company technical provisions	20	307,690	253,508
Provisions	21	389,312	349,375
Subordinated debt	22	500,993	501,417
Group equity		**3,577,478**	**3,918,101**
Share capital		2,342,454	2,342,454
Consolidated and other retained earnings		934,585	703,600
Unrealised or deferred gains/losses		(2,143)	332,468
Net income		302,582	539,579
Minority interests		**86**	**2**
Consolidated equity		**3,577,564**	**3,918,103**
Total		**111,945,180**	**119,526,252**

(1) Amounts restated and therefore not consistent with the presentation used in the 2007 report.

Consolidated Profit & Loss Account as at December 31st 2008

(€000)	Notes	31.12.2008	31.12.2007
Interest and similar income[1]	23	5,071,288	4,809,508
Interest and similar expense[1]	23	(2,748,020)	(2,319,347)
Commission (income)	28	1,855,791	1,861,051
Commission (expense)	28	(203,080)	(207,495)
Net gain or loss on financial instruments at fair value through profit and loss	29	697,509	515,117
Net gain or loss on assets available for sale	30	48,300	24,026
Income from other activities	31	643,685	258,473
Expense from other activities	31	(550,064)	(196,056)
Net Banking Product		**4,815,409**	**4,745,277**
General operating expenses	32	(4,305,579)	(4,124,293)
Net amortization and impairment of tangible and intangible assets	33	(109,833)	(106,474)
Gross operating profit		**399,997**	**514,510**
Cost of risk	34	(112,328)	(17,790)
Operating profit		**287,669**	**496,720**
Income from companies accounted for by the equity method	12	130,580	227,057
Net gain or loss on other assets	35	(731)	(3,876)
Pre-tax profit		**417,518**	**719,901**
Corporate income tax	36	(114,851)	(180,322)
Consolidated net profit		**302,667**	**539,579**
Minority interests		(85)	
Net profit		**302,582**	**539,579**
Earnings per share (in euros)		14.85	26.49

(1) Amounts restated and therefore not consistent with the presentation used in the 2007 report.

Statement of changes in equity

(€000)	Attributable to equity holders of the parent								
	Capital[1]	Legal reserves, retained earnings and other reserves	Consolidated reserves[2]	Unrealised or deferred gains/losses (net of income tax)				Profit attributable to equity holders of the parent	Group equity
				Related to exchange rate variances[3]	Related to revaluation	Change in the value of financial instruments			
						Instruments available for sale[4]	Net gains on cash flow hedge derivatives		
Equity as at December 31st 2006 (IFRS)	**2,342,454**	**128,155**	**337,136**	**17,870**	**(439)**	**413,462**	**0**	**493,066**	**3,731,704**
Allocation of 2006 profit		386,677	106,389					(493,066)	0
2007 dividend paid on 2006 profit		(161,935)							(161,935)
Unrealised gains or losses				3,617		(100,092)	(3,118)		(99,593)
Other variances		10,362	(103,184)			1,168			(91,654)
2007 profit								539,579	539,579
Equity as at December 31st 2007 (IFRS)	**2,342,454**	**363,259**	**340,341**	**21,487**	**(439)**	**314,538**	**(3,118)**	**539,579**	**3,918,101**
Allocation of 2007 profit		397,260	142,319					(539,579)	0
2008 dividend paid on 2007 profit		(109,383)							(109,383)
Extraordinary dividend		(163,000)							(163,000)
Unrealised gains or losses			(9,521)		404	(358,797)	46,931		(320,983)
Other variances			(26,690)	(23,149)					(49,839)
2008 profit								302,582	302,582
Equity as at December 31st 2008 (IFRS)	**2,342,454**	**488,136**	**446,449**	**(1,662)**	**(35)**	**(44,259)**	**43,813**	**302,582**	**3,577,478**

(1) At December 31st 2008, La Banque Postale issued capital comprised 20,369,166 shares with a face value of €115.

(2) The amounts shown under other variances for 2007 relate chiefly to the purchase of Écureuil Vie by CNP and the deduction and the allocation of goodwill to equity.

(3) The conversion reserves originate in the foreign subsidiaries consolidated by the CNP Assurances Group.

(4) At December 31st 2008, unrealised or deferred gains or losses on available for sale instruments included €98 million in respect of unrealised net gains booked by the CNP Assurances Group for €389 million as of December 31st 2007.

€17.5 million of net unrealised losses were recycled to profit and loss during the financial year.

Provisional forecast dividend: €96,142,000, or €4.72 per share.

(€000)	Minority interests			Equity
	Reserves	Profit	Minority interests in equity	
Equity as at December 31st 2006 (IFRS)	**(3,041)**	**3,695**	**654**	**3,732,358**
Allocation of 2006 profit	3,695	(3,695)	0	0
2007 dividend paid on 2006 profit				(161,935)
Unrealised gains or losses				(99,593)
Other variances	(652)		(652)	(92,306)
2007 profit				539,579
Equity as at December 31st 2007 (IFRS)	**2**	**0**	**2**	**3,918,103**
Allocation of 2007 profit			0	0
2008 dividend paid on 2007 profit				(109,383)
Extraordinary dividend				(163,000)
Unrealised gains or losses				(320,983)
Other variances	(1)		(1)	(49,840)
2008 profit		85	85	302,667
Equity as at December 31st 2008 (IFRS)	**1**	**85**	**86**	**3,577,564**

Cash flow statement for 2008

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

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

Funding activities refer to changes related to structural financial transactions involving equity and subordinate debt.

Operational activities include those flows that fall outside the previous two categories. More specifically, shares relating to the strategic holdings contained in the "Financial assets available for sale" portfolio are allocated to operational activities.

The concept of net cash flow includes the cash, receivables and payables to central banks and accounts, as well as instant-access accounts held in lending institutions (assets and liabilities).

(€000)	31.12.2008	31.12.2007
Pre-tax profit	**417,518**	**719,901**
+/- Net impairment allowances on tangible and intangible assets	111,399	106,474
- Impairment of goodwill and other fixed assets		
+/- Net allocations to provisions	183,404	(16,330)
+/- Net losses and gains on investment activities	727	(8,149)
+/- Net losses and gains on funding activities		
+/- Profit from companies accounted for by the equity method	(130,580)	(227,057)
+/- Other movements	84,192	492,227
= Total non-monetary items included in the net pre-tax profit and other adjustments	**249,142**	**347,165**
+/- Flows related to transactions with credit institutions	(6,859,200)	5,353,379
+/- Flows related to customer transactions	(3,959,990)	(3,096,955)
+/- Flows related to other transaction impacting on financial assets or liabilities	7,607,784	(1,758,245)
+/- Flows related to other transaction impacting on non-financial assets or liabilities	1,868,353	415,500
- Taxes paid	(161,261)	(166,153)
= Net reduction/increase in assets and liabilities from operational activities	**(1,504,314)**	**747,526**
Total net cash flow generated by operations (A)	**(837,654)**	**1,814,592**
+/- Flows related to financial assets and holdings 2	2,627,549	(928,922)
+/- Flows related to tangible and intangible assets	(126,456)	(100,488)
Total net cash flow from investment transactions (B)	**2,501,093**	**(1,029,410)**
+/- Cash flow from or to shareholders	(272,383)	(161,935)
+/- Other cash flow from funding activities	0	
Total net cash flow from funding transactions (C)	**(272,383)**	**(161,935)**
Effect of exchange rate variances and changes in cash management method (D)		**(1,612)**
Net increase (reduction) in cash and cash equivalents (A+B+C+D)	**1,391,056**	**621,635**
Cash and cash equivalents at January 1st	**2,189,170**	**1,567,535**
Cash and central banks	2,667,865	1,371,620
Current accounts and loans with banks	(478,695)	195,915
Cash and cash equivalents at December 31st	**3,580,226**	**2,189,170**
Cash and central banks	2,138,554	2,667,865
Current accounts and loans with banks	1,441,672	(478,695)
Variance in net cash	**1,391,056**	**621,635**

Notes to the consolidated financial statements: principal rules applying to the valuation and presentation of the consolidated accounts

4.1 Legal and financial structure

4.1.1 Creation of La Banque Postale

At the end of the 2005 financial year, Efiposte (originally an investment company) became La Banque Postale with agreement to operate as a bank.
This transition was enshrined through French law n°2005-516 of May 20th 2005 (the French postal services regulation legislation).

Under the terms of the legislation referred to above and its enacting decree of August 30th 2005, the assets, rights and obligations relating to the accounts, savings books and agreements of the Caisse National d'Epargne (CNE) were transferred to La Poste with effect from December 31st 2005. On this date, these assets, rights and obligations, together with those relating to La Poste Financial Services, were transferred to Efiposte, which then changed its name to La Banque Postale. December 31st 2005 is therefore the legal and accounting start date of the company.

The assets transferred included the La Poste equity holdings in the holding company SF2 (which indirectly holds the shares of the Caisse Nationale de Prevoyance [National Provident Fund]) and SCI CRSF Métropole and CRSF DOM, the two property investment companies that own the bank's business premises.

Since this was a transaction between jointly-owned entities, the assets and liabilities transferred were booked at their net carrying value.

In accordance with the provisions of the legislation and its enacting decree, the provisions governing funds collected through the Livret A scheme on behalf of the Caisse Nationale d'Epargne remain unchanged (these funds are centralised with the Caisse des Dépôts et Consignations).

4.1.2 Highlights of financial year 2008

4.1.2.1 Impacts of the financial markets on the 2008 financial year

Having begun in the US subprime mortgage market in 2007, the global financial crisis spread to Europe in 2008, and intensified dramatically in financial markets from September 2008 onwards, driven by the collapse of Lehman Brothers bank.

Financial markets saw volumes slump throughout short-term and long-term debt markets. In general terms, financial institutions faced two kinds of problem: shortage of equity as a result of severe impairment of the assets they held, combined with extremely restricted liquidity resulting from refinancing problems caused by the virtual drying-up of money market transactions.

The effects of the crisis on La Banque Postale were greatly limited as a result of the quality of the assets held by the bank and the highly liquid nature of its financial management.

IMPACT ON LA BANQUE POSTALE

The results reported by La Banque Postale for the first half of 2008 were not significantly impacted by the effects of the global financial crisis. As at June 30th 2008, no impairment was booked on those positions potentially exposed to the effects of the crisis.
On financial markets, the second half of the year was impacted by a series of unprecedented events that sent shockwaves through the financial world, beginning with the collapse of Lehman Brothers, and continuing with the rescue of global insurer AIG and the merging of corporate banks with network banks, especially in the USA.
The scale of events required monetary authorities and governments to produce rescue packages on an unprecedented scale.

The impact of the collapse of Lehman Brothers corporate bank

The financial management policy applied by La Banque Postale is based on a clear preference for straightforward high-quality bond issues. The majority of these are government securities, but some are senior debt securities from the private sector in the form of corporate bonds.

In this second category, preference is given to bank bonds, because they are regulated, highly rated and have significant market depth. Geographical diversification criteria are also applied, with the effect of directing a proportion of investment to the US banking sector, and particularly Lehman Brothers bank.

Similarly, the equity portfolios transferred to La Banque Postale at the time of its formation also include diversification criteria that favour the holding of positions in Anglo-Saxon corporate banks.

In total, the collapse of Lehman Brothers bank resulted in a post-tax impact of €51 million on the profit figure reported by La Banque Postale.

Consequences in terms of refinancing and liquidity management

La Banque Postale seeks refinancing in the short-term financial markets through the issue of certificates of deposit and the buyback of a proportion of its government-held shares. The aim of this refinancing is not to fund the operational aspects of the bank, which maintains a structural surplus of deposits, but rather to maintain the presence of the bank in the short-term debt market as a preventive liquidity risk management measure.

The short-term funds raised in this way are replaced with other borrowings (chiefly bank lending) over the same maturity periods, providing the bank with a margin that has been traditionally tight, but has become more significant since the first signs of crisis became apparent during the summer of 2007.

The total stoppage of the interbank market at the end of September led to a significant reduction in using to this type of refinancing, due to the impossibility of replacing funds.

Impacts on the portfolio of financial instruments

During this period, the equity instruments intended to diversify financial management into interest rate-linked complementary underlying assets suffered from the falls in stock market prices and commodities prices.
In this respect, La Banque Postale booked impairment of €50 million on these diversification instruments for the 2008 financial year.

Lastly, La Banque Postale used the opportunity presented by the IAS 39 amendments published by the IASB on October 13th 2008 to reclassify financial instruments held in the "available for sale" instruments portfolio as loans and receivables. Under this arrangement, La Banque Postale reclassified €2.5 billion of financial assets with effect from July 1st 2008. The majority of these reclassified securities are banking sector negotiable debt instruments for which the underlying market had become inactive. La Banque Postale has the resources required to retain these instruments for the foreseeable future or to maturity, if necessary. This reclassification has no effect on the bank's profit and loss account. On the other hand, it enables a significant reduction in the equity variances resulting from the allocation of changes in the fair value of the reclassified instruments to OCI reserves.
It also enables the size of the portfolio of assets available for sale to be adjusted more quickly to the level adopted by La Banque Postale in May 2007.

IMPACT ON THE CNP ASSURANCES GROUP

N.B. The CNP Assurances Group is consolidated by the equity method.

At December 31st 2008, financial market conditions had a negative impact of €822 million on consolidated profit and loss account for the year (comprising a negative fair value adjustment to assets held at fair value through profit or loss of €410 million and €412 million in impairment expense booked on available-for-sale financial assets) and a negative €1,476 million impact on equity resulting from a fair value adjustment to available-for-sale financial assets. These data include the impact resulting of the Lehman Brothers collapse, which totalled €220 million net of deferred participation and taxes.

A net deferred participation asset for an amount of €819 million is shown in the balance sheet to reflect unrealised losses booked for the year (a deferred participation asset of €1,175 million and a deferred participation liability of €356 million). This amount is the portion of deferred participation assets deemed recoverable by the CNP Assurances Group. Using the same methodology as that employed in liability adequacy testing and the main assumptions used to calculate embedded value, the Group has conducted a recoverability test to demonstrate that it is highly probable that future or unrealised participations will be available to absorb the deferred participation asset.
Likely recoverability of this amount is enhanced by the fact that a significant proportion of these unrealised capital losses are bond-related.

In the first half of the year, the CNP Group reversed an additional provision for interest rate variance on temporary disability or permanent disability benefits, since the level of prudence applied to this additional provision is no longer required under IFRS. The discount rate adopted at the balance sheet date to calculate contractual commitments remains unchanged, since it meets all current regulatory and accounting obligations.
The reversal of this additional provision generated after-tax profit of €146 million as at June 30th 2008.

The CNP Group did not make use of the amendment to IAS 39 published by the IASB in October 2008 allowing certain illiquid securities in the held-for-trading portfolio to be reclassified. Consequently, no financial assets were reclassified during the year, although the criteria used to assess whether available-for-sale equity instruments have actually been impaired were reviewed in anticipation of a further deterioration in market conditions. This change in the basis of impairment testing would have a positive impact of €263 million on profit for the second half of the year, excluding deferred participation and deferred taxation.

The impact of the financial crisis on the value of certain Group holdings is partially offset by its hedging policy. More specifically, CNP Assurances has a put option on its holding in Natixis Global Asset Management (NGAM) granted by Caisse Nationale des Caisses d'Épargne. This option is exercisable in four annual windows (from November 17th to December 17th) every year from 2008 to 2011.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, changes in the fair value of this put option are booked in profit and loss. The fair value of the put option was €203 million at December 31st 2008 (€20 million at December 31st 2007), generating €183 million in profit. This amount reflects the SNP Assurances hedge against the risk of a fall in the fair value of its NGAM shares. The value of this hedge has risen due to the high levels of financial market volatility.

4.1.2.2 Wider distribution of Livret A deposits

Article 145 of the (LME) legislation to modernise the French economy issued on August 4th 2008 provides for distribution of the Livret A account to be opened to competition and allow it to be marketed by any lending institution licensed to receive instant-access deposits from the general public. The result of this is the planned abolition of the Caisse Nationale d'Epargne which currently holds the funds deposited in La Banque Postale Livret A accounts, which explains why these deposits are not shown in the current balance sheet.

IMPACT ON LA BANQUE POSTALE BALANCE SHEET

Article 146 of the LME provides for the transfer of all funds from the CNE to La Banque Postale on January 1st 2009: "Livret A deposits received by the Caisse Nationale d'Épargne at December 31st 2008 [...], the related debts and receivables held on that date by the Caisse Nationale d'Épargne at the Caisse des dépôts et consignations in respect of centralised Livret A deposits are transferred on January 1st 2009 to La Banque Postale. The rights and obligations related to these balance sheet items are also transferred to this institution. The other assets, liabilities and obligations of the Caisse Nationale d'Épargne are transferred on January 1st 2009 to the savings fund [of the CDC]."

The La Banque Postale balance sheet will therefore gain approximately €59 billion on January 1st 2009:

– through "Special regime savings accounts" on the liabilities side;
– through "Instant access accounts and loans to credit institutions" on the assets side (100% centralisation with the CDC on January 1st 2009).

4.1.2.3 Changes in consolidation scope

Under the terms of the preliminary agreement signed on October 25th 2007 by La Banque Postale and Oddo & Cie, La Banque Postale sold 24,500 shares representing 49% of La Banque Postale Gestion Privée equity and voting rights to the Oddo & Cie Group on July 1st 2008.

As La Banque Postale retains exclusive control of this company, it remains fully consolidated.

4.1.3 Regulatory framework

In accordance with EC regulation1606/2002 of July 19th 2002 requiring companies whose securities are listed in a regulated market to prepare their financial statements in accordance with the requirements of the International Accounting Standards Board (IASB), the La Banque Postale Group has, since January 1st 2007, prepared its consolidated financial statements to IFRS (International Financial Reporting Standards) as approved by the European Union. More specifically, the Group has chosen to use the provisions of European Commission regulation n°2086/2004 by adopting the IAS 39 standard, subject to the exclusion of certain provisions. This European regulation therefore allows certain macro hedging transactions conducted as part of asset/liability management to be treated as fair value hedges (including customer instant-access deposits).

The effects of the first application of IFRS to the equity capital, balance sheet and profit and loss account, together with the specific rules governing the first application (IFRS 1), are detailed in the 2007 annual report.

The consolidated financial statements are presented in thousands of euros.

Where no specific model is imposed by IFRS, the Group uses the summary statement format suggested in Conseil National de la Comptabilité recommendation N°2004-R03 of October 27th 2004.

4.1.4 Standards and interpretations applied by the Group since January 1st 2008

4.1.4.1 IAS 39 and IFRS 7 amendment of October 13th 2008

The IAS 39 and IFRS 7 amendment published by the IASB on October 13th 2008 was adopted by the European Union on October 15th 2008.
In rare circumstances, this amendment allows financial assets other than derivatives or financial assets designated at fair value through profit and loss to be reclassified outside "Fair value through profit and loss".
It also allows financial assets to be transferred from "Available for sale" to "Loans and receivables" as long as they meet the definition of loans and receivables on the date of reclassification, and that the entity impacted intends and is capable of retaining them for the foreseeable future or to maturity.
The La Banque Postale Group has used the reclassification opportunities offered by the amendment with retrospective effect from July 1st 2008.
The effects of this reclassification are described in note 40.

4.1.5 Standards and interpretations not yet applied

The IASB and IFRIC have published standards and interpretations not applicable at December 31st 2008. The standards and interpretations will not become compulsory before January 1st 2009 or prior to their adoption by the European Union. They have therefore not been applied by the Group in 2008.

4.1.5.1 IFRS 8 - Operating segments

This standard published by the IASB on November 30th 2006 was adopted by the European Union on November 21st 2007. It will be applied by the Group from January 1st 2009 and will affect only the information in the notes to the financial statements. It will not change the accounting methods or those used in the measurement of transactions.

4.1.5.2 IAS 1 amended - Presentation of financial statements

The amendment to the IAS 1 - Presentation of financial statements published by the IASB on September 6th 2007 will be applied to all financial years starting from January 1st 2009.
Its application by the Group will have no effect on net profit and the equity levels, but will modify the format of the simplified statements.

4.1.5.3 Amendment to IAS 23 – Borrowing costs

The amendment to IAS 23 - Borrowing costs published by the IASB on March 29th 2007 will be applied to all financial years starting from January 1st 2009.
The Group already applies the optional procedure of capitalising borrowing costs directly attributable to the acquisition, production or construction of eligible assets, which is made compulsory by this amendment. It will therefore have no effect on the Group's net profit or equity.

4.1.5.4 IAS 27 amended - Consolidated and separate financial statements and IFRS 3 - Business combinations

The amendment to IAS 27 - Consolidated and separate financial statements and IFRS 3 - Business combinations was published by the IASB on January 10th 2008. Amended as a result of the Business Combination Phase II project, these standards apply to the recognition of acquisitions and their subsequent treatment. The application of both standards is compulsory for financial years starting from July 1st 2009.

4.1.5.5 IFRS 2 – Share-based payment

The IASB published its amendments to IFRS 2 - Share-based payment on January 17th 2008. These changes referred to the governing vesting conditions and cancellations applied to financial years starting from January 1st 2009. Its application by the Group will have no significant effect on its net profit or equity capital levels.

4.1.5.6 Amendments to IAS 32 and IAS 1 – Puttable financial instruments and obligations arising in liquidation

The IASB published its amendments to IAS 32 on February 14th 2008. These amendments allow certain "puttable financial instruments and obligations" to be classified as equity capital. These amendments do not affect the Group.

4.1.5.7 IFRIC 13 – Customer loyalty programmes

This interpretation setting out the accounting treatment of customer loyalty programmes was published by the IASB on June 28th 2007, and became applicable for all financial years starting from July 1st 2008.

4.1.5.8 IFRIC 11 - Group and Treasury Share Transactions, IFRIC 12 - Concession arrangements, IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 15 - Agreements for the Construction of Real Estate and IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

These amendments are not applicable to the Group.

4.1.6 Principles adopted for the preparation of financial statements

4.1.6.1 Determination of consolidation scope

The consolidated financial statements include the financial statements of La Banque Postale, the consolidated financial statements of sub-groups and the financial statements of those subsidiary companies and holdings either controlled by La Banque Postale or subject to its significant influence, where such consolidation has a significant impact on the overall consolidated financial statements.

4.1.6.2 Consolidation methods

The scope of voting rights taken into consideration when assessing the degree of control exercised by the Group includes the existence and effect of any potential voting rights capable of being exercised or converted at any time.
The following consolidation methods are applied:

FULL CONSOLIDATION

Companies exclusively controlled by the Group are fully consolidated.
Exclusive control over a subsidiary is defined as the power to manage a company's financial and operational policies in order to benefit from its business activity. It results:
– either from the direct or indirect holding of the majority of subsidiary company voting rights;
– or from the right to appoint or dismiss the majority of the members making up the subsidiary company's administrative, management or supervisory bodies or as a result of holding the majority of voting rights at meetings of these bodies;
- or from the ability to exercise a dominating influence over a subsidiary company under the terms of a contract or the clauses contained in its articles of association.

PROPORTIONAL CONSOLIDATION

Group companies subject to joint control are proportionally consolidated.
IFRS defines joint control as the sharing of control over a subsidiary company operated jointly by a limited number of partners or shareholders who agree on the financial and operational policies it applies.
A contractual agreement must be signed to ensure control over the company's finances, and target-related decisions require the agreement of all controlling partners or shareholders.

AT EQUITY METHOD CONSOLIDATION

Companies over which the Group exercises significant influence are consolidated using the at equity method.
Significant influence is defined as the power to contribute to financial and operational policy without the right to control them. More specifically, it may involve representation on management or supervisory bodies, participation in strategic decision-making, the existence of substantial intercompany transactions, exchanges of management staff and/or links of technical dependency. These conditions are deemed fulfilled when the Group directly or indirectly holds at least 20% of voting rights.
This presumption may be reversed if a significant lack of influence can be demonstrated, despite the Group holding more than 20% of voting rights. Conversely, notable influence may still be demonstrated even if the 20% threshold has not been crossed.

THE SPECIAL CIRCUMSTANCE OF AD-HOC ENTITIES

Distinct legal structures created specifically to manage an operation or group of similar operations (ad-hoc entities) are consolidated when they are substantially controlled by the Group, even if there is no equity link.

The following criteria are applied independently to determine whether an ad-hoc entity is controlled by a different entity:

– the business activities of the entity are devoted exclusively to the Group, which benefits from them;
– the Group exercises decision-making power and management control over the day-to-day running of the entity and/or its assets; this power may have been delegated by the introduction of a self-management mechanism;
– the Group has the opportunity to benefit from the majority of the advantages enjoyed by the entity;
– the Group is exposed to the majority of the risks related to the entity.

At present, the Group has no ad-hoc entities eligible for consolidation.

4.1.6.3 Consolidation rules

4.1.6.3.1 RESTATEMENTS AND ELIMINATIONS

The financial statements of consolidated subsidiary companies are subject to restatement and reclassification to ensure full compliance with Group accounting principles.

Reciprocal accounts and the income and expenses arising as a result of transactions within the Group are eliminated wherever they impact significantly the consolidated financial statements.

4.1.6.3.2 CONVERSION OF THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The balance sheets of foreign subsidiary companies using operating currencies other than the euro are converted at the exchange rate applicable at the year end.

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

The difference in exchange rate resulting from changes in the exchange rates applied to equity capital, reserves and profits are booked in "Unrealised or deferred gains and losses – exchange rate variances".

4.1.6.3.3 BUSINESS COMBINATIONS

The Group considers business combinations in accordance with the acquisition method.

The acquisition cost is defined as the fair value total (on the date of acquisition) of the assets acquired, the liabilities accepted and equity capital instruments issued in exchange for control over the company acquired. Costs directly incurred as part of the transaction are included in the acquisition cost.

All assets, liabilities and identifiable future liabilities meeting IFRS criteria are booked at their fair value on the date of acquisition in accordance with the provisions of the IFRS 3 - Business combinations. The analyses required for the initial measurement and possible correction of these assets and liabilities may be conducted within a period of 12 months starting from the date of acquisition.

Any positive variance between the cost of acquiring the entity and the proportion of net assets re-measured in this way is booked as Goodwill in the consolidated balance sheet; negative variances are immediately booked in the profit and loss account.

Goodwill is retained in the balance sheet at its historical cost in the accounting currency of the acquired company, and converted on the basis of the official exchange rate at the year-end.

Goodwill is regularly reviewed by the Group, and impairment-tested at least once a year, and at every loss of value that occurs.

On the date of acquisition, each item of goodwill is allocated to a Cash Generating Unit (CGU). This is the most detailed level used by the management team to determine return on investment in the Group's major business lines. When the recoverable value of a CGU (defined as the highest value between market value and CGU) is less than its book value, an irreversible impairment will be booked in profit and loss account.

The carrying value of the goodwill relating to associated companies is included in the equity method value.

When minority shares are purchased in a subsidiary that is already controlled by the Group, any positive new goodwill (the difference between the total acquisition cost of the additional portion and the proportion of the net position purchased) is deducted from equity.

From that point onwards, the current IAS 27 - Consolidated and separate financial statements and IAS 32 - Financial Instruments: Presentation require the Group to recognise a debt balanced by a reduction in minority interests in respect of minority interest purchase commitments. The Group has chosen to deduct from equity the difference between the amount of commitment and the minority interests to balance the debt.

Subsequent variances in the debt as a result of fluctuations in the estimated exercise price of the purchase commitment and the carrying value of minority interests are booked in Group reserves.

4.1.6.3.4 INTEGRATION OF INSURANCE ACTIVITIES

The majority of the financial assets and liabilities relating to the Group's insurance companies are measured and booked in accordance with IAS 39.

However, those policies meeting the following criteria are measured and booked in accordance with IFRS 4:

– insurance policies that include a contingency for the policyholder. This category covers health and personal risk insurance, pensions and general insurance policies, as well as savings policies with a lower limit benefit;
– financial contracts issued by the insurer containing an element of discretionary profit-sharing In accordance with IFRS 4, local regulations governing the measurement of technical provisions are applied consistently for both these policy/contract types.

Financial policies that come under the IAS 39 standard correspond to investment policies without discretionary benefits, such as non-euro unit-linked savings policies with no lower limit benefit.

In accordance with the "shadow accounting" principles set out in IFRS 4, a provision for deferred profit-sharing is booked for insurance policies with discretionary benefits. This provision is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments booked at their fair value or, in the case of unrealised losses, their potential share of those losses.

At each year end, the Group's insurance companies conduct a liability adequacy test, which consists of checking that the insurance liabilities booked (net of deferred acquisition costs and related intangible assets) are adequate on the basis of current estimates of future cash flow from insurance policies and financial contracts with discretionary benefits.

Technical and mathematical provisions

Technical provisions reflect commitments to policyholders.
Mathematical provisions for euro-denominated policies are the difference between the current value of commitments of the insurer and those of the policyholder. Life insurance provisions are based on a discount rate no higher than the prudently-estimated forecast return on the assets allocated to represent them.

Commitments are discounted using a rate no higher than that pricing rate of the policy concerned using standard mortality tables or tables based on experience, where these are more prudent. Income discount rates are calculated to reflect the effects of falling interest rates when the pricing rate is regarded too high relative to the anticipated reinvestment prospects.
The mathematical provisions of unit-linked policies are measured on the basis of the assets that back these policies. Re-measurement gains or losses are booked through profit and loss to cancel out the impact of the variation in technical provisions.

4.1.7 Presentation and measurement rules

4.1.7.1 Foreign currency transactions

At the year end, monetary assets and liabilities in foreign currencies are converted into euros, the Group's accounting currency, at the year-end exchange rate. Realised and unrealised exchange rate gains and losses are booked in profit and loss.
Non-monetary assets are converted at the year-end exchange rate. Exchange rate variances on non-monetary items denominated in foreign currencies are booked in profit and loss if the gain or loss is booked in profit and loss, and in equity if the non-monetary gain or loss is booked in equity.

4.1.7.2 Financial assets and liabilities

When initially booked, financial assets and liabilities are measured at their fair value net of acquisition expenses directly attributable to the acquisition (with the exception of financial instruments booked at fair value as a contra to profit and loss).

Securities are booked in the balance sheet on the payment/delivery date, whereas derivatives are booked on their negotiation date. Loans and receivables are recorded in the balance sheet on their payment date.
Financial assets and liabilities are classified in one of the following categories:

4.1.7.2.1 LOANS AND RECEIVABLES

Loans and receivables are unlisted fixed- or determinable-income non-derivative financial assets. They include loans and receivables relating to lending institutions and customers. After initial account entry, they are booked at amortised cost using the effective interest rate method and may be impaired, where necessary. The effective interest rate is the rate required to discount future cash flow precisely to the initial fair value of the loan. It includes the transaction costs related directly to loan issues, which are treated as an integral part of credit returns.
Some securities may occasionally be booked in this category. They are then subject to the same recognition, measurement and impairment rules as loans and receivables.

Reclassification of financial assets

Where the Group has the ability and intention to retain them for the foreseeable future or to maturity, fixed or determinable financial assets initially booked as "available for sale", but which, after purchase, become no longer tradable in an active market may be reclassified as "Loans and receivables".

Reclassifications are made at market value on the date of reclassification. Financial assets transferred in this way will then be measured in accordance with the rules applying to their new category. Profits or losses booked in equity are amortised through profit and loss by applying the effective interest rate method until the maturity of the instrument concerned.

In addition to the information required by IAS-IFRS, La Banque Postale also retains the data previously required by CRC regulation N°2002-03 (individual accounts).

Compromised and non-compromised doubtful outstanding loans are therefore included as impaired receivables in accordance with international standards.

Downgrading methods

The downgrading process applies to unauthorised overdrafts, home loans and consumer loans. The downgrading of unauthorised overdrafts applies equally to active and closed accounts. The effect of downgrading unauthorised overdrafts on active accounts is to downgrade healthy debts to non-compromised doubtful receivables. This process is run monthly on the basis of the overdraft amount and duration for each account concerned. The effect of closing the account is to downgrade the receivable to a compromised doubtful outstanding receivable. Receivables for very small amounts are classified directly as losses.

Home loans that are more than six monthly payments in past due and consumer loans with more than three monthly payments in past due are downgraded to non-compromised doubtful receivables.

Revocated are downgraded to compromised doubtful receivables.

Receivables are automatically downgraded to compromised doubtful status one year after entering doubtful status.

Application of the "infection principle" means that when one of an account holder's outstanding receivables is downgraded, so are all the others.

Individual loan impairment

The Group begins by assessing whether there is an objective indication of any event occurring after the granting of a loan (or group of loans) that could potentially generate a loss of value. These may be loans that are at least three payments in past due, outstanding debts that have already entered the collection process or debts where the financial situation of the counterparty has deteriorated to the point where its poses a risk of non-recovery.

An impairment is then booked equivalent to the difference between the carrying value and the forecast flows discounted using the original effective interest rate arrived at by taking account of the financial situation of the borrower and the current value of the guarantees received. Where the receivable is greater than a given minimum amount, compromised forfeited loans guaranteed against specified assets are subject to appraisal to determine the amount to be provisioned. Where amounts fall below this lower threshold, a prudent estimate reflecting the acquisition cost is made (or non-compromised doubtful loans). Loans guaranteed by a physical person or not guaranteed at all are fully impaired.

The amount of this impairment is booked in "Cost of Risk" in the profit and loss account, and the value of the financial asset is reduced by the recognition of an amount for impairment.

Collective loan impairment

Loans not individually impaired will be analysed and impaired collectively, when appropriate. These are the so-called "sensitive" cases that form a sub-category of healthy outstanding debts: they show preliminary signs of default (one or more instalments missed within a 180-day period), but have not yet been downgraded to doubtful status.

These cases are provisioned on the basis of their probability of downgrading, calculated on the basis of observations made of the period 2005-2008. The risk of loss takes account of the nature of the guarantee, is calculated in the same way as for doubtful cases and is provisioned on the basis of discounted recoverable flows.

The amount of this impairment is booked in "Cost of Risk" in the profit and loss account, and the value of the financial asset is reduced by the recognition of an amount for impairment.

Impairment of overdrafts

The provisions booked for overdrafts on active postal bank accounts take account of the collection performance for the previous year by level of risk.

Funding commitments

Funding commitments that are not treated as derivatives are not shown in the balance sheet. If there is a probability of the counterparty defaulting, a provision is booked over the period of the commitment.

4.1.7.2.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

The securities booked in this category are financial assets and liabilities held for transaction purposes (i.e. those originally acquired with the intention of resale or short-term buyback) and non-financial assets and liabilities that the Group originally intended to be measured at fair value through profit and loss by taking advantage of the option offered by IAS 39, subject to compliance with the conditions set out in that standard:

– elimination or significant reduction of a discrepancy in accounting treatment;

– group of financial assets and liabilities whose performance is managed and measured at fair value;
– compound financial instruments containing one or more derivatives.

The Group has chosen to designate TEC 10-linked OAT (French treasury) bonds as financial assets at fair value through profit and loss.

Variations in fair value are booked in profit and loss for the period in the "Net gains or losses on fair value financial instruments through profit and loss".

4.1.7.2.3 FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity are assets of fixed or determinable income and maturity that the Group intends and is able to hold until maturity, and that it has not chosen to recognise as fair value instruments through profit and loss or financial instruments available for sale.
With a few limited exceptions, IAS 39 prohibits the sale or transfer of these securities before maturity. Infringement of this rule may result in the Group being prevented from classifying securities in this category for two financial years.

On the balance sheet date, these securities are measured at amortised cost using the effective interest rate method that includes the amortisation of the premiums and discounts that correspond to the difference between their acquisition value and their reimbursement value.
Revenue received in respect of these securities is booked as "Interest and similar income" in the profit and loss account.

Where there is an objective indication of impairment, a provision is entered equal to the difference between the carrying value and the estimated recovery value, discounted by the original effective interest rate. In the event of later improvement, any excess provision will be reversed.

4.1.7.2.4 FINANCIAL ASSETS AVAILABLE FOR SALE

"Financial assets available for sale" is a default category that includes financial assets not classified in "Loans and receivables" or in "Financial assets held to maturity" or at fair value in profit and loss.

These assets are booked in the balance sheet at their market value at the time of acquisition and at subsequent balance sheet dates until the time when they are sold. Variations in fair value are booked in a special equity item called "Unrealised or deferred gains or losses". These deferred gains or losses booked in equity are booked through the profit and loss account only when they are sold or impaired. Income accrued or generated by fixed-income securities is booked in the "Interest and similar income" item of the profit and loss account using the effective interest rate method. Dividends received from variable-income securities are booked in the "Gains or losses on financial assets available for sale" item of the profit and loss account.

Financial assets available for sale may be impaired on the following basis: when a durable or significant fall in the fair value of treasury shares or a significant worsening of credit risk in debt securities occurs. The fall seen in the fair value of a security is deemed significant where an equity instrument loses more than 40% of its value between its acquisition date and the next balance sheet date. The fall is deemed long-term when it persists for a period longer than six months, during which time its value has remained at least 20% below its acquisition value with no significant sign of improvement in the month preceding the balance sheet date. This rule does not exclude line-by-line control of objective impairment indices.

The losses for impairment on variable-income securities booked in profit and loss account cannot be reversed as long as the instrument concerned is shown in the balance sheet. They are booked under "Net gains or losses on financial instruments available for sale". The losses for impairment on fixed-income securities can be reversed, and are booked in "Cost of Risk" where they relate to credit risk.

4.1.7.2.5 DERIVATIVES AND HEDGE ACCOUNTING

IAS 39 identifies a derivative as a financial instrument or other contract embedding all three of the following characteristics:
– its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable (sometimes called the "underlying");
– it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
– it is settled at a future date.

Derivatives held for trading

Derivatives represent one type of financial instrument held trading purposes, except those derivatives composing an hedging relationship. This type is booked at fair value in the balance sheet item "Fair value instruments through profit and loss". Variances in fair value and interest accrued or matured are booked in "Net gains and losses on fair value financial instruments through profit and loss".

Hedging instruments

Hedging derivatives that meet the IAS 39 definition of hedging instruments are booked in the "Fair value hedge" or "Cash flow hedge" items. Other derivative instruments are booked by default in "Fair value assets or liabilities through profit and loss", even where they are contracted to hedge one or more transactions.

To qualify a financial instrument as a hedging derivative, the Group must designate the hedging relationship from the outset (hedging strategy, description of the risk hedged, the hedged item, the hedging instrument and the method used to measure its effectiveness). Effectiveness is measured at the time the hedge is contracted and at each balance sheet date during its life.
Depending on the nature of the risk covered, the derivative financial instrument may be designated as a fair value hedge, cash flow hedge or exchange rate hedging related to a significant foreign investment.

Fair value hedge

Fair value hedge is used to reduce exposure to changes in the fair value of financial assets or liabilities. More specifically, the interpretations adopted by the European Union allow fair value hedges to be used to hedge against the interest rate risk on fixed-rate assets and liabilities, as well as instant-access deposits.
Derivative remeasurements are booked through profit and loss account symmetrically with the remeasurement of the element covered. Gains or losses attributable to the hedged risk are booked in the profit and loss account as “Net gains or losses on fair value financial instruments through profit and loss”. Where the hedging relationship is effective, changes in the fair value of the hedged item are booked symmetrically with changes in the fair value of the hedging instrument. The ineffective portion of hedging is booked directly in profit and loss. The part relating to the rediscounting of the derivative financial instrument is booked in “Interest income and expenses” in the profit and loss account symmetrically with the interest income and expenses for the hedged item.
As soon as the derivative financial instrument no longer meets the effectiveness criteria required by the standard or is sold, the hedge accounting process ceases on a forecast basis: the derivative is transferred to “Fair value financial assets through profit and loss” or “Fair value financial liabilities through profit and loss”, whilst the remeasurement of the hedged item is amortised over the remaining portion of the initial hedging period.
If the hedged item disappears, the hedging instrument no longer qualifies as such, but continues to exist and is booked in the balance sheet at its fair value through profit and loss. Any profit generated by the sale of the hedged item may be booked in profit and loss account.

Fair value hedge carve-out

The Group applies the provisions of IAS 39 (as adopted by the European Union) to the macro hedging transactions conducted as part of managing the asset/liability management of its fixed-rate positions.
Most macro hedging instruments are interest rate swaps used to provide fair value hedging of the Group’s fixed-rate resources.
Fair value hedge carve-out derivatives are booked on the basis of those principles set out above. Remeasurement of the hedging component is booked in “Interest rate hedging reserve”.

Cash flow hedge

Cash flow hedge is used to hedge against changes in each flows with a booked assetor liability, firm commitment or future transaction. More specifically, it is used to hedge against the risk of revisable asset and liability interest rates.
The effective part of variability in the fair value of derivative financial instruments is booked in a dedicated equity item, whilst the ineffective part is booked in profit and loss under “Net gains or losses on financial instruments measured at fair value through profit and loss”.
The part relating to the rediscounting of the derivative financial instrument is booked in profit and loss under “Interest income and expenses for hedging transactions” symmetrically with the interest income and expenses for the hedged item.
The hedged instruments continue to be booked in accordance with the rules applying to their accounting category.

The hedge accounting process ceases as soon as the hedging relationship is interrupted, the derivative financial instrument no longer meets the effectiveness criteria required by the standard or is sold. The cumulative amounts arising as a result of hedging derivative remeasurement and booked as equity are transferred as and when required to the income and expenses items of profit and loss or booked immediately in profit and loss. If the hedged item disappears, the derivative is transferred to “financial assets at fair value through profit and loss”, whilst the remeasurement of the hedged item booked in equity is transferred immediately to profit and loss.

Hedge of a net investment in a foreign currency

The Group does not use this type of hedging.

Embedded derivatives

An embedded derivative is a component of an hybrid instrument. It is extracted from the host contract and booked separately when its economic characteristics and associated risks are not closely connected with those of the host contract. This does not apply when the hybrid instrument is measured at fair value in profit and loss.

Day one profit

The Group takes no margin when negotiating structured instruments.

4.1.7.2.6 GUARANTEES COMMITMENTS

Financial guarantees

By definition, contracts are financial guarantees when they include an indemnity principle under which the issuer of the guarantee agrees to reimburse the holder for any loss it incurs because a specified debtor fails to make payment when due in accordance with terms of a debt contract.

Financial guarantees given are measured at their initial fair value on the date they are granted. They are then measured at a later date as the amount of the obligation and the initially booked amount (less any guarantee commission), whichever is the lower.

4.1.7.2.7 DETERMINATION OF FAIR VALUE AND 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 an arm's length transaction. When initially booked, the fair value of the instrument is generally the transaction price.

IAS 39 recommends the initial adoption of the price quoted in an active market as the basis for determining the fair value of a financial asset or liability. A market is considered as active if prices are easily and regularly available from a stock market, a broker, a trader or a regulatory agency, where these prices represent real transactions conducted under conditions of normal competition. In the absence of an active market, fair value must be evaluated by using a valuation technique. Valuation techniques include the use of recent transactions conducted against a background of normal competition. These rely on market data, the fair values of substantially-identical instruments, flow discounting and option measurement models, and use booked measurement methods. The aim of any measurement technique is to establish what the price of the instrument would have been displayed in an active market.

For example, the fair value of the bonds, variable-income securities and futures is determined using quoted prices. These valuation techniques are applied to OTC derivatives, discounted securities (commercial paper, certificates of deposit, etc.) and repo deposits.

The market value of non-quoted equity securities booked as "available for sale" is determined with reference to criteria such as net asset value, forecast profitability and future cash flow discounting.

The quoted price of an asset held or a liability to be issued is usually its bid price. The ask price is applied to a liability held or an asset to be acquired. In the event of symmetrical asset and liability positions, only the net position is valued. The bid price is applied to a net asset or a net liability to be issued, and the ask price for a net liability or net asset to be acquired.

4.1.7.2.8 DEBTS

Debts to banks and customers

Debts to lending institutions and customers are broken down on the basis of their initial duration or type: instant-access (instant-access deposits, ordinary accounts, etc.) or term (special scheme savings accounts). These debts include equities and securities assigned under repurchase agreements.

Debts represented by securities

Financial instruments are treated as debt instruments if the issuer is compelled to provide cash or other financial assets or exchange instruments under potentially-unfavourable conditions. Debts represented by securities are negotiable debt securities issued by La Banque Postale.

They are booked initially at their face value, and at subsequent balance sheet dates are measured at amortised cost using the effective interest rate method.

4.1.7.2.9 DERECOGNITION OF FINANCIAL ASSETS OR LIABILITIES

Financial assets are debooked when the contractual rights to the cash flow from it expire, or when these rights and almost all the risks and benefits of ownership are transferred to a third party.

Even when certain risks and benefits have been transferred, as long as control of the financial asset is maintained, it remains in the balance sheet to reflect continued involvement in the asset concerned.

Disposal gains and losses are recognized in the profit and loss account at an amount equivalent to the difference between the carrying value of the asset and the amount received.

Financial liabilities are debooked when the contractual obligation has been settled, been cancelled or has expired.

Repurchase agreements

The seller does not derecognise these securities. The Group recognises a liability representing the commitment to refund the cash received. This debt is a financial liability booked at its amortised cost rather than its fair value. The assignee does not account for the assets received, but recognises a receivable reflecting the cash loaned by the seller. At subsequent balance sheet dates, the securities continue to be measured by the seller in accordance with the rules relating to their original category. The receivable is booked at face value in loans and receivables.

Share loan transactions

Lending/borrowing of shares cannot be interpreted as a financial asset transfer within the meaning of IFRS. These transactions cannot therefore result in derecognition of loaned shares. They remain booked in their original accounting category and are measured in accordance with the rules applying to that category. Borrowed shares are not booked.

4.1.7.3 Tangible and intangible fixed assets

The fixed assets shown in the balance sheet include tangible and intangible operating assets used for administrative purposes. The Group has no investment properties.

Fixed assets are booked at their acquisition cost plus directly-attributable acquisition costs required to prepare them for use. Loan costs incurred as part of property construction or conversion are not capitalised.

After initial recognition, fixed assets are measured at cost minus total amortisation and any loss of value.

The amortisable amount of a fixed asset is calculated after deduction of its residual value net of exit expenses, where this value is measurable and significant.

Fixed assets are amortised in accordance with the estimated rate of consumption of the expected economic benefits, which usually means the lifetime of the asset.

When a fixed asset is made up of several elements that may be replaced at regular intervals, have different uses or provide economic benefits at different times, each element is booked separately from the beginning, Each component is then amortised in accordance with a specific amortisation plan.

Depending on their component parts, buildings are therefore amortised over periods of 10 to 80 years:

– structure: 80 years;
– roofs: 60 years;
– joinery and external works: 40 years;
– major equipment: 20 years;
– small equipment, fixtures and fittings: 10 years.

Where fixed asset criteria apply, developed softwares are booked at their development cost, including those external expenses and staff costs directly attributable to the project. Softwares are usually amortised over 3 years.

Amortisable fixed assets are subject to impairment testing whenever loss of value indications are identified at the year end. Non-amortisable fixed assets are impairment-tested annually.

Where an indication of impairment exists, the recoverable value of the asset is compared to its net carrying value. When the recoverable amount of an asset is less than its carrying value, an impairment loss is booked in the profit and loss account. This has the effect of changing the amortisable base of the asset going forward. Impairment is reversed if the estimated recoverable value changes or the impairment indicators are no longer apparent.

Amortizations allowances are booked in the "Tangible and intangible fixed asset impairment allowances and provisions" item of the profit and loss account.

Impairment is booked in the "Tangible and intangible fixed asset impairment allowances and provisions" item of the profit and loss account.

Gains and losses on disposals of operating fixed assets are booked on the "Net gains on other fixed assets" line of the profit and loss account.

4.1.7.4 Regulated savings deposits

The home savings accounts (CELs) and plans (PELs) offered to personal customers under the provisions of the French legislation of July 10th 1965 comprise two phases: the collection of deposits made by customers in interest-bearing accounts, followed by the use of those funds to advance property loans.

They generate two types of commitment for the credit institution:

– an obligation to remunerate customers savings at a rate fixed for an indefinite period at the time the account is opened;
– an obligation to offer customers a home loan at an interest rate fixed at the time the account is opened.

Provisions are constituted to cover these potentially-negative commitments for the Group. These are booked under "Provisions" on the liabilities side of the balance sheet, with changes being booked as Net Banking Product contained within the interest margin.

Provisions are estimated on the basis of customer behaviour statistics and market data for each generation of plan in order to cover any future expenses arising as a result of the potentially-unfavourable nature of these products compared with the interest rates granted to personal customers for similar, but unregulated, products. They relate only to commitments under home savings plans existing at the date on which the provision was calculated.

Provisions are calculated as follows: for each generation of home savings plan (with no offset between commitments to different generations of home savings plan) and for all the home savings plans within a single generation. In the savings phase, provisionable commitments are measured as the difference between the forecast average savings deposits and the minimum forecast savings deposits, both of which are calculated statistically to reflect past customer behaviour. In the loan phase, provisionable commitments include existing loans outstanding at the year end, as well as future loans considered as statistically probable on the basis of the deposits shown in the balance sheet on the date of calculation on the one hand, and past customer behaviour on the other.

A provision is constituted when the discounted forecast results for a given generation are negative. These results are measured relative to those rates offered to personal customers for equivalent savings and funding instruments contracted on the same day and having a comparable lifespan.

4.1.7.5 Provisions

Other than those relating to credit risks and employee benefits, the provisions booked on the liabilities side of the balance sheet are those whose maturity and/or amount are uncertain. A provision is constituted when the Group has an obligation to a third party, as a result of which it is likely or certain that funds will flow out to that third party without a payback at least equivalent to the amount concerned.

The forecast amount of outgoing funds is then discounted where the effect of such discounting is significant.

4.1.7.6 Distinction between liabilities and shareholder's equity: Perpetual subordinated notes

In accordance with the conditions set out in IAS32 governing the way in which the contractual substance of these instruments is analysed, and given their contractual characteristics, the perpetual subordinated notes issued by the Group are classified under "Debt instruments".

4.1.7.7 Interest income and expenses

Interest income and expenses are booked in the profit and loss account in respect of all financial instruments measured at amortised cost using the effective interest rate method. The effective interest rate is that which discounts the future cash outflows and inflows exactly over the planned lifespan of the financial instrument concerned in order to obtain the net carrying value of the financial asset or liability. The calculation of this rate takes account of commissions received or paid, where these are intrinsically part of the effective contract rate.

4.1.7.8 Commission income and expenses

The Group recognises commissions in the profit and loss account on the basis of the service provided and the accounting method applying to the financial instruments to which the service relates: Commissions paid on ongoing services are spread over the duration of service provision in the profit and loss account (payment commissions).
Commissions paid on one-off services or significant actions are booked in full in the profit and loss account when the service is provided or the action performed (account management fees, missed payment charges, etc.).
Commissions treated as additional interest form part of the effective interest rate.

4.1.7.9 Income taxes

4.1.7.9.1 TAXES DUE

The La Poste Group's tax consolidation scope includes La Banque Postale and the seven of its French subsidiary companies in which it holds direct or indirect equity stakes of at least 95%.

4.1.7.9.2 DEFERRED TAXES

Deferred taxes are booked in respect of all timing differences between the carrying value of an asset or liability and its tax basis. The tax rates used for the purposes of measurement are those expected to apply at the time an asset is realised or a liability settled, inasmuch as these rates have been adopted or virtually adopted at the year end.

Net deferred tax assets are booked only if it is probable that the entity concerned has the chance of recovery within a predetermined time period.

Deferred taxes are booked as tax income or expense in the profit and loss account, except where they relate to unrealised gains and losses on assets available for sale and changes in the value of cash flow hedging derivatives, for which deferred taxes are directly applied to equity.

The corporation tax rate adopted at December 31st 2008 was 34.43%.

4.1.7.10 Employee benefits

La Banque Postale Group provides all its contracted employees with four types of benefit:

4.1.7.10.1 SHORT-TERM BENEFITS

Short-term benefits include salaries, annual paid leave, statutory and voluntary profit-sharing schemes and bonuses for the financial year paid within 12 months of the relevant year end.
They are booked as expenses for the financial year, including those amounts outstanding at the year end.

4.1.7.10.2 LONG-TERM BENEFITS

Long-term benefits usually relate to length of service, and are payable to working employees more than 12 months after the year end: the working hours savings account, for example.
These commitments are provisioned at an amount equivalent to their value at the year end.

4.1.7.10.3 EMPLOYMENT TERMINATION BENEFITS

These benefits are paid to employees on termination of their contract of employment prior to retirement, whether as a result of redundancy or voluntary departure. Employment termination benefits are provisioned. The commitment is measured on the basis of the entitlements of all working employees, taking account of employee turnover, the future estimated salary of the beneficiary on departure from the company (plus social security contributions where applicable) and the mortality table (INSEE TH/TF00-02). Benefits due for payment more than 12 months after the year end are discounted.

4.1.7.10.4 POST-EMPLOYMENT BENEFITS

Post-employment employee benefits include retirement benefits, pensions and pensioner benefits.
The pension scheme for contracted employees is a defined contribution scheme funded by contributions to independent bodies which accept responsibility for the ultimate payment of pensions to employees, thus releasing the employer from this obligation. So once the contributions have been paid, no liability or other commitment is booked in the Group financial statements. Contributions paid to pensions bodies are booked as expenses for the period.

Group employee commitments not covered by contributions paid to pension funds or insurance funds are provisioned as liabilities in the balance sheet. This applies particularly to retirement benefits.

In accordance with IAS 19, annual actuarial appraisals are used to determine the value of these commitments using the projected unit credit method.

These calculations involve actuarial assumptions of external economic factors (discount rate, inflation rate, future pension increases, etc.) and factors specific to La Poste (employee turnover, future salary increases, etc.).

The provision booked in the balance sheet for defined benefit post-employment schemes reflects the current value of the obligation at the year end, adjusted to reflect actuarial adjustments and non-booked service costs. The current value of the obligation is calculated annually using the projected credit unit method. It is determined by discounting future disbursements on the basis of the market rate for premium corporate bonds denominated in the currency used to pay the benefit and whose duration is close to the average estimated duration of the underlying obligation.

The actuarial assumptions used to measure employee commitments are reviewed and updated annually at the year end.

These calculations include the following assumptions:
- the probability of current employees staying with the Group, probable mortality trends and estimated salary trends;
- retirement assumptions;
- the discount rates used to determine the current value of the commitments The discount rates used for actuarial appraisal in respect of 2008 and 2007 with reference to premium corporate bonds were as follows:

Estimated term of benefit obligations	5 years	10 years	15 years	20 years
Discount rate for 2007 (eurozone)	4.7%	5.1%	5%	5%
Discount rate for 2008 (eurozone)	**5.5%**	**5.3%**	**4.9%**	**5.2%**

4.1.7.11 IFRS 2 – Share-based payment

Share-based payments are transactions whose payment takes the form of shares issued by the Group either by the grant of shares or as a cash payment. The amount depends on the value of the shares.

An expense equivalent to the fair value of the liability is booked in the Group's financial statements on the date employee shareholding plan is granted. This amount is spread over the duration of the entitlement period as a contra entry to a debt.

4.1.7.12 The use of estimates in preparing the financial statements

The preparation of financial statements requires the use of assumptions and estimates that may or may not prove to be accurate in the future. Those estimates that use data available at the balance sheet date are based on the judgment of managers and those who prepare the financial statements. This is particularly true of measuring the fair value of financial instruments.

The future accuracy of these assumptions and estimates depends on a number of factors: fluctuations in interest and exchange rates, the economic climate, changes to regulations or legislation, etc.

The following appraisals require the use of assumptions and estimates:
- the measurement of financial instruments not quoted in organised markets requires the use of models based on observable market data for most OTC instruments. The measurement of certain complex instruments not traded in an active market relies on appraisal techniques which, in certain circumstances, include non-observable parameters;
- identification of the market value of non-listed financial instruments classified as "Assets available for sale";
- the measurement of financial assets and liabilities booked at cost price. Fair value information for these assets and liabilities must be provided in the notes to the financial statements;
- measurement of credit risk: provisions calculated on a portfolio basis make particular use of estimates regarding the likelihood of default and general use of expert judgments;
- calculation of expenses relating to future employees benefits made on the basis of assumed discount rates, staff turnover and salary increases;
- the measurement of provisions other than those related to risk are also, by their nature, estimates, since they involve liabilities whose maturity or amount are not accurately fixed and it is likely or certain that funds will flow out to a third party without a return at least equivalent to the amount concerned;
- measurement of the provision for home savings uses customer behaviour trend assumptions based on past observations that provide no guarantee of future trends;
- goodwill impairment tests include a certain number of assumptions;
- measuring the effectiveness of hedges requires the use of assumptions and estimates.

4.2 Notes to the consolidated financial statements: financial risk management and hedging policy

4.2.1 Risk management policy

The Risk Department is the entity responsible for ongoing risk management and control at La Banque Postale. It reports to the Executive Board, and is delegated by that board to define and implement the bank's financial and operational risk monitoring and control procedures.

The principles of risk management and monitoring are described in the Risk Management Policy. Written by the Risk Department, the policy document is revised at least once a year as part of a process involving the Executive Board and Risk Committee (for validation) and the Audit Committee and Supervisory Board (for information).

The key principles it contains are then applied within operational limits that are periodically reviewed to reflect changes in the business, the amount of equity and/or the economic climate.

These limits are approved by the bank's Risk Committee, which is chaired by an Executive Board member.

The operational limits are set to ensure compliance with overall principles and limits contained in the Risk Management Policy and those provided for by regulations (particularly major risks).

The Risk Department ensures that these operational limits are complied with and, in accordance with Article 39 of CRBF regulation n°97-02 (internal compliance of banks and investment companies), reports to the Executive Committee via the Risk Committee and the Audit Committee.

4.2.2 General organisational structure of the Risks Department

The Risk Department had a target staffing level of 52 at the end of 2008, and is structured into three units:

- the Market and Counterparty Risk Department covers all the risks relating to financial market trading and balance sheet management;
- the Credit Risk Department manages and monitors the risk of defaults on loans and overdrafts granted by the bank to its retail customers;
- the Operational Risks Department is responsible for managing and monitoring operational risks; it covers all functions identified in the banking and financial regulations in respect of business continuity, information systems security and card payment security.

The Risk Department monitoring procedures cover the risks faced by La Banque Postale. However, this department may be required to centralise and analyse specific risk indicators on behalf of subsidiaries.

4.2.3 Structural risk factors

Those financial risks (excluding operational risks) included within the monitoring scope of the Risk Department include credit, counterparty, market, global interest rate and liquidity risks.

4.2.3.1 Credit risks

In market trading activities, the credit risk arises as a result of interbank cash transactions (deposits, loans and pensions) and the issuer risk on debt securities traded by the trading room.
Prior to any investment, all third parties are rated and assigned an individual limit intended to limit the total value of the commitment. Where appropriate, group limits are applied in addition to individual limits. Group limits contain exposure to a group of third parties treated as a single beneficiary within the meaning of Article 3 of CRBF Regulation n°93-05 amended.

As of December 31st 2008, there were 231 rated and authorised third parties. On the basis of current limits, all had an internal rating of at least BBB+ at the time of the investment. Nevertheless, the ratings of two issuers were downgraded to BBB and BBB- in 2008. The La Banque Postale commitment to the issuer rated BBB- was repaid in full in January 2009.

The individual limits are supplemented by a range of other limits designed to restrict the risk of concentrating on groups of counterparties categorised in terms of their country of origin, business sector or internal rating. These diversification limits may be revised monthly at Risk Committee meetings.
In retail banking, the credit risk arises mainly as a result of home property loans and, to a lesser degree, customer account overdrafts.

4.2.3.2 Counterparty risks

In La Banque Postale terminology, counterparty risks arise mainly as a result of financial futures transactions.

These transactions involve only banking counterparties, and are conducted under agreements that provide for the netting of exposure and the provision of collateral with regular margin calls.

The collateral accepted by La Banque Postale is principally cash. Bound by limits and regularly monitored by the Market and Counterparty Risks Division, the residual risks are very small.

4.2.3.3 Market risks

Even though La Banque Postale has no trading activity in the true sense of the word, it is exposed to market risks through its cash flow and balance sheet management activities (portfolio of assets available for sale and hedging transactions).

The market portfolio includes all risk-exposed transactions, and covers not only the trading portfolio referred to in Articles 298 and 299 of the French ministerial order of February 20th 2007 on the equity requirements for credit institutions and investment companies, but also bank portfolio transactions, including securities available for sale and certain lending/borrowing transactions.
The risks of variances in this market portfolio identified in the La Banque Postale risk management policy are measured using sensitivity indicators, a Value at Risk index (99%, 1 day) and stress scenarios.

The market portfolio is exposed chiefly to the risks of fluctuations in interest rates, credit spreads and, to a lesser degree, share markets and exchange rates. The methods used to calculate VaR and the risk factors it covers are continually adjusted to reflect changes in activity and the products traded.

The relevance and reliability of the VaR model are estimated using an ex-post analysis designed to compare daily variances in the value of the portfolio with the VaR.
This analysis relies on counting the number of overruns and a set of three tests designed to ensure compliance with certain assumptions that underpin the model used.

At the end of December 2008, the crisis simulation library contained 41 scenarios, including historical events (9/11, LTCM, etc.) and hypothetical scenarios calibrated on the basis of a statistical analysis of risk factor variances and designed to simulate a worst-case scenario on a ten-year basis.

This library is used to run monthly simulations, the results of which are presented to the Risk Committee every month and to the Audit Committee every six months.

4.2.3.4 Liquidity risks

As a result of the limitations imposed by the CECEI authorisation (no provision of corporate funding and consumer lending restricted to home loans), the La Banque Postale retail banking balance sheet to December 31st 2008 shows a large surplus of funds, due to the fact that home loans represented only a quarter of total customer deposits.

La Banque Postale is therefore not dependant on the market to honour its obligations. Nevertheless, it is exposed to liquidity risk arising from the conversion of funds (chiefly current account deposits) for longer-term use as home loans or negotiable debt instruments.
The amounts to be allocated to the portfolio of securities held to maturity are calculated on the basis of a benchmark scenario that models the outflow of liabilities under a series of different stress scenarios. These include situations where instant-access account inflows fall significantly.

The proportion of funds not devoted to investment securities held to maturity or home loans is contained in the portfolio of securities available for sale. These securities are negotiable and may be sold quickly should the need arise.

The risk control policy implemented by La Banque Postale identifies two types of liquidity risk, and takes a different approach to each:

Tactical liquidity risk

This risk relates to cash flow management.
An operational limit is set to cap the funding requirement of the cash flow management division. The amount and period of observation are set by the Risks Committee.

Structural liquidity risk

This risk relates to structural changes in the bank's balance sheet.
It reflects the outflow agreements validated by the ALM Committee.
Management of this risk is delegated to the ALM Committee in accordance with principles and limits validated by the Risks Committee.
This risk is currently measured as the medium/long-term liquidity balance, which corresponds to a static outflow of liabilities and assets (through outflow agreements). The bank has the long-term assurance of the liquidity represented by the deficit relative to an almost certain confidence interval.

Both these risks are ring-fenced by individual limits reviewed periodically by the ALM Committee.

At the beginning of 2008, the liquidity risk measurement methodology was amended to reflect actual asset and liability liquidity and the bank's refinance capacity. This development is designed to reflect the highly liquid nature of 50% of the sovereign equities portfolio (e.g. central bank securities), at the same time as setting limits designed to accommodate any weakening in the equity buyback market. This change of methodology is the cause of the subsequent rise in surplus liquidity seen in the liquidity indicator, which was largely offset by a similar adjustment to the limits.

The outflow agreements used to measure structural liquidity risk are based on modelling the outflow of liabilities with no fixed maturity, off-balance sheet loans and the potential realisation of the sovereign equities portfolio.

The outflow agreements for liabilities with no fixed maturity are revised at least once every year in order to set them at the minimum level relative to the deposit volatility trend (behavioural changes, etc.).

Outflow of off-balance sheet loans is based on a model that reflects product range changes, payment periods and the new income-generating lifespan of loans.

Although the framework enforced by the ALM and Risks Committees provides for prudent liquidity risk management, La Banque Postale has recourse to a diverse range of funding sources:

- a €10 billion certificates of deposit programme (issues vary between 30% and 40% of the programme) designed to keep the La Banque Postale name alive in the short-term market;
- a €10 billion EMTN programme introduced at the end of the 2006 financial year. A €500 million subordinated notes issue eligible for additional treasury stock was made at the end of November 2006;
- access to the inter-bank market;
- buyback agreements covering the securities contained in the investment portfolio held to maturity. The majority of this portfolio is made up of rapidly-realisable high-quality government bonds.

4.2.3.5 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 on global interest rate risk, a limit has been set to restrict the impact on the financial value of the balance sheet of a sudden 200 basis point shift in interest rates. This limit equals to 15% of equity capital.

This indicator is reviewed at all Risk and ALM Committee meetings, and submitted to the Audit Committee every six months.

Interest rate risk is covered chiefly by the purchase of fixed-rate bonds and, to a lesser degree, by the use of interest rate swaps covered by fair value or cash flow hedges in accordance with IFRS provisions.

The portfolio of "carve out" swaps generated by the macro hedging swaps portfolio has been sparse since the transition to IFRS.

4.2.4 La Banque Postale risk exposure

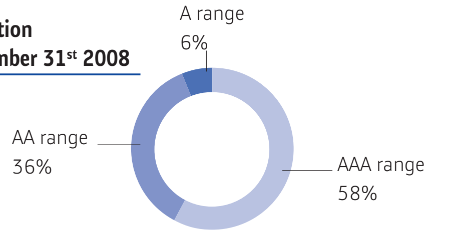
4.2.4.1 Credit risks on market transactions

HELD TO MATURITY FINANCIAL ASSETS

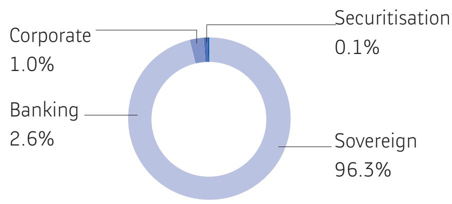
As the following tables show, these are very high-quality assets (figures shown in millions of euros).

Rating	31.12.2008	31.12.2007
AAA range	21,829.1	25,067.1
AA range	13,635.3	13,639.1
A range	2,185.1	1,383.2
Other	–	260.9
Total	**37,649.5**	**40,350.3**

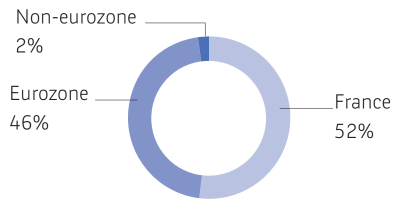
Distribution at December 31st 2008



	31.12.2008	31.12.2007
Sovereign	36,267.1	37,875.5
Banking	965.0	1,809.2
Corporate	371.5	619.6
Securitisation	45.9	45.9
Total	**37,649.5**	**40,350.3**



	31.12.2008	31.12.2007
France	19,572.8	22,793.9
Eurozone	17,283.7	16,686.0
Non-eurozone	793.0	870.4
Total	**37,649.5**	**40,350.3**



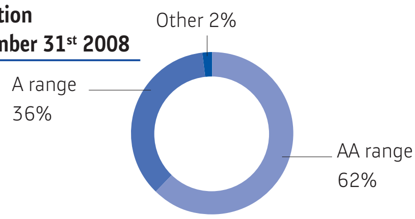
AT FAIR VALUE THROUGH PROFIT AND LOSS FINANCIAL ASSETS

Financial assets at fair value through profit and loss include equities and derivatives. The following breakdown refers solely to equities, since these represent the majority of financial assets at fair value through profit and loss.

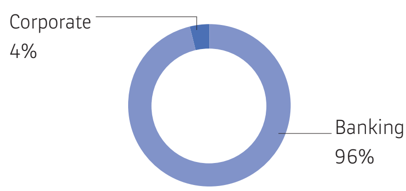
As the following two tables show, these are very high-quality assets (figures shown in millions of euros).

Rating	31.12.2008	31.12.2007
AAA range	–	120.5
AA range	4,870.6	12,829.7
A range	2,791.3	1,871.3
Other	139.9	65.2
Total	**7,801.8**	**14,886.7**

Distribution at December 31st 2008

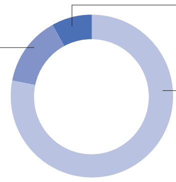


	31.12.2008	31.12.2007
Sovereign	–	101.2
Banking	7,515,4	14,463.4
Corporate	286,4	322.0
Securitisation	–	–
Total	**7,801,8**	**14,886.7**



	31.12.2008	31.12.2007
France	6,111.3	10,901.1
Eurozone	1,063.9	2,300.9
Non-eurozone	626.6	1,684.7
Total	**7,801.8**	**14,886.7**

Distribution at December 31st 2008



Financial assets at fair value through profit and loss also included exposure to French TEC10 sovereign debt of €354.3 million of at the end of 2008 and €348.9 million at the end of 2007. This item also includes €22.5 million invested in delegated management funds.

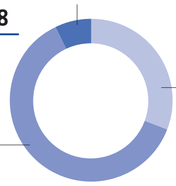
The risk profile for financial instruments is described in paragraph 4.2.3.2 addressing counterparty risk.

AVAILABLE FOR SALE FINANCIAL ASSETS

Financial assets available sale held by La Banque Postale are broken down as follows:

	31.12.2008	31.12.2007
Bonds	2,535	6,217
Government securities	5,169	5,123
Mutual funds and equities	569	285
Total	**8,301**	**11,625**

Distribution at December 31st 2008

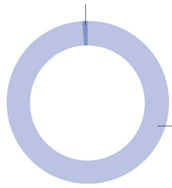


Government securities are broken down as follows (figures shown in millions of euros):

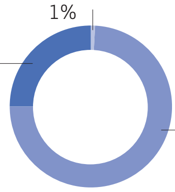
	31.12.2008	31.12.2007
Sovereign	5,162.7	5,088.3
Banking[(1)]	33.7	34.5
Total	**5,196.4**	**5,122.8**

(1) The majority relates to the *Société de Financement de l'Économie Française* (a state funding body for French lending institutions).

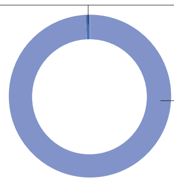
Distribution at December 31st 2008



Notation	31.12.2008	31.12.2007
AAA range	34.8	676.5
AA range	3,868.1	3,256.0
A range	1,293.4	1,190.2
Total	**5,196.4**	**5,122.8**



	31.12.2008	31.12.2007
France	1.1	529.7
Eurozone	5,155.2	4,552.4
Non-eurozone	40.0	40.7
Total	**5,196.4**	**5,122.8**



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

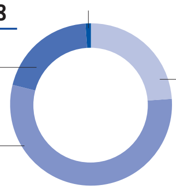
	31.12.2008	31.12.2007
Sovereign[(1)]	616.5	20.7
Banking	1,394.3	5,220.6
Corporate	510.1	778.2
Securitisation	14.0	197.7
Total	**2,534.9**	**6,217.2**

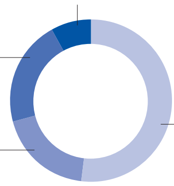
(1) The majority relates to the *Société de Financement de l'Économie Française* (a state funding body for French lending institutions).

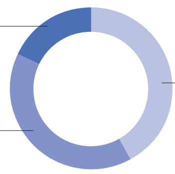
Rating	31.12.2008	31.12.2007
AAA range	1,332,4	1,377,4
AA range	474,8	2,956,6
A range	528,8	1,706,0
Other	198,9	177,2
Total	**2,534,9**	**6,217,2**

	31.12.2008	31.12.2007
France	1,055.7	2,830.2
Eurozone	1,013.1	2,284.3
Non-eurozone	466.1	1,102.6
Total	**2,534.9**	**6,217.2**

Distribution at December 31st 2008







DEPOSIT OR REPO INTERBANK TRANSACTIONS

La Banque Postale conducts interbank securities deposit and lending/borrowing transactions as part of its everyday business.

Deposits

The counterparty risk relating to interbank deposits is managed in the same way as issuer risk. Transactions are therefore subject to the same individual, group and diversification limits.

At the end of December 2008, La Banque Postale held interbank deposits of €2,263 million, including €1,461 million under three months and €802 million of three months to one year.

La Banque Postale also holds €2,069 million in deposits with maturity periods of between five and eleven years. These are deposits made as part of investing funds deposited by sustainable development savings account customers.

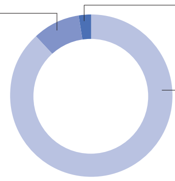
These interbank deposits with maturities beyond one year are restricted to French banks rated in the A range or above.

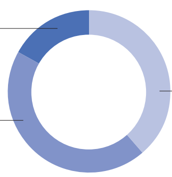
Figures shown in millions of euros:

	31.12.2008	31.12.2007
France	3,821.1	3,104.4
Eurozone	407.0	1,514.4
Non-eurozone	103.7	201.3
Total	**4,331.8**	**4,820.0**

Notation	31.12.2008	31.12.2007
AAA range	1,675.8	518.6
AA range	1,925.9	3,236.0
A range	730.1	1,065.4
Total	**4,331.8**	**4,820.0**

Distribution at December 31st 2008





Repo

The counterparty risk involved in the loan and repurchase of securities is limited by the fact that La Banque Postale deals only with leading banks with which it has netting and collateral agreements.

Against this background, loans and repurchasing of securities generated a counterparty risk of only €1.4 million at December 31st 2008. Of the three banks involved, two are French and the other is a bank elsewhere in the eurozone. All three institutions are AA-rated.

SPECIFIC REFERENCE TO BANKING SECTOR EXPOSURE

La Banque Postale has exposure of €16.4 billion to banks. A number of aspects may be highlighted in this respect:

- nearly 75% of this exposure refers to banks located in France;
- nearly 90% of this exposure refers to banks located in the eurozone;
- over 70% of this banking sector exposure has a maturity of less than one year;
- over 42% of this banking sector exposure has a maturity of less than three months.

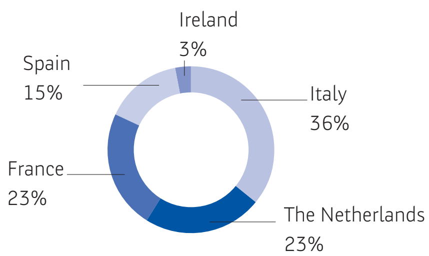
SPECIFIC REFERENCE TO SECURITISATION

La Banque Postale has exposure of €164.86 million to securitisation vehicles. La Banque Postale has made no investments in this asset class, and the securitisation items shown in its balance sheet at December 31st relate to a portfolio of securitisation investments which is now managed as terminated.

The tranches to which La Banque Postale is exposed are all rated AAA. Only one tranche of €4.7 million was rated A by Standard & Poor's and Baa1 at Moody's at December 31st 2008. These external ratings do not reflect any downgrading of the quality of the underlying assets, and refer only to the fact that this securitisation issue is covered by a guarantee underwritten by a monoline insurer. These external A and Baa1 ratings are those of the insurer concerned.

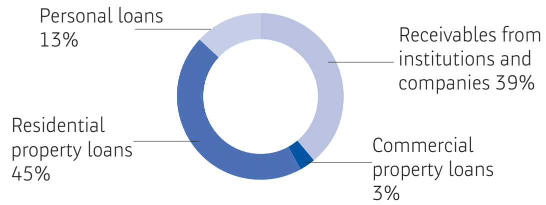
At December 31st 2008, La Banque Postale was aware of no significant downgrading in the quality of loans underpinning its securitisation portfolio.

The geographical distribution of securitisation investments held by La Banque Postale is as follows:



La Banque Postale is not involved in loan securization in the USA, and its involvement is solely limited to a number of eurozone countries. Nearly a quarter of this exposure refers to receivables originating in France.

The breakdown of securization investments by underlying asset type is as follows:



The largest proportion is accounted for by private home loans.

4.2.4.2 Credit risk on customer transactions

4.2.4.2.1 RISK PROFILE

Credit risk is defined in CRBF regulation n°97-02 amended as the risk arising as a result of default by a counterparty, or a number of counterparties treated as a single beneficiary within the meaning of banking regulations.

At La Banque Postale, this covers the following types of transaction:

- home loans to the bank's personal customers for the purpose of buying a principal residence, second home or buy-to-let property. Three new types of property loan were introduced in 2008:
  - bullet loans,
  - 100% bridging loans with repayment of capital and rolled-up interest as the final monthly payment or when the property is sold,
  - property loans to *sociétés civiles immobilières* (private property investment companies), whether family owned or otherwise, but controlled by natural persons and formed for the principal purpose of managing the private property portfolio of these persons;
- current account overdrafts, including short-term business credit facilities for retail customers.

The structure currently in place for this final type of loan is very similar to that already in place for private customers:

- consumer loans for employees of La Poste and its subsidiary companies;
- social micro-loans These are consumer loans available only to those people who cannot obtain a bank loan under normal market conditions: workers in insecure jobs, people with limited income, jobseekers, benefit recipients, those on minimum income benefits, students, apprentices, etc.

Home loans represent the major lending activity of the retail bank, and the total amount of lending in this category rose significantly by 18.23% in 2008 to reach a balance sheets total of €27.5 billion at December 31st 2008.

The bank's comprehensive sales coverage of mainland France enables a very broad geographical spread of risk, at the same time as avoiding the concentration of risk by involving a very large number of counterparties.

La Banque Postale must also manage risks relating to the distribution and management of loans. It also operates risk selection, measurement, monitoring and supervisory procedures designed to ensure effectiveness of retail banking credit risk management.

4.2.4.2.2 THE PROCEDURE IMPLEMENTED BY LA BANQUE POSTALE

The principal measures and provisions of the credit risk management policy are designed to:

– define the standards, procedures and resources required to manage risk;
– coordinate deployment of these rules and resources within the entities concerned;
– monitor the correct adoption and application of these rules within every entity.

The key principles of risk management and monitoring are described in the La Banque Postale Risk Management Policy, and include rules and procedures governing lending, commitment and agreed/disputed collections. These rules are submitted to the Risk Committee for validation and to the Audit Committee for information.

The Risks Department is responsible for credit risk-related activities. At national level, it puts forward rules that govern the acceptance of risk, and more specifically the rules governing commitment and lending. In doing so, it works together with the marketing and sales departments as and when necessary.

In managing the resulting risk, the Risks Department is responsible for the rules relating to collection (working with the Legal Affairs Department, and for those relating to the provisioning of receivables (working with the Accounts Department).

Beyond the scope of its own area of expertise, it submits these principles to the Risks Committee for approval, and may submit them directly to the Executive Board at the request of the Risks Committee Chairman.

Following approval, the Risks Department is responsible for implementing these rules and monitoring the situation to ensure that they are applied correctly throughout the lending process.

In accordance with regulation N°97-02, the Risks Department ensures implementation of the risk monitoring procedure and coordinates every aspect of the credit risk system.

In fulfilling these tasks, it is supported by the (DCIC and CICF) financial centre supervisors, some of whom are specialised in credit risk control, and are coordinated on behalf of the Risks Department by the Operational Risks and Internal Compliance Department (DROCI).

It also defines credit risk monitoring indicators, analyses trends and reports on these trends to the monthly Risks Committee meeting.

The risk management structure involves a network of local officers in financial centres. Each officer is the operational contact for the Risks Department within his or her own entity.

As operational contacts, the Risks Department officers are responsible for feeding back risk alerts from the business line.

They also attend regular meetings organised by the Risks Department in order to discuss issues and areas for improvement face-to-face.

4.2.4.2.3 RISK EXPOSURE FOR THE 2008 AND 2007 FINANCIAL YEARS

2008 financial year (€000)	Trial balance at Dec. 31st 2008		Trial balancee (off-balance sheet items) at Dec. 31st 2008		Total exposure at Dec. 31st 2008	
	Outstanding	Total exposure (%)	Outstanding	Total exposure (%)	Outstanding	Total
Home loans	27,510,797	93%	2,109,021	7%	29,619,818	81%
Personal loans	73,732	94%	4,519	6%	78,250	0%
Related receivables	71,556	100%	–	0%	71,556	0%
Social home loans	593	100%	–	0%	593	0%
Overdrafts and short-term credit facilities	412,929	7%	5,699,842	93%	6,112,771	17%
Credit cards	547,096	100%	–	0%	547,096	2%
Postal orders	28,072	100%	–	0%	28,072	0%
Market-based savings	1,371	100%	–	0%	1,371	0%
Total	**28,646,145**	**79%**	**7,813,382**	**21%**	**36,458,157**	**100%**

2007 financial year (€000)	Trial balance at Dec. 31st 2007		Trial balancee (off-balance sheet items) at Dec. 31st 2007		Total exposure at Dec. 31st 2007	
	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%
Related receivables	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%
Credit 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: the information relating to credit risks on customer transactions is based on management data, and excludes transaction costs directly related to the issuing of loans, which are treated for accounting purposes as part of the loan yield.

At the end of 2008, outstanding home loans accounted for 81% of the total credit commitment, compared with 79% at the end of 2007. This trend results from the continued increase in the volume of home loan advances, which rose from €23.2 billion at the end of 2007 to €27.5 billion at the end of 2008.

The majority of off-balance sheet items is accounted for by authorised current account overdrafts.

The off-balance sheet item for home loans of €2.1 billion represents 7% of total home loan exposure.

The outstanding personal loans item includes loans made to La Poste employees and social micro-loans. Outstanding micro-loans totalled €102,000 (55 loans).

4.2.4.2.4 EXPOSURE TO CREDIT RISK

Maximum exposure to credit risk at the year end

2008 financial year (€000)	Healthy outstanding loans at Dec. 31st 2007		Gross non-compromised doubtful receivables		Gross compromised doubtful receivables		Trial balance at Dec. 31st 2008		Trial balance (off-balance sheet items) at Dec. 31st 2008	
	Outstanding	Balance sheet (%)	Outstanding	Balance sheet (%)	Outstanding	Balance sheet (%)	Outstanding	Total balance sheet (%)	Outstanding	Total off-balance sheet items (%)
Home loans	27,448,107	99.77%	38,756	0.14%	23,934	0.09%	27,510,797	96%	2,109,021	27%
Personal loans	73,416	99.57%	114	0.15%	203	0.27%	73,732	0%	4,519	0%
Related receivables	71,469	99.88%	87	0.12%	–	–	71,556	0%	–	0%
Social home loans	416	70.18%	136	22.99%	41	6.83%	593	0%	–	0%
Overdrafts and short-term credit facilities	376,581	91.20%	14,683	3.56%	21,665	5.25%	412,929	1%	5,699,842	73%
Credit cards	547,096	100.00%	–	–	–	–	547,096	2%	–	0%
Postal orders	–	–	–	–	28,072	100.00%	28,072	0%	–	0%
Market-based savings	–	–	1,371	100.00%	–	–	1,371	0%	–	0%
Total	**28,517,085**	**99.55%**	**55,146**	**0.19%**	**73,914**	**0.26%**	**28,646,145**	**100%**	**7,813,382**	**100%**

2007 financial year (€000)	Healthy outstanding loans at Dec. 31st 2006		Gross non-compromised doubtful receivables		Gross compromised doubtful receivables		Trial balance at Dec. 31st 2007		Trial balance (off-balance sheet items) at Dec. 31st 2007	
	Outstanding	Balance sheet (%)	Outstanding	Balance sheet (%)	Outstanding	Balance sheet (%)	Outstanding	Total balance sheet (%)	Outstanding	Total off-balance sheet items (%)
Home loans	23,198,015	99.79%	26,640	0.11%	23,270	0.10%	23,247,926	95%	1,995,148	27%
Personal loans	62,732	99.51%	59	0.09%	253	0.40%	63,043	0%	4,487	0%
Related receivables	57,105	99.89%	63	0.11%	–	–	57,169	0%	–	0%
Social home loans	1,155	84.94%	100	7.37%	105	7.69%	1,360	0%	–	0%
Overdrafts and short-term credit facilities	439,865	94.13%	10,742	2.30%	16,683	3.57%	467,291	2%	5,298,690	73%
Credit cards	571,531	100.00%	–	–	–	–	571,531	2%	–	0%
Postal orders	71,758	68.41%	–	–	33,140	31.59%	104,897	0%	–	0%
Market-based savings	–	–	247	20.00%	986	80.00%	1,233	0%	–	0%
Total	**24,402,161**	**99.54%**	**37,851**	**0.15%**	**74,437**	**0.30%**	**24,514,450**	**100%**	**7,298,325**	**100%**

As of December 31st 2008, outstanding home property loans totalled €27.5 billion, 0.23% of which were categorised as doubtful outstanding receivables (0.21% at the end of 2007). Personal loans totalled €73.5 million, 0.43% of which were categorised as doubtful outstanding receivables (0.49% at the end of 2007).

The rates of doubtful receivables showed little variation from the previous year. This virtual stability was helped by the rise in outstanding loan volumes during 2008 (+18% for home loans and +17% for personal loans).

Guarantees received

2008 financial year (€000)	Asset-backed guarantee		Corporate security		Personal guarantee		No guarantee		Trial balance at Dec. 31st 2008	
	Outstanding	Balance Sheet (%)	Outstanding	Balance Sheet (%)	Outstanding	Balance Sheet (%)	Outstanding	Balance Sheet (%)	Outstanding	Total (%)
Home loans										
Healthy	7,273,409	26.50%	18,587,127	67.72%	172,381	0.63%	1,415,190	5.16%	27,448,107	99.77%
Non-compromised doubtful	19,613	50.61%	16,043	41.40%	848	2.19%	2,251	5.81%	38,756	0.14%
Compromised doubtful	19,014	79.44%	810	3.39%	317	1.3%	3,793	15.85%	23,934	0.09%
Total	**7,312,037**	**26.58%**	**18,603,981**	**67.62%**	**173,546**	**0.63%**	**1,421,233**	**5.17%**	**27,510,797**	**100%**
Personal loans										
Healthy	–	–	–	–	–	–	73,416	99.57%	73,416	99.57%
Non-compromised doubtful	–	–	–	–	–	–	114	0.15%	114	0.15%
Compromised doubtful	–	–	–	–	–	–	203	0.27%	203	0.27%
Total	**–**	**–**	**–**	**–**	**–**	**–**	**73,732**	**100.00%**	**73,732**	**100.00%**

2007 financial year (€000)	Asset-backed guarantee		Corporate security		Personal guarantee		No guarantee		Trial balance at Dec. 31st 2007	
	Outstanding	Balance Sheet (%)	Outstanding	Balance Sheet (%)	Outstanding	Balance Sheet (%)	Outstanding	Balance Sheet (%)	Outstanding	Total (%)
Home loans										
Healthy	6,844,611	29.51%	15,111,009	65.14%	1,482	0.01%	1,240,914	5.35%	23,198,015	99.79%
Non-compromised doubtful	13,699	51.42%	11,513	43.22%	499	1.87%	930	3.49%	26,640	0.11%
Compromised doubtful	17,975	77.25%	1,048	4.50%	525	2.26%	3,722	15.99%	23,270	0.10%
Total	**6,876,285**	**29.58%**	**15,123,569**	**65.05%**	**2,506**	**0.01%**	**1,245,565**	**5.36%**	**23,247,926**	**100.00%**
Personal loans										
Healthy	–	–	–	–	–	–	62,732	99.51%	62,732	99.51%
Non-compromised doubtful	–	–	–	–	–	–	59	0.09%	59	0.09%
Compromised doubtful	–	–	–	–	–	–	253	0.40%	253	0.40%
Total	**–**	**–**	**–**	**–**	**–**	**–**	**63,043**	**100.00%**	**63,043**	**100.00%**

For home loans, the distribution of loan stock by type of guarantee remained stable compared with 2007. A modest rise of 2.5% in the issue of formal demands to legal entities relative to asset-back security was seen during the year.

For consumer loans, the entire loan stock is assumed to be non-guaranteed.

Credit quality of financial assets that are neither past due nor impaired

2008 financial year (€000)	Breakdown of healthy loans	Healthy loans outstanding	As a % of all healthy loans
Home loans	Healthy with no past due	27,322,089	99.54%
	Healthy with past due	126,018	0.46%
	Total sains	**27,448,107**	**100.00%**
Personal loans	Healthy with no past due	73,125	99.60%
	Healthy with past due	290	0.40%
	Total healthy	**73,416**	**100.00%**

2007 financial year (€000)	Breakdown of healthy loans	Healthy loans outstanding	As a % of all healthy loans
Home loans	Healthy with no past due	23,093,090	99.55%
	Healthy with past due	104,925	0.45%
	Total healthy	**23,198,015**	**100.00%**
Personal loans	Healthy with no past due	62,543	99.70%
	Healthy with past due	189	0.30%
	Total healthy	**62,732**	**100.00%**

The trend between 2007 and 2008 was great stability. The proportion of healthy loan accounts with no past due remained above 99.5% for home loans and personal loans.

2008 financial year	Loan period range	% of total
Home loans	0 to 5 years	3.70%
	5 to 10 years	12.23%
	10 to 15 years	30.77%
	15 to 20 years	35.15%
	20 to 25 years	20.14%
Total		**100.00%**

The ranges shown are the initial loan periods. The maximum period of loans provided by La Banque Postale is 25 years.
The percentage accounted for by the longest loan periods (15-25 years) increased compared with 2007: 53%, compared with 50%.

2007 financial year	Loan period range	% of total
Home loans	0 to 5 years	3.10%
	5 to 10 years	12.49%
	10 to 15 years	33.54%
	15 to 20 years	35.19%
	20 to 25 years	15.67%
Total		**100.00%**

In 2008, outstanding home loans entered into initially for periods of less than 20 years accounted for 80% of the total, compared with 84% at December 31st 2007.

Financial assets that are past due not individually impaired

2008 financial year (€000)	Period of past due	Past due outstanding	As a % of total past due
Home loans	Past due < 30 days(1)	70,722	52.92%
	Past due 30-60 days(1)	24,994	18.70%
	Past due 60-90 days(1)	14,635	10.95%
	Past due 90-180 days(1)	23,292	17.43%
	Total past due(1)	**133,642**	**100.00%**
	including those made doubtful by association	**7,624**	**5.70%**
	Healthy with past due	**126,018**	

(1) These figures (taken from account statements) include other loans with past due made doubtful by association. These represent 5.5% of financial assets in past due.

2008 financial year (€000)	Period of past due	Past due outstanding	As a % of total past due
Personal loan	Past due < 30 days	123	42.27%
	Past due 30-60 days	152	52.30%
	Past due 60-180 days	16	5.43%
	Total missed past due	**290**	**100,00%**

The stock of loans with past due was 20% higher at December 31st 2008 than on the same date of the previous year. Please note that the proportion accounted for by 60- to 90-day past due rose sharply by 60%.

2007 financial year (€000)	Period of past due	Past due outstanding	As a % of total past due
Home loans	Past due < 30 days(1)	66,105	60.44%
	Past due 30-60 days(1)	19,345	17.69%
	Past due 60-90 days(1)	9,604	8.78%
	Past due 90-180 days(1)	14,312	13.09%
	Total past due(1)	**109,366**	**100.00%**
	including those made doubtful by association	**4,441**	**4.06%**
	Healthy with past due	**104,925**	

(1) These figures (taken from account statements) include other loans with past due made doubtful by association. These represent 5.5% of financial assets in past due.

2007 financial year (€000)	Period of past due	Past due outstanding	As a % of total past due
Personal loan	Past due < 30 days	161	85.22%
	Past due 30-60 days	20	10.44%
	Past due 60-180 days	8	4.34%
	Total missed past due	**189**	**100,00%**

The rise was more marked in personal loans, at 53%, with past due of less than 30 days falling to 42% at December 31st 2008, compared with 85% at December 31st 2007.

The distribution of guarantees held on healthy home loans with past due is as follows:

2008 financial year (€000)	Type of guarantee	Loans	% of total
Healthy home loans with past due	Asset-backed security	52,505	42%
	Corporate security	67,095	53%
	Personal guarantee	529	0%
	No guarantee	5,882	5%
	Total	**126,018**	**100%**

The proportion of loans with no past due and asset-backed guarantee is higher that that for all healthy loans: 42%, compared with 27%. On the other hand, as with all healthy loans, only 5% are not guaranteed by means of a personal guarantee or asset-backed security.

2007 financial year (€000)	Type of guarantee	Loans	% of total
Healthy home loans with past due	Asset-backed security	48,092	46%
	Corporate security	51,309	49%
	Personal guarantee	336	0%
	No guarantee	5,188	5%
	Total	**104,925**	**100%**

Financial assets with past due but not impaired individually were provisioned at €10.6 million at December 31st 2008 (€7.6 million at December 31st 2007). This reflects a 40% increase over the previous balance sheet date. No estimate of their fair value was available at December 31st 2008.

Analysis of individually-impaired financial assets

2008 financial year (€000)	Type of guarantee	Loans (a)	% of total	inc. interest of	Value of guarantee held (b)	Balance to be provisioned (exc. discounting) (c)=(a)-(b)	Provision rate (exc. discounting) (c)/(a)	Discounted provisions (d)=(c) actual	Discounted provision rate (d)=(c) actual
Home loans									
Non-compromised doubtful	Asset-backed security	13,969	36%	215	13,216	753	5%	3,668	26%
	Corporate security	8,186	21%	105	8,098	88	1%	368	4%
	Personal guarantee	396	1%	5	–	396	100%	396	100%
	No guarantee	1,132	3%	21	–	1,132	100%	1,132	100%
Doubtful by association but without past due		15,072	39%	–	12,714	2,359	16%	3,809	25%
	Total	**38,756**	**100%**			**4,727**	**12%**	**9,373**	**24%**
Compromised doubtful	Asset-backed security	19,014	79%	359	17,847	1,167	6%	3,163	17%
	Corporate security	810	3%	22	789	21	3%	102	13%
	Personal guarantee	317	1%	9	–	317	100%	317	100%
	No guarantee	3,793	16%	74	–	3,793	100%	3,793	100%
	Total	**23,934**	**100%**			**5,298**	**22%**	**7,374**	**31%**
Personal loans									
	Doubtful	39	12%	0	–	39	100%	39	100%
Doubtful by association but without past due		75	24%	–	ns	–	0%	–	0%
	Compromised doubtful	203	64%	5	–	203	100%	203	100%
	Total	**316**	**100%**			**241**	**76%**	**241**	**76%**

2007 financial year (€000)	Type of guarantee	Loans (a)	% of total	inc. interest of	Value of guarantee held (b)	Balance to be provisioned (exc. discounting) (c)=(a)-(b)	Provision rate (exc. discounting) (c)/(a)	Discounted provisions (d)=(c) actual	Discounted provision rate (d)=(c) actual
Home loans									
Non-compromised doubtful	Asset-backed security	9,100	34%	150	8,337	763	8%	2,625	29%
	Corporate security	5,882	22%	108	5,674	208	4%	407	7%
	Personal guarantee	263	1%	6	–	263	100%	263	100%
	No guarantee	422	2%	6	–	422	100%	422	100%
Doubtful by association but without past due		10,973	41%	–	9,582	1,391	13%	2,555	23%
	Total	**26,640**	**100%**			**3,047**	**11%**	**6,272**	**24%**
Compromised doubtful	Asset-backed security	17,975	77%	341	17,076	899	5%	2,842	16%
	Corporate security	1,048	5%	27	1,022	25	2%	128	12%
	Personal guarantee	525	2%	19	–	525	100%	525	100%
	No guarantee	3,722	16%	64	–	3,722	100%	3,722	100%
	Total	**23,270**	**100%**			**5,172**	**22%**	**7,217**	**31%**
Personal loans									
	Doubtful	24	8%	0	–	24	100%	24	100%
Doubtful by association but without past due		34	11%	–	ns	–	0%	–	0%
	Compromised doubtful	253	81%	7	–	253	100%	253	100%
	Total	**312**	**100%**			**277**	**89%**	**277**	**89%**

Comparison with the previous balance sheet date reveals a significant increase of 45.5% in doubtful non-compromised home loans. The total amount of €38.75 million shown for doubtful non-compromised loans contains €15.07 million of loans made doubtful by association but without past due, and €7.62 million made doubtful by association but with past due. Loans made doubtful by association therefore represent 58.5% of doubtful non-compromised loans.

The impairment rate for home loans (excluding discounting) remains stable at 12% for doubtful non-compromised loans (11% at the end of 2007) and 22% for doubtful compromised loans (22% in 2007). The reason for this can be seen in the distribution of these loans by type of guarantee, and is also explained by the provisioning methods applied.

After taking account of the non-impairment of loans without past due (but doubtful by association), the provisioning rate applied to personal loans advanced to La Poste group employees was 76% in 2008 (89% in 2007).

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

4.2.4.3 Exposure to counterparty risk

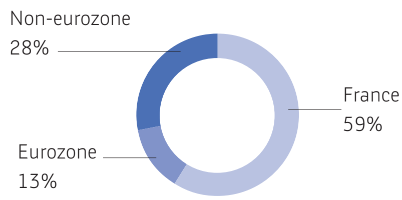
The majority of La Banque Postale exposure to counterparty risk relates to its term derivative instrument transactions.

This risk is limited by the fact that La Banque Postale works only with leading banks with which it has netting and collateral agreements. Furthermore, the majority of the instruments are "vanilla" rate swaps.

At the end of 2008, the bank's net total exposure to these counterparties (after application of any collateral) was €115.7 million. These counterparties are all rated within the A range or higher.

(€ million)	31.12.2008	31.12.2007
France	68.2	37.7
Eurozone	15.3	1.0
Non-eurozone	32.2	13.3
Total	**115.7**	**52.0**

Distribution at December 31st 2008



4.2.4.4 Exposure to liquidity risk

Structural liquidity risk is measured as the medium/long-term liquidity balance, which corresponds to a static outflow of liabilities and assets (through outflow agreements).

The following assumptions are applied in calculating the medium/long-term liquidity balance:

The following timeframes are used for the purposes of this calculation: 1 month, 3 months, 6 months, 1 year, 2 years, 3 years, 4 years, 5 years, 7 years, 10 years and 15 years. The liquidity balance is measured monthly for submission to the Risk and ALM committees.

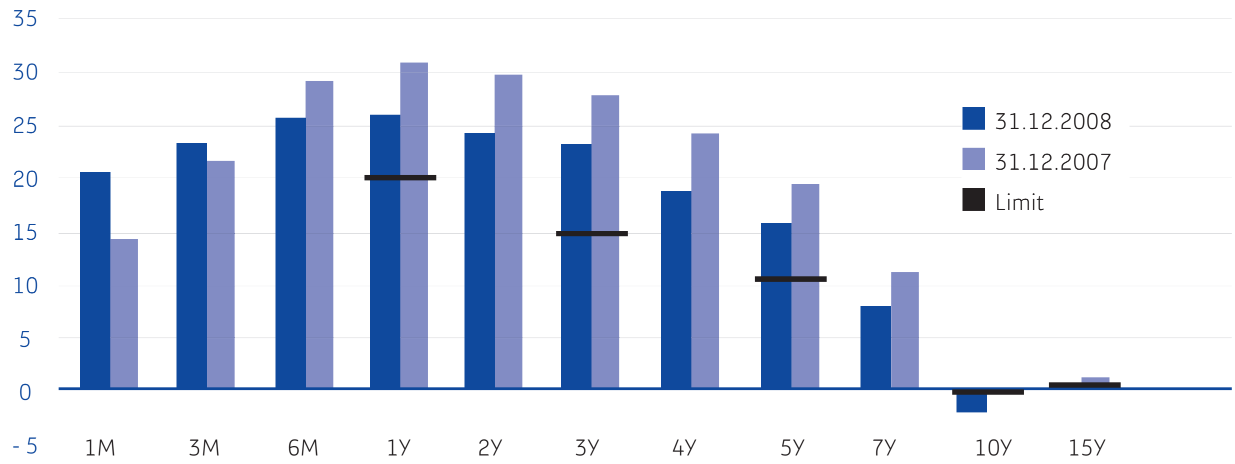
Equity net of fixed assets	Final
Debt	Contractual date or call date
Current accounts/savings books/ home loan saving schemes	Outflow agreement
Home savings plan	Certain outflow (see home loans provision)
Term accounts	Outflow agreement
Home loans	Contractual schedule + structural early repayments
Home loan credit option	Likely production on average maturity observed
Bonds/deposits	Contractual schedule
Off-balance sheet commitments	Outflow agreement

The liquidity balance, as measured at December 31st 2007 (pro forma) and December 31st 2008:

(€ million)	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	7 years	10 years	15 years
31.12.2007	14,484	21,550	29,014	30,523	29,754	27,422	24,076	19,279	11,088	(273)	1,099
31.12.2008	20,455	23,127	25,640	25,997	23,883	23,163	18,792	15,530	8,098	(1,660)	242

Following the introduction of a new comparability procedure, the figures shown for December 31st 2007 have been restated, and are therefore not directly comparable with those presented in the annual report for 2007.

La Banque Postale liquidity balances for the overall balance sheet (€ billion)



A positive balance for a given timeframe means that the bank has more resources than applications with a maturity date longer than the timeframe.

A positive liquidity balance on timeframes below 10 years reflects the excess liquidity for La Banque Postale. These high levels of liquidity are further increased by the quality of the financial assets held and the accounting treatment used to manage the bank's structural liquidity. The rising volume of home loans and reducing volume of home savings account deposits experienced in 2008 explained the reduction in excess liquidity for timeframes below 10 years, and the reversal of the balance shown for the 10 year timeframe.
The liquidity limit system is complemented by stress scenarios, which include the possibility of a weakening equity buyback market.

4.2.4.5 Market risks

All mark to market positions (negotiated portfolio and available for sale) are regulated by a Value at Risk (99%, 1 day), whose limit is reviewed every month by the Risk Committee.
The VaR used by La Banque Postale is a parametric VaR, calculated using a variance-covariance matrix containing 2,431 risk factors covering interest rate, spread, exchange rate risks and the risks of fluctuations in stock market indices to which the bank is exposed. This matrix is maintained using a scaling factor designed to give greater weighting to recent fluctuations than to older fluctuations.

The resulting VaR partially covers optional risks, although level two risks are not addressed.

Although not currently significant, the development of optional positions could result in the Risks Department deploying a more specific methodology.

For quality purposes, the Risks Department back-tests the results produced by the model used to calculate the VaR. In addition to simply counting the number of times risk indicators are overshot, this analysis measures compliance with certain assumptions (especially normality and Markovian distribution).

VaR measurements are supplemented monthly by stress tests designed to measure the banks exposure to market conditions that exceed the confidence interval adopted for the purposes of VaR calculation.

Value at Risk of mark to market transactions

(€ million)	31.12.2007	30.06.2008	31.12.2008
Overall VaR	9.3	20.4	15.8
VaR of trading portfolio transactions	2.1	2.7	1.8

Contribution by risk factors to the overall VaR

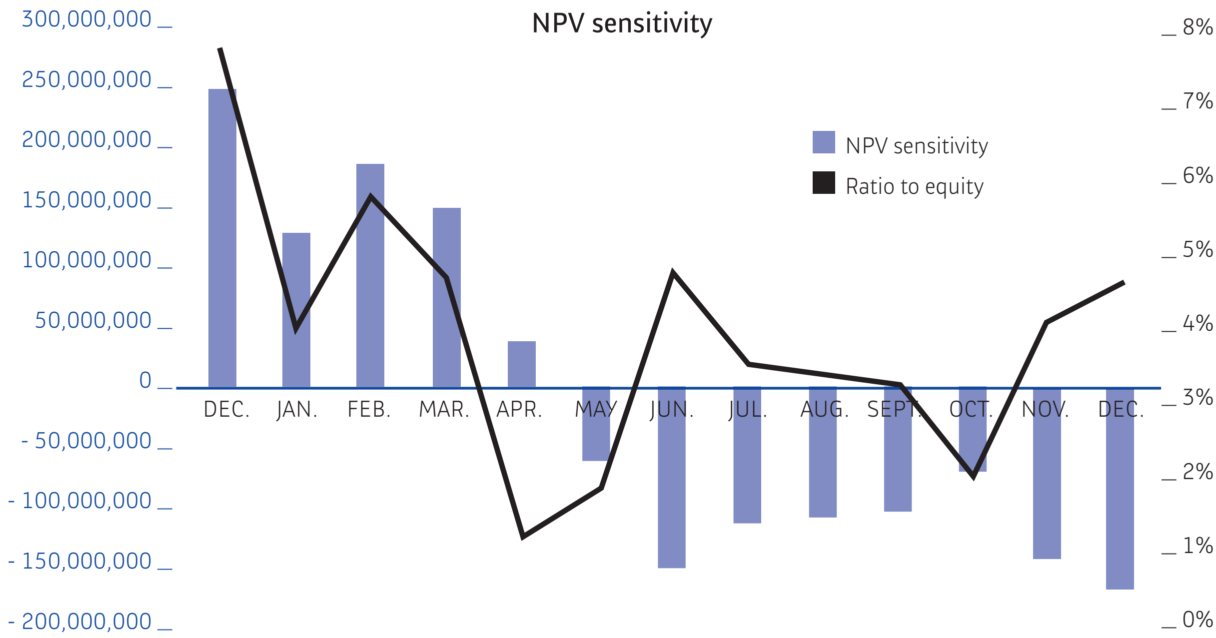
(€ million)	31.12.2007	30.06.2008	31.12.2008
Interest rate	6.5	19.1	8.8
Credit spreads	3.2	1.3	3.3
Exchange rate	0.0	0.4	0.3
Equity markets	(0.5)	(0.5)	3.3
Volatility	0.0	0.1	0.1
TOTAL	**9.3**	**20.4**	**15.8**

Statistics for the 2008 financial year

(€ million)	Average	Minimum	Maximum
Overall VaR	18.5	12.0	26.0
VaR of trading portfolio transactions	1.6	0.9	4.1

This VaR averaged €21.4 million for the financial year, peaking at €26 million in June. This peak relates essentially to increased volatility of risk factors at a time when the global credit crisis exploded and the resulting stock market falls.

4.2.4.6 Overall interest rate risk



In accordance with Basel Committee recommendations, the impact applied when calculating balance sheet financial value sensitivity is 200 bp. This indicator is cultivated assuming a static balance sheet taking no account of new business revenues.

Assets and liabilities with no contractual maturity date are treated in accordance with scenarios approved by the bank's ALM Committee.

4.2.5 Exposure to risk in respect of the CNP Assurances Group

4.2.5.1 Credit risks

As of December 31st 2008, 94.2% of the group bond portfolio was invested in bonds rated A to AAA by the leading rating agencies, including more than 47.5% rated AAA.

As of December 31st 2007, 95.6% of the group bond portfolio was invested in bonds rated A to AAA by the leading rating agencies, including more than 49% rated AAA.

4.2.5.2 Exchange rate risk

Asset portfolio is invested on the securities of euro zone issuers.

These investment portfolios therefore have only very limited exposure to exchange rate risk: less than 1% of investments held by the Group's French companies are denominated in currencies other than the euro.

In terms of exchange rate risk, CNP Assurances analyses the impact on profit and equity of a 10% upward shift in the euro exchange rate against the dollar, sterling and the Brazilian real. The potential impact on profit and equity of a change in the dollar or sterling rate is the result of holding financial assets denominated in these currencies, whereas the group's exposure to the Brazilian real relates to the full consolidation of the Brazilian subsidiary company Caixa.

Sensitivity analysis at December 31st 2008

(€ million)	€/$ rate +10%	€/£ rate +10%
Impact on profit	(20.1)	(3.5)
Impact on equity	(31.7)	(6.0)

The sensitivity impact on profit includes hedges.

As a result of the CNP Assurances equity holding in the Brazilian company Caixa, an upward shift of 10% in the value of the euro against the Brazilian real would result in a loss of €12 million in terms of profit and €40 million in terms of CNP Assurances equity (at December 31st 2007, these figures were €10.4 million and €44.8 million respectively).

Sensitivity analysis at 31 December 2007

(€ million)	€/$ rate +10%	€/£ rate +10%
Impact on profit	(48.1)	(10.7)
Impact on equity	(8.1)	(3.2)

4.2.5.3 Market risk

The CNP Assurances Group applies sensitivity tests to assess and manage profit and equity volatility efficiently. More specifically, the management team analyses MCEV sensitivity to market- and insurance-related risks.

CNP Assurances publishes embedded value data in accordance with the principles of Market Consistent European Embedded Value (MCEV) established by the CFO Forum (a high-level discussion group formed in 2002 and attended by the Chief Financial Officers of major European insurers), with the exception of liquidity premium incorporation and the retention of the traditional methodology for the Brazilian subsidiary Caixa.
CNP Assurances has adopted the market consistency methodology for measuring financial options. This approach involves the objective determination of financial assumptions based on conditions existing in the market at December 31st 2008.

The MCEV comprises:
– the net asset value (market value of assets representing equity after deduction of intangible assets), subordinated liabilities and other items measured in the Value In Force;
– the value of the In-Force portfolio (the discounted value of future profits net of tax liability generated by the policies in the portfolio on the date of measurement). This value is calculated using the market consistency methodology, except for Caixa Seguros, where the traditional methodology has been retained. This methodology requires that no risk premium is included in the yields and discounting rates used. The reference curve is the swap rates curve. This value includes the intrinsic value of the options and guarantees found in the portfolio, but not the time value of these options.

MCEV risk sensitivity aims to evaluate the impact on MCEV of changes in interest rates and equity prices. In addition to CNP Assurances SA, the scope of these analyses also includes the Group's largest subsidiary companies in France, its Brazilian subsidiary and its Italian subsidiary. The following sensitivities are analysed:
- rates curve +/- 100 basis points: this sensitivity reflects an immediate upward shift of 100 basis points and a reduction in the rates curve. This sensitivity includes a change in the market value of fixed income securities and risk discounting rates;
- a 10% fall in equity and property markets: this sensitivity reflects an immediate downward shift of 10% in the value of equities and property.

All sensitivities are calculated net of taxes and minority interests and, where appropriate, net of policyholder equity participation.

Analysis of MCEV sensitivity to interest rate and equity market risks at December 31st 2008

(€ million)	Interest rate +100 bp	Interest rate -100 bp	Equities -10%
Impact on MCEV	(101)	(54)	(354)

4.2.5.4 Liquidity risks

Projection of payments by maturity at December 31st 2008

(€ million)	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	More than 15 years
Liabilities relating to insurance and investment contracts (inc. unit-linked)	13,473.1	69,584.4	57,366.5	46,096.5	137,638.7

The amount of liabilities immediately available for buyback at December 31st 2008 was €216 billion

Projection of payments by maturity at December 31st 2007

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

The amount of liabilities immediately available for buyback at December 31st 2007 was €208 billion.

4.2.5.5 Interest rate risk on financial liabilities

This note shows the breakdown of technical reserves by guaranteed yield.

At December 31st 2008

(€ million)	Guaranteed yield	Technical reserves	%
	0%(1)	110,717.4	45.8
	]0%-2%]	7,919.9	3.3
	]2%-3%]	49,278.9	20.4
	]3%-4%]	3,891.2	1.6
	]4%-4.5%]	5,568.7	2.3
	> 4.5%(2)	1,224.2	0.5
	UC	33,772.7	14.0
	Other(3)	29,140	12.1
Total		**241,513**	**100**

At December 31st 2007

(€ million)	Guaranteed yield	Technical reserves	%
	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
	UC	41,506	17.6
	Other(3)	29,464	12.5
Total		**235,518**	**100**

(1) Technical life insurance provision for policies without interest rate commitment

(2) Provisions with a commitment above 4.5%, the majority of which related to a subsidiary company in Brazil, where bond rates are higher than 10%.

(3) Includes all provisions, with the exception of mathematical and liability provisions for unit-linked contracts, i.e. technical non-life insurance provisions, provisions for profit sharing and provisions for claims.

4.3 Notes to the consolidated financial statements: notes concerning the balance sheet, profit & loss account and other information

4.3.1 Note 1: Cash due from central banks

(€000)	31.12.2008	31.12.2007
Cash	211,963	191,210
Central banks	1,926,591	2,476,655
Cash due from central banks	**2,138,554**	**2,667,865**

4.3.2 Note 2: Financial assets and liabilities at fair value through profit and loss

4.3.2.1 Assets and liabilities at fair value through profit and loss

(€000)	31.12.2008			31.12.2007		
	Trading	Fair value option	TOTAL	Trading	Fair value option	TOTAL
Treasury notes and similar securities		354,278	354,278		351,144	351,144
Bonds and other fixed-income securities	7,805,370		7,805,370	14,891,282		14,891,282
Equities and other variable-income securities	22,072	22,492	44,564	36,712		36,712
Financial assets at fair value through profit and loss	**7,827,442**	**376,770**	**8,204,212**	**14,927,994**	**351,144**	**15,279,138**

4.3.2.2 Trading derivatives

(€000)	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	246,719	226,998	122,373	129,025
Exchange rate derivatives		28,587		
Other derivatives	17,318	14,965	2,925	160
Trading Derivatives	**264,037**	**270,550**	**125,298**	**129,185**

(€000)	31.12.2008		31.12.2007	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Conditional transactions	**17,318**	**14,965**	**2,925**	**160**
Interest rate options	17,318	14,965	2,925	160
Other derivatives	**246,719**	**255,585**	**122,373**	**129,025**
Interest rate swaps	246,719	255,585	122,373	129,025

4.3.3 Note 3: Hedging derivatives

4.3.3.1 Fair value hedge derivatives

(€000)	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	206,498	174,448	104,885	116,021
Fair value hedge derivatives	**206,498**	**174,448**	**104,885**	**116,021**

(€000)	31.12.2008		
	Notional	Positive fair value	Negative fair value
Interest rate swaps	6,764,500	206,498	174,448

4.3.3.2 Cash flow hedging derivatives

(€000)	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	65,902	220		4,626
Cash flow hedge derivatives	**65,902**	**220**		**4,626**

(€000)	31.12.2008		
	Notional	Positive fair value	Negative fair value
Interest rate swaps	1,300,000	65,902	220

4.3.4 Note 4: available for sale Financial assets

(€000)	31.12.2008	31.12.2007
Treasury notes and similar securities	5,196,389	5,223,085
Bonds and other fixed-income securities	2,824,492	6,540,570
Equities and other variable-income securities	669,238	398,644
Non-consolidated equity holdings	131,782	104,176
Available for sale financial assets	**8,821,901**	**12,266,475**
of which: unrealised net losses on fixed-income securities	(103,643)	(98,526)
of which: unrealised net gains and losses on variable-income securities	(38,575)	24,092

DETAILS OF NON-CONSOLIDATED EQUITY INTERESTS

(€000)	31.12.2008					31.12.2007
	Carrying value of equities held	Related advances & receivables	Impairment	Net value	Percentage equity holding	Net value of equities held
Crédit Logement	97,282			97,282	6.00%	93,577
Visa Inc.	11,082			11,082		
Thiriet Gestion	4,259			4,259	33.40%	
Easybourse	4,960			4,960	100.00%	
Ciloger	3,053			3,053	45.00%	3,053
Transactis	2,474			2,474	50.00%	
Société financière de paiements	2,404			2,404	49.00%	2,404
Europay	1,339			1,339	6.00%	1,339
X Ange Private Equity	1,237			1,237	90.00%	1,237
Europost Management Cie	1,163			1,163	99.12%	1,163
SCPI Atout Pierre Habitation	420			420	1.23%	420
SCPI Atout Pierre Habitation 2	420			420	1.68%	420
SAS Carte Bleue	185			185	7.73%	185
Vernier Roosevelt	81			81	31.00%	131
SIFA	300			300	0.61%	
Eurogiro Holding A/S	65			65	9.09%	65
Fédération SF2	40			40	100.00%	40
Issy La Banque Postale	40			40	100.00%	
Issy SF2-4						40
EF Primo	27			27	100.00%	27
GIE Cesu	25			25	16.66%	25
AM Lab	19	760		779	47.50%	19
Coripost						17
Stelphia Asset Management	144			144	14.37%	12
BMS Exploitation	9,386	1,062	(10,448)	0	14.22%	0
BMS Développement	2,023		(2,023)	0	9.60%	0
SFPMEI	1,001		(1,001)	0	9.58%	0
Titres Cadeaux	0			0	50.00%	
Others	3			3		2
Total equity holdings and advances	**143,432**	**1,822**	**(13,472)**	**131,782**		**104,176**

Non-consolidated equity shares not listed in an active market whose fair value cannot be measured reliably are measured at their cost price. These shares totalled €23,418 thousand at December 31st 2008.

4.3.5 Note 5: Due from Credit Institutions

(€000)	31.12.2008	31.12.2007
Current accounts in debit	92,361	48,782
Instant-access accounts and loans	902,895	
Securities received/purchased under buyback agreements	553,456	226,396
Doubtful loans		153
Instant-access accounts and loans - due from banks	**1,548,712**	**275,331**
Term accounts and loans	14,692,675	16,108,950
Subordinated and equity loans	188,854	187,221
Term accounts and loans – due from banks	**14,881,529**	**16,296,171**
Loans and receivables linked to equities	**2,458,783**	
Total loans & receivables – due from banks	**18,889,024**	**16,571,502**

Loans and receivables linked to equity are fixed-payment or determinable non-derivative financial assets not traded in asset markets. Following the reclassifications made on July 1st 2008 under the provisions introduced by the October 2008 amendment to IAS 39, the majority of these assets are held in "Assets available for sale".

4.3.6 Note 6: Due from Customers

(€000)	31.12.2008	31.12.2007
Customer current accounts in debit	316,566	400,477
Other customer lending	54,525	71,758
Doubtful loans	36,348	27,426
Impairment	(22,846)	(16,555)
Customer instant-access loans and receivables	**384,593**	**483,106**
Short-term credit facilities	620,828	634,529
Property loans	27,548,982	23,275,767
Securities received/purchased under buyback agreements	37,233	
Doubtful loans	92,386	84,784
Impairment	(56,474)	(55,826)
Customer term loans and receivables	**28,242,955**	**23,939,254**
Loans and receivables linked to equities	**168,355**	
All loans & receivables - customers	**28,795,903**	**24,422,360**

Loans and receivables linked to equity are fixed-payment or determinable non-derivative financial assets not traded in asset markets. Following the reclassifications made on July 1st 2008 under the provisions introduced by the October 2008 amendment to IAS 39, these assets are held in "Assets available for sale".

The personal loans (cash loans) are granted to employees of La Poste and its subsidiary companies.

4.3.7 Note 7: Assets impairment

(€000)	31.12.2007	Provisions	Reversals	Reversals not used	Other	31.12.2008
Loans & receivables - customers	(72,381)	(28,628)	21,509		180	(79,320)
of which: collective provisions	(7,584)	(4,809)	1,768			(10,625)
Assets available for sale	(13,026)	(131,326)	16			(144,336)
of which: equity holdings	(13,010)	(463)				(13,473)
Other provisions	(349)	(60)	123		(185)	(471)
Assets impairment	**(85,756)**	**(160,014)**	**21,648**		**(5)**	**(224,127)**

4.3.8 Note 8: Remeasurement adjustment on interest rate risk hedged portfolios

(€000)	31.12.2008	31.12.2007
Remeasurement adjustment on interest rate risk hedged portfolios	147,548	317,114
Remeasurement adjustment on interest rate risk hedged portfolios	**147,548**	**317,114**

4.3.9 Note 9: Financial assets held to maturity

(€000)	31.12.2008	31.12.2007
Treasury Notes and similar securities	34,476,230	35,623,561
Bonds and other fixed-income securities	3,173,308	4,726,745
Financial assets held to maturity	**37,649,538**	**40,350,306**

4.3.10 Note 10: Tax assets

(€000)	31.12.2008	31.12.2007
Deferred tax assets	65,188	118,983
Other tax receivables	67,247	164
Tax assets	**132,435**	**119,147**

The majority of deferred tax assets are provisions for home loans.

4.3.11 Note 11: Accruals and miscellaneous assets

(€000)	31.12.2008	31.12.2007
Prepaid expenses & accrued income	519,152	587,500
Foreign currency and financial futures reconciliation accounts		5
Collection accounts	411,795	93,007
Other accruals[1]	2,696,965	2,013,857
Accruals	**3,627,912**	**2,694,369**
Group management of Sustainable Development Savings Accounts[2]		1,462,123
Miscellaneous receivables	779,284	666,806
Securities transaction settlement accounts	6,383	11,734
Impairment	(471)	(349)
Misc. assets	**785,196**	**2,140,314**
Accruals and misc. assets	**4,413,108**	**4,834,683**

(1) Amounts restated and therefore not consistent with the presentation used in the 2007 annual report.
Analysis of the accruals shown in the balance sheet to December 31st 2008 reflects the transaction date recognition of all direct bank transfers made during December 2008 for payment later than January 1st 2009. In accordance with the accounting principles adopted for direct bank transfers, these transactions were cancelled in the La Banque Postale balance sheet on December 31st 2008. For the purposes of comparison, identical treatment has been applied to figures for December 31st 2007.
(2) Sustainable Development Savings Account deposits ceased to be centralised with the Caisse des dépôts et consignations on December 1st 2008.

4.3.12 Note 12: Equity holdings consolidated using the equity method

	31.12.2008		31.12.2007	
(€000)	Value in €M	inc. profit of	Value in €M	inc. profit of
CNP Assurances Group	1,565,966	130,580	1,832,035	227,057
Equity interests consolidated using the equity method	**1,565,966**	**130,580**	**1,832,035**	**227,057**

4.3.13 Note 13: Tangible and intangible fixed assets

(€000)	31.12.2008							31.12.2007
	Gross at 01/01/2008	Acq.	Sales & retirement	Other movements	Gross at 31/12/2008	Amort. & depreciation	Net	Net
Software and Development costs	308,239	10,587	(6,925)	38,801	350,702	(229,217)	121,485	126,395
Intangible assets under development	50,712	54,689		(38,296)	67,105		67,105	50,712
Other intangible assets	32,929				32,929		32,929	32,929
Intangible assets	**391,880**	**65,276**	**(6,925)**	**505**	**450,736**	**(229,217)**	**221,519**	**210,036**
Land	73,616		(247)		73,369		73,369	73,616
Buildings	221,475	12,768	(1,337)	8,359	241,265	(15,185)	226,080	210,744
Machinery and equipment	47,388	873	(4,584)	1,469	45,146	(52,598)	(7,452)	(86)
IT hardware	1,789	124			1,913	(1,734)	179	278
Tangible assets under development	14,491	48,626		(33,427)	29,690		29,690	14,491
Other tangible assets	378,172	5,149	(55,256)	23,602	351,667	(270,655)	81,012	100,208
Tangible assets	**736,931**	**67,540**	**(61,424)**	**3**	**743,050**	**(340,172)**	**402,878**	**399,251**
Tangible and intangible fixed assets	**1,128,811**	**132,816**	**(68,349)**	**508**	**1,193,786**	**(569,389)**	**624,397**	**609,287**

(€000)	31.12.2008					31.12.2007
	Total amort. at 01/01/08	Provisions	Reversals	Other movements	Total amort. at 01/12/08	Amort. & depreciation
Software and Development costs	(181,844)	(51,517)	4,202	(58)	(229,217)	(181,844)
Intangible assets	**(181,844)**	**(51,517)**	**4,202**	**(58)**	**(229,217)**	**(181,844)**
Buildings	(10,731)	(4,543)	89		(15,185)	(10,731)
Machinery and equipment	(47,474)	(9,710)	4,587		(52,597)	(47,474)
IT hardware	(1,511)	(223)			(1,734)	(1,511)
Other tangible assets	(277,964)	(43,840)	52,721	(1,573)	(270,656)	(277,964)
Tangible assets	**(337,680)**	**(58,316)**	**57,397**	**(1,573)**	**(340,172)**	**(337,680)**

4.3.14 Note 14: Goodwill

(€000)	31.12.2008	31.12.2007
Gross value at January 1st	26,157	26,874
Differences arising from equity holdings acquired and changes in Group structure	0	0
Other movements		(717)
Gross goodwill	**26,157**	**26,157**
Impairment at January 1st	0	0
Net impairment losses for the period	0	0
Other movements	0	0
Total impairment of goodwill	**0**	**0**
Total net goodwill - assets	**26,157**	**26,157**

The goodwill relate to La Banque Postale Asset Management (€24,810,000) and La Banque Postale Prévoyance (€1,347,000).

4.3.15 Note 15: Payables due to banks

(€000)	31.12.2008	31.12.2007
Current accounts	85,377	87,993
Overnight deposits and borrowings		660,979
Other payables	10,278	249
On-demand payables to banks	**95,655**	**749,221**
Deposits and borrowings	362,284	410,898
Securities sold under repurchase agreement	6,446,826	14,675,710
Term deposits payable to banks	**6,809,110**	**15,086,608**
Inter-bank transactions and similar: payables to banks	**6,904,765**	**15,835,829**

4.3.16 Note 16: Payables due to customers

(€000)	31.12.2008	31.12.2007
Home Savings Plan	18,057,282	20,926,447
Home Savings Account	6,098,766	6,243,813
Popular Savings Plan	799,421	936,895
Popular Savings Passbook Account	13,307,881	13,293,848
Sustainable Development Passbook Account	3,953,190	3,050,829
Youth Savings Passbook Account	1,190,437	1,165,391
Livret B Passbook Account	2,835,557	3,204,117
Share Savings Plan accounts	249,523	372,894
Other special savings accounts	1,478,775	
Regulated savings accounts	**47,970,832**	**49,194,234**
Customer current accounts	40,557,004	39,832,539
Securities sold to customers under repurchase agreement	1,447,007	
Other payables(1)	267,829	669,313
On-demand deposits payable to customers	**42,271,840**	**40,501,852**
Term accounts	1,669,257	1,360,847
Customer borrowings	390,195	
Repurchase agreements		168,378
Term deposits payable to customers	**2,059,452**	**1,529,225**
Customer transactions	**92,302,124**	**91,225,311**

(1) Amounts restated and therefore not consistent with the presentation used in the 2007 annual report.
Analysis of the accruals shown in the balance sheet to December 31st 2008 reflects the transaction date recognition of all direct bank transfers made during December 2008 for payment later than January 1st 2009. In accordance with the accounting principles adopted for direct bank transfers, these transactions were cancelled in the La Banque Postale balance sheet on December 31st 2008.
For the purposes of comparison, identical treatment has been applied to figures for December 31st 2007.

4.3.17 Note 17: Debts represented by securities

(€000)	31.12.2008	31.12.2007
Certificates of deposit and commercial paper	2,620,113	2,912,291
Debts represented by securities	**2,620,113**	**2,912,291**

4.3.18 Note 18: Tax liabilities

(€000)	31.12.2008	31.12.2007
Deferred tax liabilities	2,578	2,616
Current taxes	2,367	35,855
Tax liabilities	**4,945**	**38,471**

4.3.19 Note 19: Accruals and miscellaneous liabilities

(€000)	31.12.2008	31.12.2007
Expenses payable & deferred revenues	394,198	461,087
Foreign currency and financial futures reconciliation accounts		274
Other accruals(1)	3,555,790	3,008,543
Accruals	**3,949,988**	**3,469,904**
Equity-related payables	35,566	19,825
Guarantees received	328,768	27,595
Misc. creditors	551,495	700,619
Securities transaction settlement accounts	26,639	24,172
Misc. liabilities	**942,468**	**772,211**
Accruals and misc. liabilities	**4,892,456**	**4,242,115**

(1) Amounts restated and therefore not consistent with the presentation used in the 2007 annual report.
Analysis of the accruals shown in the balance sheet to December 31st 2008 reflects the transaction date recognition of all direct bank transfers made during December 2008 for payment later than January 1st 2009. In accordance with the accounting principles adopted for direct bank transfers, these transactions were cancelled in the La Banque Postale balance sheet on December 31st 2008.
For the purposes of comparison, identical treatment has been applied to figures for December 31st 2007.

4.3.20 Note 20: Insurance company technical provisions

(€000)	31.12.2007	Provisions	Reversals	Reversals not used	Other	31.12.2008
Technical provisions: life	157,059	189,632	(156,902)			189,789
Technical provisions: non-life	86,862	107,575	(83,137)		(472)	110,828
Equalisation provisions	7,603	8,320	(9,765)		472	6,630
Other provisions		53			390	443
Technical provisions	**251,524**	**305,580**	**(249,804)**	**0**	**390**	**307,690**

(€000)	31.12.2008	31.12.2007
Insurance technical "shadow accounting" accounts		1,984
Shadow		**1,984**

These are provisions booked by La Banque Postale Prévoyance. A deferred net profit sharing asset of €1,880,000 was booked on the asset side of the balance sheet at December 31st 2008.

4.3.21 Note 21: Provisions

(€000)	31.12.2007	Provisions	Reversals	Reversals not used	Other	31.12.2008
Provisions for employee benefits	3,845	1,684	(842)			4,687
Provisions for home loan risks	271,000		(25,000)			246,000
Provisions for employment disputes and expenses	1,930	2,211	(1,349)		(779)	2,013
Other provisions	72,600	87,056	(20,888)	(2,935)	779	136,612
Provisions	**349,375**	**90,951**	**(48,079)**	**(2,935)**	**0**	**389,312**

Home savings account data (in € millions)

Years in place	Deposits collected	Loans granted	Provisions 2008	Provisions 2007	Net movements
More than 10 years	5,998		98	29	69
10 to 4 years	9,462		21	14	7
Less than 4 years	2,597		26	61	(35)
Total Home Savings Plan (PEL)	**18,057**	**423**	**145**	**104**	**41**
Total Home Savings Accounts (CEL)	**6,099**	**1,404**	**101**	**167**	**(66)**
Total	**24,156**	**1,827**	**246**	**271**	**(25)**

4.3.22 Note 22: Subordinated debt

(€000)	31.12.2008	31.12.2007
Subordinated debt	500,993	501,417
Subordinated debt	**500,993**	**501,417**

(€000)	Date of issue	Date of maturity[1]	Rate	Currency	31.12.2008
Subordinated term debt	12.12.2006	12.12.2016	[2]	Euro	500,000
Total					**500,000**

(1) La Banque Postale may request early repayment in full from 12 December 2011.
(2) Benchmarked against 3-month Euribor.

4.3.23 Note 23: Interest, income and similar charges

(€000)	Notes	31.12.2008	31.12.2007
Interest and similar on cash and interbank transactions	24	1,738,147	1,436,572
Interest and similar on customer transactions	25	1,154,400	1,118,612
Interest on hedging transactions[1]	27	105,308	72,143
Interest on available for sale and held to maturity assets	26	2,073,433	2,182181
Interest and similar income		**5,071,288**	**4,809,508**
Interest and similar on cash and interbank transactions	24	(687,766)	(484,697)
Interest and similar on customer transactions	25	(1,770,489)	(1,658,647)
Interest on hedging transactions[1]	27	(104,910)	(41,893)
Interest on debts represented by securities	26	(184,855)	(134,110)
Interest and similar charges		**(2,748,020)**	**(2,319,347)**

(1) Amount restated and therefore not consistent with the presentation used in the 2007 annual report.

4.3.24 Note 24: Cash and interbank transactions

(€000)	31.12.2008	31.12.2007
Instant-access accounts	75,785	63,500
Interbank loans	1,575,390	1,363,765
Securities purchased under resale agreement and loans secured by notes and securities	17,680	9,307
Other income	69,292	
Income from transactions with banks	**1,738,147**	**1,436,572**
Instant-access accounts	(4,982)	(4,635)
Interbank loans	(45,626)	(17,998)
Repurchase agreements	(630,699)	(462,064)
Other expenses	(6,459)	
Expenses relating to transactions with banks	**(687,766)**	**(484,697)**
Interest and similar on cash and interbank transactions	**1,050,381**	**951,875**

4.3.25 Note 25: Customer transactions

(€000)	31.12.2008	31.12.2007
Current accounts in debit	18,409	19,412
Interest on trade receivables and other customer loans	1,080,042	932,208
Group management of Sustainable Development Savings Accounts	22,662	3,352
Reversal of provisions and impairment	25,000	102,617
Other income	8,287	61,023
Income from customer transactions	**1,154,400**	**1,118,612**
Ordinary credit accounts	(37,689)	(36,417)
Regulated Savings accounts	(1,675,243)	(1,588,701)
Other expenses	(57,557)	(33,529)
Expenses relating to transactions with customers	**(1,770,489)**	**(1,658,647)**
Interest and similar on customer transactions	**(616,089)**	**(540,035)**

Interest on doubtful current and expired receivables totalled €3,425,000.

4.3.26 Note 26: Interest on available for sale, held to maturity and securitised debt payables financial assets

(€000)	31.12.2008	31.12.2007
Interest income from available for sale financial assets	373,021	445,146
Interest income from held to maturity financial assets	1,700,412	1,737,035
Interest income on transactions involving financial instruments	**2,073,433**	**2,182,181**
Expenses on transactions involving securitised debt payables	(184,855)	(134,110)
Interest expense on transactions involving financial instruments	**(184,855)**	**(134,110)**
Interest income and expense on assets available for sale and financial assets held to maturity	**1,888,578**	**2,048,071**

4.3.27 Note 27: Hedging transactions

(€000)	31.12.2008	31.12.2007
Interest income on customer transaction fair value hedge[1]	85,844	36,067
Interest income on cash flow hedge	287	102
Interest income on fair value financial instrument hedge	19,177	35,974
Interest income from hedge	**105,308**	**72,143**
Interest expense on customer transaction fair value hedge[1]	(88,966)	(4,634)
Interest expense on cash flow hedge	(1,425)	
Interest expense on fair value financial instrument hedge	(14,519)	(37,259)
Interest expense on hedge	**(104,910)**	**(41,893)**
Interest income, expense and similar on hedging instruments	**398**	**30,250**

(1) Amount restated and therefore not consistent with the presentation used in the 2007 annual report.

4.3.28 Note 28: Commissions

(€000)	31.12.2008		31.12.2007	
	Income	Expenses	Income	Expenses
Commissions on cash flow and interbank transactions	395	(42)	813	(415)
Commissions on customer transactions	1,039,188	(61,362)	930,668	(73,512)
Commissions on financial services	546,916	(136,461)	654,163	(127,666)
Commission on securities transactions	228,260	(4,106)	236,637	(4,289)
Commission on insurance services	31,040		29,149	0
Commission on financial instruments		(1,109)	0	(1,613)
Other commissions	9,992		9,621	
Commission income and expenses	**1,855,791**	**(203,080)**	**1,861,051**	**(207,495)**
Net commission	**1,652,711**		**1,653,556**	

4.3.29 Note 29: Net gains and losses on financial instruments at fair value through profit and loss

(€000)	31.12.2008	31.12.2007
Net profit on transaction financial assets (exc. derivatives)	744,764	522,730
Net profit on transaction derivative instruments[1]	(54,020)	(11,899)
Net profit on remeasurement of hedged items and derivative hedging instruments	4,213	1,989
Profits on optional fair value financial assets	2,552	2,297
Net gains and losses on financial instruments at fair value through profit and loss	**697,509**	**515,117**

(1) Amount restated and therefore not consistent with the presentation used in the 2007 annual report.

4.3.30 Note 30: Net gains or losses on available for sale assets

(€000)	31.12.2008	31.12.2007
Gains on sales of fixed-income securities	27,622	11,675
Losses on sales of fixed-income securities	(3,231)	(18,822)
Dividends and similar revenue	71,555	9,929
Gains on sales of variable-income securities	2,364	21,244
Losses on sales of variable-income securities and loss of value	(50,010)	
Gains/losses on available for sale assets	**48,300**	**24,026**

4.3.31 Note 31: Income and charges from other activities

(€000)	31.12.2008	31.12.2007
Charges re-invoiced and charge transfers	47,260	40,595
Other misc. operating income	434,583	54,946
Insurance income	145,867	155,764
Reversals of provisions for other operating expenses	15,975	7,168
Income from other activities	**643,685**	**258,473**
Income repaid		(866)
Other misc. operating expenses	(449,937)	(75,540)
Insurance expenses	(87,869)	(111,407)
Allocations to provisions for other operating expenses	(12,258)	(8,243)
Expenses from other activities		
	(550,064)	**(196,056)**

Other miscellaneous operating income and expenses include €10,218,000 of profit from exchange rate transactions.

4.3.32 Note 32: General operating expenses

(€000)	31.12.2008	31.12.2007
Wages and salaries	(112,100)	(84,171)
Pension expenses (inc. provisions)	(13,314)	(4,527)
Other retirement benefits and other welfare costs for current employees	(4,509)	(2,782)
Other welfare costs	(45,201)	(31,047)
Statutory and optional performance-related pay	(4,979)	(5,015)
Taxes and similar charges levied on pay	(23,147)	(17,289)
Provision allocations/reversals	(862)	1,275
Transfer of employee expenses	10,127	4,463
Employee expenses	**(193,985)**	**(139,093)**
Duties and taxes	(34,842)	(33,445)
Leasing charges	(1)	(7)
Rent and rental charges	(58,775)	(40,639)
Intermediary remuneration	(73,324)	(41,726)
Transport	(722)	(299)
General sub-contracting	(3,403,526)	(3,356,444)
Misc. external services	(460,425)	(481,547)
Business travel	(11,196)	(8,467)
Studies and research	(10,298)	(11,287)
Provision allocations/reversals	(58,485)	(11,339)
Other general operating expenses	**(4,111,594)**	**(3,985,200)**
General operating expenses	**(4,305,579)**	**(4,124,293)**

General sub-contracting expenses include €3,270 million relating to service agreements between La Poste and La Banque Postale.

The provision for penalties relating to inspections of regulated savings products had a €52.5 million impact on operating expenses.

4.3.33 Note 33: Net amortisation charges and impairment of tangible and intangible assets

(€000)	31.12.2008	31.12.2007
Allocations to operating premises amortisation	(109,833)	(106,474)
Net amortisation charges and impairment of tangible and intangible assets	**(109,833)**	**(106,474)**

4.3.34 Note 34: Cost of Risk

(€000)	31.12.2008	31.12.2007
Allocations to customer impairment losses	(28,628)	(24,055)
Reversals of customer impairments	21,509	23,691
Losses on impaired non-recoverable receivables	(16,787)	(10,180)
Losses on non-impaired non-recoverable receivables	(11,845)	(11,084)
Recovery of written-off receivables	4,740	4,209
Allocations to impairment of assets available for sale and other assets	(81,333)	(1,049)
Reversals of impairment of assets available for sale and other assets	16	18
Impairment allocations/reversals		660
Provisions for Cost of risk	**(112,328)**	**(17,790)**

4.3.35 Note 35: Gains and losses on other assets

(€000)	31.12.2008	31.12.2007
Gains or losses on sales of tangible and intangible assets	(391)	(2,769)
Gains or losses on sales of consolidated equity holdings	(340)	(1,107)
Gains and losses on other assets	**(731)**	**(3,876)**

4.3.36 Note 36: Corporation tax and deferred tax

(€000)	31.12.2008	31.12.2007
Current taxes	(93,189)	(148,418)
Deferred taxes	(21,662)	(31,904)
Taxes	**(114,851)**	**(180,322)**

Change in deferred tax assets and liabilities

(€000)	31.12.2008	31.12.2007	Variation	Impact on profit	Impact on reserves
Net deferred taxes	**62,610**	**116,367**	**53,757**	**21,662**	**32,095**
Profit/reserve reclassification					50,015
Deferred tax assets	**65,188**	**118,983**	**53,795**		
Deferred tax liabilities	**2,578**	**2,616**	**38**		

Analysis of deferred taxes by type

(€000)		31.12.2008	31.12.2007
Home loans provision	84,698	93,305	
Pensions provisions	1,569	1,314	
Other non-deductible provisions	14,926	8,020	
Other sources of timing differences		(586)	(905)
Deferred taxes arising from timing differences		**100,607**	**101,734**
Fair value of financial instruments		(27,985)	20,830
Other IFRS restatements	(10,012)	(6,197)	
Deferred taxes arising from IFRS measurement methods		**(37,997)**	**14,633**
Net deferred taxes	**62,610**	**116,367**	

Analysis of the tax charge

(€000)	31.12.2008	31.12.2007
Net profit	**302,582**	
Minority interests	85	
Profit from companies consolidated using the equity method	(130,580)	
Tax charge	114,851	
Pre-tax accounting income	**286,938**	
Theoretical tax charge	**(98,793)**	**(34.43%)**
Effects of permanent differences	(823)	(0.29%)
Effects of tax rates (transactions conducted at reduced rates)	(80)	(0.03%)
Effects of dividend taxation	6,086	2.13%
Other effects	(3,165)	(1.10%)
Booked tax charge	**(96,775)**	**(33.73%)**

4.3.37 Note 37: Commitments granted and received

Contractual value of commitments given and received

(€000)	31.12.2008	31.12.2007
Funding commitments, guarantees and commitments granted on securities		
Funding commitments		
- to banks	1,346,991	482,534
- to customers	7,813,382	7,298,098
Guarantee commitments		
- to customers	454,649	10,405
Commitments on securities		
- securities due	146,650	623,307
Funding commitments, guarantees and commitments received on securities		
Funding commitments		
- received from banks	3,400,216	
- received from customers		1,060
Commitments on securities		
- securities receivable	113,336	25,931
Other commitments granted and received		
Other commitments granted	3,446,287	2,129
Commitments granted and received		

Crédit Logement commitment:

Following the transfer of assets, La Banque Postale took over the previous La Poste commitment to maintain basic Crédit Logement equity capital at 6% (equivalent to its holding in the company) to ensure that Crédit Logement can maintain its capital adequacy ratio at the required level. As a result, La Banque Postale has subscribed to B share capital commitments via its SF2 subsidiary.

La Banque Postale has also taken over the La Poste commitment to any necessary rebuilding of the Crédit Logement mutual guarantee funds that underwrite borrower defaults on loans secured by the company. Equivalent to the proportion of loans distributed through La Banque Postale network, this commitment was measured at €218,893,000 at December 31st 2008.

4.3.38 Note 38: Commitments relating to cash and forward foreign exchange transactions and currency lending/borrowing

(€000)	31.12.2008	31.12.2007
Cash foreign exchange transactions		
- currency purchased not yet received		9,904
- euros sold not yet supplied		9,939
Forward currency transactions		
- euros receivable against foreign currencies not yet supplied		
- foreign currencies receivable against euros not yet supplied		9,857
- euros not yet supplied against foreign currencies receivable		9,927
- foreign currencies not yet supplied against euros receivable		
Premium/discount not accrued		
- receivable		310
Off-balance sheet commitments relating to cash and forward contract foreign exchange transactions on currency loans and borrowings		

4.3.39 Note 39: Fair value of balance sheet items

The following table shows the fair value of balance sheet items accounted for at amortised cost.

(€000)	31.12.2008		31.12.2007	
	Balance sheet total	Fair value	Balance sheet total	Fair value
ASSETS				
Loans & receivables - due from banks				
Instant-access loans and receivables - due from banks	1,548,712	1,548,712	275,331	275,331
Term loans and receivables - due from banks	14,881,529	14,914,658	16,296,171	16,296,171
Loans and receivables linked to equities - due from banks	2,458,783	2,403,885		
Loans & receivables - customers				
Customer instant-access loans and receivables	384,593	384,593	483,106	483,106
Customer term loans and receivables	28,242,955	29,301,955	23,939,254	23,745,254
Customer loans and receivables linked to equities	168,355	156,645		
Financial assets held to maturity	37,649,538	38,565,620	40,350,306	39,505,313
LIABILITIES				
Payables - credit institutions				
On-demand payables to due from banks	95,655	95,655	749,221	749,221
Term deposits payable to due from banks	6,809,110	6,881,699	15,086,608	15,086,608
Payables - customers[1]	92,302,124	92,302,124	91,225,311	91,225,311
Debts represented by securities	2,620,113	2,607,402	2,912,291	2,910,440
Subordinated debt	500,993	356,040	501,417	486,850

(1) Amounts restated and therefore not consistent with the presentation used in the 2007 annual report.

Fair value of loans

The scope adopted includes all loans drawn on La Banque Postale and appearing on the bank's balance sheet. Since their interest rates have only recently been set, the value of loans agreed but not yet drawn down will be very similar to the amount of advance.

The main assumptions adopted when calculating the three types of loan marketed by the bank are as follows:

- current account overdrafts: fair value = outstanding balance is a conservative assumption, given the customer interest rate (12%) and very short duration (less than one month);
- loans to La Poste employees: these loans are discounted excluding any assumption of early repayment (rare occurrence);
- home loans to private individuals: discounted taking account of structural early repayments.

Fair value of deposits

The main assumptions adopted for these fair value calculations are as follows:

- deposits with regulated returns: fair value = outstanding balance;
- Livrets B/Livrets Jeune/PEP/CAT: fair value = outstanding balance;
- overnignt -access accounts: fair value = outstanding balance - cost value of DAV hedging swaps ("carve out" option).

4.3.40 Note 40: Amendments to IAS 39 and IFRS 7: Reclassification of Financial Assets

The Group has used the opportunity offered by the October 13th 2008 amendment to IAS 39 and IFRS 7 to reclassify certain financial assets from "available for sale Assets" to "Loans and receivables". The transfer of some of the equities held in the portfolio of available for sale assets (and which no longer offer the expected level of liquidity) to the "Loans and receivables" portfolio improves the way in which the bank presents its allocation of resources in the financial statements.

These reclassifications were made at fair value on July 1st 2008.

4.3.40.1 Amounts reclassified

(€000)	31.12.2008		01.07.2008
	Balance sheet total	Fair value	Fair value
ASSETS			
Assets available for sale reclassified to "Loans and receivables"	2,458,993	2,380,042	2,485,327

4.3.40.2 Reclassified asset amounts booked in profit and loss and equity (pre-tax)

(€000)	31.12.2008		31.12.2007
	Profit	Equity(1)	Equity
Assets available for sale reclassified to "Loans and receivables":			
Interest and similar on cash and interbank transactions	70,630		
Impairment			
Unrealised gains or losses on assets available for sale		(41,628)	(29,831)

(1) Up to July 1st 2008.

4.3.40.3 Amounts that would have been booked in profit and loss and equity if these assets had not been reclassified (pre-tax)

(€000)	31.12.2008	
	Profit	Equity
Assets available for sale reclassified to "Loans and receivables"		
Impairment		
Unrealised gains or losses on assets available for sale		(113,629)

The amount of recoverable cash flow is estimated at €2,380 million.

4.3.41 Note 41: Segment information

The La Banque Postale Group is structured into the following three divisions:

– **Retail banking** includes La Banque Postale, CRSF Métropole and CRSF DOM (the property management companies responsible for the bank's business premises), the holding company SF2 and Issy SF2-4.

– **Insurance** includes the CNP Assurances Group, LBP Prévoyance (formerly Assurposte) and Sogerco.

– **Asset management** includes La Banque Postale Asset Management, La Banque Postale Structured Asset Management and La Banque Postale Gestion Privée (formerly Efiposte Gestion).

With the exception of CNP Assurances overseas subsidiaries, the Group conducts its business in France.

Intra-segment and inter-segment transactions are concluded under commercial market conditions

4.3.41.1 Financial results by business segment

Net Banking Product by business segment at December 31st 2008

(€000)	Retail banking External activities	Retail banking Inter-segment activities	Insurance External activities	Insurance Inter-segment activities	Asset Management External activities	Asset Management Inter-segment activities
Interest and similar income	5,068,843		2,225		220	169
Interest and similar expense	(2,748,020)	(169)				
Commission (income)	1,605,508	177,197	31,881	3,256	207,433	1,952
Commission (expense)	(189,822)	(6,970)	(2,289)	(39,950)		(135,485)
Net gains or losses on financial instruments at fair value through profit and loss	697,371		138			
Net gains and losses on assets available for sale	36,010		10,543		1,747	
Income and expenses for other activities	32,276	637	61,054	(41)	292	(597)
Internal/External NBP	**4,502,166**	**170,695**	**103,552**	**(36,735)**	**209,692**	**(133,961)**
Segment NBP	**4,672,861**		**66,817**		**75,731**	
NBP			**4,815,409**			

Net Banking Product by business segment at December 31st 2007

(€000)	Retail banking External activities	Retail banking Inter-segment activities	Insurance External activities	Insurance Inter-segment activities	Asset Management External activities	Asset Management Inter-segment activities
Interest and similar income	4,808,916		592			197
Interest and similar expenses	(2,319,347)	(197)				
Commission (income)	1,607,469	172,468	29,429	3,860	224,154	632
Commission (expenses)	(192,822)	(5,059)		(25,710)	(14,673)	(146,190)
Net gains or losses on financial instruments at fair value through profit and loss	515,112		5			
Net gains and losses on assets available for sale	17,554		5,191		1,281	
Income and expenses for other activities	12,320	227	50,476	- 40	(379)	(188)
Internal/External NBP	**4,449,201**	**167,439**	**85,692**	**(21,890)**	**210,383**	**(145,549)**
Segment NBP	**4,616,640**		**63,802**		**64,834**	
NBP			**4,745,277**			

Net profit by business segment at December 31st 2008

(€000)	Retail banking	Insurance	Asset Management	Inter-segment and non-analysed	Consolidated profit
Net Banking Product	**4,672,861**	**66,817**	**75,731**		**4,815,409**
General operating expenses	(4,240,448)	(20,967)	(44,164)		(4,305,579)
Net amortization and impairment of tangible and intangible assets	(109,042)	(82)	(709)		(109,833)
Gross operating profit	**323,371**	**45,768**	**30,858**		**399,997**
Cost of risk	(109,019)	(2,830)	(479)		(112,328)
Operating profit	**214,352**	**42,938**	**30,379**		**287,669**
Net profits from companies consolidated using the equity method		130,580			130,580
Gains and losses on other assets	(737)		6		(731)
Pre-tax operating profit	**213,615**	**173,518**	**30,385**		**417,518**
Corporate income tax				(114,851)	(114,851)
Consolidated net profit					**302,667**
Minority interests				(85)	(85)
Net profit					**302,582**

Net profit by business segment at December 31st 2007

(€000)	Retail banking	Insurance	Asset Management	Inter-segment and non-analysed	Consolidated profit
Net Banking Product	**4,616,640**	**63,802**	**64,835**		**4,745,277**
General operating expenses	(4,066,125)	(20,970)	(37,198)		(4,124,293)
Net amortization and impairment of tangible and intangible assets	(105,951)	(79)	(444)		(106,474)
Gross operating profit	**444,564**	**42,753**	**27,193**		**514,510**
Cost of risk	(17,792)		2		(17,790)
Operating profit	**426,772**	**42,753**	**27,195**		**496,720**
Net profits from companies consolidated using the equity method		227,057			227,057
Gains and losses on other assets	(3,870)		(6)		(3,876)
Pre-tax operating profit	**422,902**	**269,810**	**27,189**		**719,901**
Corporate income tax				(180,322)	(180,322)
Consolidated net profit					**539,579**
Minority interests					
Net profit					**539,579**

4.3.41.2 Balance sheet items by business segment

Balance sheet items by business segment at December 31st 2008

(€000)	Retail banking	Insurance	Asset Management	Intra-Group and inter-segment	TOTAL
Cash and central banks	2,138,554				2,138,554
Financial assets at fair value through profit and loss	8,442,631	25,618			8,468,249
Hedging derivatives	272,400				272,400
Financial assets available for sale	9,749,670	340,560	52,611	(1,320,940)	8,821,901
Loans and receivables	47,756,620	78,228	4,230	(154,151)	47,684,927
Equity interests consolidated using the equity method		1,565,966			1,565,966
Segment assets					
Financial liabilities at fair value through profit and loss	270,550				270,550
Hedging derivatives	174,668				174,668
Interbank and similar transactions					
Debts due to banks	6,904,719	67,205	28	(67,187)	6,904,765
Customer transactions	92,382,498	6,591		(86,965)	92,302,124
Debts represented by securities	2,620,113				2,620,113
Segment liabilities					

Balance sheet items by business segment at December 31st 2008

(€000)	Retail banking	Insurance	Asset Management	Intra-Group and inter-segment	TOTAL
Cash and central banks	2,667,865				2,667,865
Financial assets at fair value through profit and loss	15,363,095	41,341			15,404,436
Hedging derivatives	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 using the equity method		1,832,035			1,832,035
Segment assets					
Financial liabilities at fair value through profit and loss	129,185				129,185
Hedging derivatives	120,647				120,647
Interbank and similar transactions					
Debts due to banks	15,835,229	34,780		(34,180)	15,835,829
Customer transactions[(1)]	91,276,807	5,240		(56,736)	91,225,311
Debts represented by securities	2,912,291				2,912,291
Segment liabilities					

(1) Amounts restated and therefore not consistent with the presentation used in the 2007 annual report.

4.3.42 Note 42: Balance sheet items by time to maturity

The following tables show the maturity periods of the Group's financial assets and liabilities by contractual maturity date. Fixed income securities, loans and debts are analysed on the basis of contractual maturity periods.

Equity holdings and unit trusts are shown in the "Open-ended" column.

On-demand receivables and debts are shown in the "Less than 1 month" column, along with related receivables and debts.

Balance sheet items by period outstanding to maturity at December 31st 2008

(€000)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	Open-ended	Total
ASSETS								
Cash and central banks	2,138,554							2,138,554
Financial assets at fair value through profit and loss	2,671,433	3,072,225	2,412,473	197	17,429	249,929	44,563	8,468,249
Hedging derivatives - assets					219,209	53,191		272,400
Financial assets available for sale	200,120	70,722	1,173,216	1,625,173	4,694,188	339,306	719,176	8,821,901
Loans and receivables - due from banks	1,545,558	11,837,205	1,696,031	1,012,152	1,600,529	1,197,549		18,889,024
Customer loans and receivables	1,225,403	348,286	1,453,755	17,236,146	1,899,353	6,632,960		28,795,903
Revaluation reserve for interest rate hedged portfolios	147,548							147,548
Financial assets held to maturity	805,608	626,188	4,090,149	4,210,606	13,737,101	14,179,886		37,649,538
	8,734,224	**15,954,626**	**10,825,624**	**24,084,274**	**22,167,809**	**22,652,821**	**763,739**	
LIABILITIES								
Financial liabilities at fair value through profit and loss	6,002	16,846	41,300	8,214	141,525	56,663		270,550
Hedging derivatives – liabilities	220			328	173,708	412		174,668
Payables - credit institutions	2,110,033	4,131,736	376,692		100,000	186,304		6,904,765
Customer payables	88,374,177	428,253	1,346,952	668,532	1,484,210			92,302,124
Debts represented by securities	1,644,374	882,954	92,785					2,620,113
Subordinated debt	993					500,000		500,993
	92,135,799	**5,459,789**	**1,857,729**	**677,074**	**1,899,443**	**743,379**		

4.3.43 Note 43: Related party information and Executive Board members compensation

La Banque Postale Group related parties include its senior executives and La Poste Group consolidated companies. La Banque Postale is controlled by La Poste.

4.3.43.1 Relationship between consolidated entities

Since transactions between fully-consolidated La Banque Postale Group companies are eliminated during consolidation, the following data refers only to reciprocal transactions with companies in which the Group exercises joint control over that portion of activity not eliminated during consolidation and those companies over which the Group exercises significant influence.

(€000)	With La Poste Group entities(1)	With La Banque Postale Group entities: Proportional (part not elim.)	With La Banque Postale Group entities: Equity method
Interest	(993)		
Commission	9,958	40,791	413,248
NBP items with related entities	**8,965**	**40,791**	**413,248**
Loans	67,102	73,796	
Other financial assets		2,547	
Other assets	68,106	25,378	305,707
Total assets with related entities	**135,208**	**101,721**	**305,707**
Debts	90,452	73,805	18,842
Other financial assets			
Other liabilities	188,230		
Total liabilities with related entities	**278,682**	**73,805**	**18,842**
Commitments granted	500,000		
Commitments received			
Total commitments with related entities	**500,000**	**–**	**–**

(1) Almost exclusively transactions with La Poste.

4.3.43.2 Executive officers compensation

The Group treats its Executive Board and Executive Committee members as related parties within the meaning defined in IAS 24.

Executive Board members receive a fixed level of annual remuneration (which may be supplemented by a capped annual bonus subject to the achievement of business plan targets) and a medium-term 3-year variable element payable if the business development plan roadmap is exceeded.

They also receive membership of a healthcare and personal protection scheme, as well as entitlement to receive severance pay capped at twice their annual remuneration based on the average received in the previous 3 financial years.

At December 31st 2008, the total gross amount of remuneration paid to Executive Board members totalled €885,000 for the year (€736,000 in 2007). Remuneration details are contained in paragraph 1.2.2.2 of the management report.

The remuneration paid to Executive Committee members other than Executive Board members is detailed below:

(€000)	31.12.2008	31.12.2007
Remuneration and benefits in kind	2,888	2,196
Retirement benefits	426	323
Total	**3,314**	**2,519**

The marked difference between the two financial years is due to the appointment of four new Committee members in 2008. Furthermore, five members rejoined in 2007, and their remuneration is represented pro-rata in the figures shown.

Members leaving La Banque Postale may also receive severance pay in addition to the figures shown here.

4.3.44 Note 44: capital management and compliance with regulatory ratios

La Banque Postale equity capital is managed in such a way as to enable the bank to meet its regulatory ratios and ensure its solvency, whilst returning its shareholder - La Poste - a level of dividends consistent with expectations and Group policy.

The nature of business conducted by La Banque Postale is such that the bank can achieve its capital adequacy ratio target with relatively little equity capital: Firstly, the loan portfolio is still small compared with the size of the balance sheet, despite a growth in loans and receivables of nearly 25% between 2007 and 2008. Secondly, the equities portfolio is of very high quality, and is invested chiefly in government and similar securities. La Banque Postale also aims to ensure that its capital structure is similar to those of other due from banks: bond issues have been, and will continue to be, made to exploit the benefits of different equity categories, whether basic (Tier 1) or additional equity (Tier 2), whenever market conditions enable such issues to be made at reasonable cost.

Consequently, La Banque Postale (which applies CRBF regulation 2000-03 on financial conglomerates) maintained a capital adequacy ratio significantly above the regulatory minimum of 8% during 2008. This was achieved despite implementation of the Basel II directive, which requires La Banque Postale to maintain a level of capital significantly higher than that required under Basel I.

La Banque Postale continued to apply a prudent liquidity management policy in 2008. Its effectiveness and the high quality of the financial assets held can be seen in the fact that surplus capital was available throughout the year. The La Banque Postale liquidity ratio therefore remains significantly higher than the regulatory minimum of 100%.

4.3.45 Note 45: Consolidation Scope

(€000)

Company	Nationality	METH(1)	% Control	% Holding	% Control	% Holding
Retail banking			**2008**	**2008**	**2007**	**2007**
La Banque Postale	French	Parent Company	100.00	100.00	100.00	100.00
SCI CRSF DOM(2)	French	FULL	99.94	99.94	99.94	99.94
SCI CRSF Métropole(2)	French	FULL	100.00	100.00	100.00	100.00
SF2	French	FULL	100.00	100.00	100.00	100.00
Issy SF2-4	French	FULL	100.00	100.00	–	–
Insurance						
Groupe CNP Assurances	French	EQUI	35.48	19.71	35.48	19.71
La Banque Postale Prévoyance	French	PROP	50.00	50.00	50.00	50.00
Sogerco	French	FULL	100.00	100.00	100.00	100.00
Sopassure	French	PROP	50.02	50.02	50.02	50.02
Asset Management						
La Banque Postale Gestion Privée	French	FULL	51.00	51.00	100.00	100.00
La Banque Postale Asset Management	French	FULL	100.00	100.00	100.00	100.00
La Banque Postale Structured Asset Management	French	FULL	100.00	100.00	100.00	100.00

(1) Consolidation methods:
FULL: Fully consolidated
PROP: Proportional consolidation
EQUI: equity method
(2) The property management company that owns the bank's business premises.

4.4 Statutory auditor’s report on the consolidated financial statements

This is a free translation into English of the statutory auditors’ report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors’ report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders

Dear shareholders,

In compliance with the assignment entrusted to us by your General Meeting of Shareholders, we hereby report to you for the financial year ended December 31st 2008 on:

– our audit of the consolidated financial statements of La Banque Postale, as appended to this report,

– the justification of our assessments,

– the specific verification required by French law.

The consolidated financial statements were prepared by your Executive Board. Our role is to express an opinion on these financial statements based on our audit.

4.4.1 Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from any material misstatement. An audit includes the use of sampling and other selection methods to test the evidence used to support the amounts and disclosures shown in the financial statements. An audit also includes an assessment of accounting principles used, significant estimates made and the overall presentation of the financial statements. We believe that the evidence we have gathered in order to form our opinion is adequate and relevant.

We certify that the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the principles applicable under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Without compromising our opinion expressed above, we draw your attention to section 4.1.2.1 regarding the impact of financial markets on the 2008 financial year, and to note 4.3.40 of the notes to the consolidated financial statements, which describes the change in accounting method relating to the amendment of IAS 39 on October 15th 2008, which introduces the possibility of reclassification of certain financial assets.

4.4.2 Justification of assessments

The global financial and economic crisis which has increased market volatility to exceptional levels, the sharp reduction in liquidity observed in certain markets and the current difficulty of forecasting economic and financial trends have impacted lending institutions in general, and their business activities, financial results, risks and refinancing opportunities in particular. This situation has created special conditions surrounding the preparation of financial statements this year, particularly with respect to accounting estimates. It is against this background that we draw your attention to the following matters in accordance with the provisions of article L. 823.9 of the French Commercial Code:

– Your company recognises impairment of assets available for sale whenever there is an objective indication of prolonged or significant reduction in the value of these assets (notes 4.1.7.2.4, 4.3.4, 4.3.7 and 4.3.30 of the notes to the financial statements).
We have examined the compliance procedures implemented to identify indicators of a loss in value , the measurement of the most significant accounting items and the estimates used as a basis for using impairment to cover losses in value;

– Your company recognises impairment to cover credit and counterparty risks inherent to its business activities (notes 4.1.7.2.1, 4.2.4, 4.3.7 and 4.3.34 of the notes to the financial statements).
We have examined methodologies, impairment, credit risk and counterparty risk monitoring procedures used to assess collection risk and the use of individual and group impairment to cover these risks;

– Your company recognises a provision to cover the estimated unfavourable outcomes of home savings contracts (notes 4.1.7.4 and 4.3.21 of the notes to the financial statements). We have examined the compliance procedures used to verify the models and determine the parameters used;

– On the basis of the information currently available to us, our assessment of provisions (notes 4.1.7.5 and 4.3.21 of the notes to the financial statements) is based on our analysis of the processes implemented by your company to identify and assess risks;
– Non-consolidated equity interests are classified as “Assets available for sale” and measured using a multi-criteria procedure (notes 4.1.7.2.7 and 4.3.4 of the notes to the financial statements). We have reviewed the approaches and assumptions adopted by the company in determining the market value of the main items held in the portfolio. We ensured that these estimates were reasonable at the balance sheet date.

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.

4.4.3 Specific verification

In accordance with professional standards applicable in France, we also verified the information provided in the management report published by the Group. We have no observation to make regarding the fair presentation of this information or its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, March 27th 2009
The Statutory Auditors

PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine

Mazars
61, rue Henri Regnault
92400 Courbevoie

Gérard Hautefeuille

Agnès Hussherr

Guillaume Potel

INFORMATION CONCERNING THE CORPORATE FINANCIAL STATEMENTS

5

Information concerning the corporate financial statements

5.1 Balance sheet at December 31st 2008

(€000)	31.12.2008	31.12.2007
ASSETS		
Cash and central banks	2,138,555	2,667,864
Treasury bills and money-market instruments	40,059,511	41,207,338
Loans & receivables - credit institutions	16,414,740	16,571,080
Customer transactions		
current accounts in debit	403,864	450,735
commercial receivables		
other customer lending, leasing transactions and similar	28,267,955	23,993,321
Bonds and other fixed-income securities	15,963,383	25,904,469
Equities and other variable-income securities	584,711	280,453
Investments in subsidiaries and equity securities held for long term investment	13,913	
Shares in affiliated companies	1,144,297	1,144,736
Intangible assets	221,399	209,879
Tangible assets	395,438	386,340
Other assets	526,947	1,718,271
Accruals	3,986,519	5,467,990
Total	**110,121,231**	**120,002,475**

(€000)	31.12.2008	31.12.2007
LIABILITIES		
Central banks		
Due to credit institutions	6,904,645	15,835,458
Due to Customer		
savings accounts - special regime	47,970,834	49,244,061
ordinary customer credit accounts	40,320,447	39,532,756
other customer accounts payable	3,774,288	2,989,865
Debts represented by securities		
short-term notes		
interbank market securities and negotiable debt securities	2,620,112	2,911,253
bonds and similar debt instruments		
other debts represented by securities		
Other liabilities	1,153,458	949,643
Accruals	3,680,451	4,692,097
Provisions	389,272	348,659
Subordinated debt	500,993	501,417
Funds for general banking risks (FRBG)	22,000	22,000
Shareholders' equity capital (exc. FRBG)		
share capital	2,342,454	2,342,454
issue and share premiums		
reserves	359,418	267,160
asset restatement surplus		
regulated provisions and investment subsidies	117	167
carried forward	895	1,345
net income	81,846	364,140
Total	**110,121,231**	**120,002,475**

5.2 Off-balance sheet items at December 31st 2008

(€000)	31.12.2008	31.12.2007
Funding, guarantee and securities-related commitments given		
Funding commitments		
to credit institutions	1,346,991	482,534
to customers	7,298,098	7,813,382
Guarantee commitments		
to credit institutions		
to customers	454,649	
Commitments on securities		
securities due		
Commitments given by insurance companies	**146,650**	**623,307**
Funding, guarantee and securities-related commitments received		
Funding commitments		
received from credit institutions	3,400,216	
received from customers		1,060
Guarantee commitments		
received from credit institutions		
received from customers		
Commitments on securities		
commitments outstanding	113,336	25,931
Other commitments given and received		
Other commitments given	**3,445,344**	
Other commitments received		

Off-balance sheet commitments relating to cash and forward contract foreign exchange transactions and currency loans and borrowings are detailed in Note 14.
Off-balance sheet commitments relating to financial futures are detailed in Note 15.

Crédit Logement commitment: Following the transfer of assets, La Banque Postale took over the previous La Poste commitment to maintain basic Crédit Logement equity capital at 6% (equivalent to its holding in the company) to ensure that Crédit Logement can maintain its capital adequacy ratio at the required level. As a result, La Banque Postale has subscribed to B share capital increases via its SF2 subsidiary.
La Banque Postale has also taken over the La Poste commitment to any necessary rebuilding of the Crédit Logement mutual guarantee funds that underwrite borrower defaults on loans secured by the company. Equivalent to the proportion of loans distributed through La Banque Postale network, this commitment was measured at €218,893,000 at December 31st 2008.

5.3 Profit & Loss Account at December 31st 2008

(€000)	31.12.2008	31.12.2007
Interest and similar income		
cash and interbank transactions	1,679,322	1,776,735
customer transactions	1,131,223	1,057,820
bonds and other fixed-income securities	2,188,663	2,220,931
other interest and similar income	19,650	814,042
Interest and similar expense		
cash and interbank transactions	(689,439)	(484,384)
customer transactions	(1,772,126)	(1,657,218)
bonds and other fixed-income securities	(178,382)	(129,626)
other interest and similar charges	(37,199)	(1,079,071)
Income from variable-income securities	144,925	80,967
Commission (income)	1,804,098	1,779,936
Commission (expense)	(219,221)	(191,934)
Gains or losses on trading portfolio transactions	683,243	536,405
Gains or losses on available for sale portfolio and similar transactions	(214,089)	(69,817)
Other bank operating income	81,997	58,377
Other bank operating expense	(62,107)	(62,210)
Net Banking Product	**4,560,557**	**4,650,955**
General operating expenses		
Employee expenses	(179,739)	(121,139)
Other general operating expenses	(4,104,867)	(3,970,156)
Rebilling	10,250	(5)
Amortisation and impairment provisions for tangible and intangible assets	(100,028)	(97,489)
Gross operating profit	**186,172**	**462,165**
Cost of risk	(108,559)	(17,417)
Operating profit	**77,613**	**444,748**
Gains or losses on fixed assets	15,773	12,588
Pre-tax profit	**93,385**	**457,336**
Non-recurring profit/loss		
Corporate income tax	(11,539)	(93,196)
Net allocations to Funds for general banking risks (FRBG) and regulated provisions		
Net profit	**81,846**	**364,140**
Net profit per share (in euros)	4.02	17.88

5.4 Distribution of net profit for 2008

Proposed distribution of profits submitted to the Annual General Meeting of Shareholders.

Distributable profit	
Previous balance carried forward	895,452.96
Profit for the financial year	81,846,297.74
Allocation to legal reserve	(4,092,314.89)
Total	**78,649,435.81**
Withdrawal from "other reserves"	17,500,000.00
Total distributable amount	**96,149,435.81**
Allocation	
to dividends	96,142,463.52
to balance carried forward	6,972.29
Total	**96,149,435.81**

The resulting proposed dividend is €4.72 for each of the 20,369,166 shares comprising the company's equity capital. This dividend is eligible for reduction provided for in Article 158-3 of the French General Tax Code, and will be paid by June 30th 2009. The General Meeting of Shareholders notes that the dividends or other payments distributed in respect of the 2005, 2006 and 2007 financial years (all of which were eligible for the reductions provided for in Article 158-3 of the French General Tax Code) were as follows:

Financial year	Number of shares	Total(1) distributed	Per share(1)
2005	1,018,458,300	30,553,749	0.03
2006	20,369,166	161,934,869	7.95
2007	20,369,166	109,382,421	5.37

(1) amount shown in euros

La Banque Postale also paid an exceptional distribution of €163,000,000 from reserves in February 2008.

5.5 Five-year financial summary

(in euros)	2004	2005	2006	2007	2008
Financial position					
Share capital	162,000,000.00	2,342,454,090.00	2,342,454,090.00	2,342,454,090.00	2,342,454,090.00
Number of shares	10,125,000	1,018,458,300	20,369,166	20,369,166	20,369,166
Global profit					
Revenues (*)	2,189,871,354.57	2,394,860,208.14	7,747,368,226.27	8,255,396,044.25	7,519,031,417.41
Earnings before taxes, depreciation allowances and net provisions	68,531,893.21	68,827,013.54	486,077,342.87	618,806,196.25	573,575,957.56
Corporate income tax	(23,490,502.00)	(20,412,458.40)	(30,631,279.41)	(93,195,747.00)	(11,539,082.00)
Earnings after taxes, depreciation allowances and provisions	41,665,162.53	47,058,852.58	324,858,318.89	364,139,821.44	81,846,297.74
Profit for distribution (proposed)	13,972,500.00	30,553,749.00	161,934,869.70	109,382,421.42	96,142,463.52
Earnings per share					
Earnings after taxes, before depreciation allowances and provisions	6.44	0.05	22.36	25.80	25.02
Earnings after taxes, depreciation allowances and provisions	4.12	0.05	15.95	17.88	4.02
Profit for distribution (proposed)	1.38	0.03	7.95	5.37	4.72
Employees data					
Average workforce	75	92	1,120	1,249	1,690
Payroll expenses	4,908,175.69	6,282,843.71	60,817,995.76	67,160,632.12	104,503,763.80
Employee benefit charges and social security (equipment bought under the company benefit scheme, etc.)	2,011,305.03	2,977,080.21	35,804,599.05	34,643,555.63	41,233,187.05

(*) All income from banking operations (the profits from financial transactions are included at their net value).

5.6 Subsidiary and affiliated companies at December 31st 2008

SUBSIDIARIES (EQUITY STAKE OF OVER 50%)						
	LA BANQUE POSTALE GESTION PRIVÉE(1)	EFPRIMO(2)	SF2(3)	SCI CRSF MÉTROPOLE(4)	SCI CRSF DOM(5)	ISSY LBP(6)
SIREN number	428,767,941	440,165,041	424,176,238	445,061,369	445,047,442	509,105,979
Share Capital	1,000,000.00	40,000.00	1,053,573,881.10	256,411,996.00	23,332,111.00	40,000.00
Reserve and balance carried forward before allocation of profit	4,622,500.94	(20,071.40)	137,774,727.58	2,741,000.00	112,000,00	-
Equity holding (percentage)	51.00%	99.85%	100.00%	99.99%	99.99%	99.99%
Carrying value of shares held						
Gross	388,620.08	39,940.00	1,143,908,525.78	256,391,996.00	2,331,611.00	40,000.00
Net	388,620.08	39,940.00	1,143,908,525.78	256,391,996.00	2,331,611.00	40,000.00
Outstanding loans and advances granted by the company	-	-	-	-	-	-
Sureties and guarantees granted by the company	-	-	-	-	-	-
Pre-tax revenue for the previous financial year	3,852,831.92	-	187,511.11	30,836,000.00	763,000.00	-
Results (profit or loss for the previous financial year)	(256,735.39)	(8,711.20)	140,826,355.88	11,193,000.00	36,000.00	(681.04)
Dividends received by the company in previous financial year	-	-	97,978,742.10	9,435,225.45	164,844.89	-
Remarks	Portfolio management company	Financial advisory company	Holding company	Property rental company	Property rental company	Financial advisory company

SUBSIDIARIES (EQUITY STAKE OF BETWEEN 10% AND 50%)

TRANSACTIS(7)	EIG CR CESU(8)
479,874,257	487,708,455
4,948,120.00	150,000.00
50.00%	16.67%
2,474,062.00	25,000.00
2,474,062.00	25,000.00
9,100,000.00	45,000.00
-	-
-	-
` -	-
-	-
Financial services and holding company	Universal services voucher

1. 115, rue de Sèvres - 75275 Paris Cedex 06
2. 115, rue de Sèvres - 75275 Paris Cedex 06
3. 115, rue de Sèvres - 75275 Paris Cedex 06
4. 115, rue de Sèvres - 75275 Paris Cedex 06
5. 115, rue de Sèvres - 75275 Paris Cedex 06
6. 115, rue de Sèvres - 75275 Paris Cedex 06
7. 33, place des Corolles - Tour Europe La Défense II - 92400 Courbevoie
8. 155 avenue Gallieni - 93170 Bagnolet

EMPLOYMENT AND SUSTAINABLE DEVELOPMENT POLICY

6

Responsible development is central to the convictions and actions of La Banque Postale. This commitment is translated every day into the relationship it has with its current and future employees, its customers and all its stakeholders. In 2008, this commitment led to two major decisions. The first was the introduction of a Responsible Development Committee, which is tasked with guiding sustainable development policy at the highest level of La Banque Postale.

2008 was also the first year in which La Banque Postale elected to communicate its social and environmental performance in accordance with the comprehensive criteria introduced by the New Economic Regulations legislation (NRE in French).

More detailed information about the La Banque Postale responsible development policy, the initiatives introduced in 2008 and the targets set can be found in the "Socially-Responsible Bank" section of the Business Report.

6.1 Rules and principles governing the presentation of social and environmental data

SOCIAL INDICATORS

The postal banking model includes La Banque Postale employees and those who work on behalf of La Banque Postale. La Banque Postale staff are therefore: La Banque Postale employees, La Poste financial services staff and the La Poste banking sales line staff.

ENVIRONMENTAL INDICATORS

The scope covered by the data presented in this report includes La Banque Postale employees and financial services staff. It refers in part to the total areas occupied by these employees. The environmental impact of the banking sales line is not included in La Banque Postale reporting for 2008.

6.1.1 Social indicators

		Scope
Total workforce	A total of 32,720 employees were working for La Poste on December 31st 2008, of whom 1.2% were employed under fixed-term contracts of employment.	La Banque Postale employees
Recruitment and balance between fixed-term and open-ended contracts of employment	684 people were recruited in 2008, of whom 65.2% are employed under open-ended contracts.	La Banque Postale and financial services
Dismissals and reasons for dismissal	Dismissals affected 0.1% of the workforce in 2008 (21 people).	La Banque Postale and financial services
Overtime	The average amount of overtime worked in 2008 was 4.3 hours per employee.	La Banque Postale employees
Employee redundancy plan, regrading and redundancy support	This section does not apply to La Banque Postale in terms of employment law.	La Banque Postale employees
Working hours organisation, and the hours actually worked by full- and part-time employees	3,379 work part-time by choice (10.3% of all employees). 88% of part-time workers are women.	La Banque Postale employees
Absenteeism and reasons for absenteeism	The average number of paid sick days per employee in 2008 was 11.2.	La Banque Postale and financial services
Equal opportunity for men and women	As of December 31st 2008, women accounted for 22% of the La Banque Postale Executive Committee. An analysis conducted in 2008 on the basis of data for 2006 and 2007 compared the relative situations of men and women at La Banque Postale and revealed remarkable results in terms of equality in the workplace. Job-for-job, overall differences in pay averaged 3% in 2007.	La Banque Postale
	An agreement on equal opportunity in the workplace was signed in November 2008. Its key objectives include facilitating access for women to operational management positions and accelerating gender equality amongst senior management.	La Banque Postale and financial services
Pay levels and trends	In 2006, La Banque Postale introduced a global rewards system designed to involve employees in the benefits of its development. This system takes into account professional ability, skills development, individual performance and personal contribution to the overall performance of the business when rewarding employees in the form of a fixed salary, individual performance-related bonuses and a comprehensive package of collective remuneration and employee savings schemes (statutory and company profit sharing schemes, as well as a contributory Company Savings Plan (PEE) and Collective Pension Savings Plan (PERCO)).	La Banque Postale
Application of the provisions contained in the French Employment Code, Chapter IV, Book IV.		
Industrial relations and collective agreements	In 2008, La Banque Postale signed 6 agreements, including 1 covering the employment of disabled people. A further 16 were signed in respect of financial services, including 2 national agreements covering equality in the workplace, the employment of disabled people and postal staff unsuited to their existing jobs. Since the establishment of La Banque Postale in 2006, 68 agreements have been signed: 22 in 2008, 21 in 2007 and 25 in 2006. This significant number of agreements reflects the intensity and value of social dialogue at the bank.	La Banque Postale and financial services
Training	La Banque Postale provided 146,456.3 days of training in 2008, which equates to an average of 4.5 days per employee, per year. This sustained commitment to training applies equally to everyone employed by La Banque Postale. The open-ended agreement on career-long training signed in 2007 also underlines the bank's commitment to promoting diversity, equality in the workplace and equality of access to training for disabled staff.	La Banque Postale employees

		Scope
Employment and integration of disabled staff	At La Banque Postale, the percentage of the workforce represented by disabled staff is 1.39%. 4 disabled employees were recruited in 2008. The percentage of the financial services workforce accounted for by disabled staff is 5.71%. 13 disabled employees were recruited in 2008. In terms of indirect employment, La Banque Postale and financial services made purchases totalling €453,000 from the protected disabled employment sector, which equates to 18.85 indirect jobs.	La Banque Postale and financial services
Voluntary social engagement	La Banque Postale supports the commitment of its employees, and encourages their initiatives to provide practical voluntary assistance with development in the southern hemisphere. 20 La Banque Postale employees took volunteer leave (*congés solidaires*) to do voluntary work in Mali, Benin, Madagascar and Cameroon during the year. Also during 2008, La Banque Postale signed a corporate sponsorship agreement with the NGO Planète Urgence to fund international support missions focusing on the three key areas of: – combating exclusion from education and promoting the social economy – environmental protection – educating children and adults about sustainable development issues. This funding totalled €187,427.	La Banque Postale and financial services
Potential recruitment issues	This section does not apply to La Banque Postale.	La Banque Postale and financial services
Health and Safety conditions	4 Health, Safety and Working Conditions Committee (CHSCT) meetings were held by La Banque Postale during 2008, and 3 by financial services. La Banque Postale also focuses on preventative health initiatives. In 2008, 14 of these initiatives were implemented for La Banque Postale employees. These focused on diabetes, nutrition, cholesterol, hearing measurement, flu vaccination, sleep, blood donation and ergonomic working practices.	La Banque Postale and financial services
Social security contributions	La Banque Postale complies fully with all its legal obligations in terms of social security contributions.	La Banque Postale employees
Importance of sub-contracting	La Banque Postale acts under the terms of its Responsible Purchasing Charter to ensure that all its suppliers comply with current legislation, especially in respect of working conditions and the fundamental principles defined by the International Labour Organization. In signing this charter, suppliers give their commitment to complying with European employment law, encouraging diversity in the workplace, promoting the employment of disabled people and ensuring equality of opportunity.	La Banque Postale and financial services

6.1.2 Environmental indicators

		Scope
Water	In 2008, La Banque Postale stabilised its average water consumption at 38 litres per employee per day, which equates to 7.8 m^3 per employee per year. This ratio is unchanged since 2007. The scope covered by this data represents 85% of the La Banque Postale property portfolio. The scope covered in 2008 is also the same as that covered in 2007[1].	La Banque Postale and financial services
Energy	Average CO_2 emissions per La Banque Postale employee totalled 631 kg in 2008. The emissions measured refer to the energy consumption of the buildings occupied by the bank. This data covers 85% of the La Banque Postale property portfolio[2].	
Energy efficiency and the use of energy from renewable sources	Under the terms of the La Poste Group Performance and Confidence Plan, La Banque Postale must achieve a 9% reduction in its CO_2 emissions by 2012, compared with 2007 levels. 13 analyses conducted to help achieve this target have highlighted areas for energy performance improvement in the bank's property portfolio. The initiatives implemented on the basis of these analyses focus on: – raising awareness amongst building users of the potential savings to be made by changing everyday behaviour – the gradual replacement of single-glazed windows with double-glazed units – the gradual replacement of incandescent bulbs with more efficient alternatives, such as energy-saving bulbs.	
Atmospheric emissions	CO_2 emissions as a result of La Banque Postale employees travelling for business purposes averaged 158 kg per employee in 2008. In 2008, La Banque Postale introduced an eco-responsible driving course designed to instruct regular drivers in how to drive in ways that reduce CO_2 emissions. 65 people received training in 2008, and the target is for 1,000 employees to receive training by the end of 2009, followed by a further 400 per year over the next three years. In 2006, La Banque Postale introduced company travel plans (PDE in French) throughout France to help reduce the level of CO_2 emissions caused by its employees travelling between home and work: 17 of these plans had been signed by December 31st 2008. These company travel plans encourage the use of transport methods other than the private car (public transport, walking and cycling) and more eco-friendly alternatives, such as car sharing and the use of hybrid vehicles. The plans have resulted in voluntary commitments from around 2,400 people, resulting in CO_2[3] emissions reductions of some 700 tonnes.	
Raw materials	In 2008, eco-responsible paper accounted for 86%[4] of the 7,850 tonnes of paper consumed in total by La Banque Postale. In 2007, the figure was 70% of an almost identical level of consumption. In order to ensure that only high-quality paper is used for communications with customers, the scope of this policy was extended in 2007 and 2008 to include paper intended for La Banque Postale customers (bank statements and promotional material) and the A4 and A3 paper used for internal administrative purposes. At La Banque Postale, responsible paper means either recycled paper or paper produced using pulp from sustainably-managed forests. In 2008, all the paper used for account statements and internal administrative purposes was sourced from sustainably-managed FSC or PEFC accredited forests.	
Waste	In 2006, La Banque Postale implemented a waste management policy throughout France (including the French overseas departments). Implementation of this policy is supported by the provision of an operational kit designed to help each site implement waste sorting and an agreed waste management plan. By the end of 2008, all La Banque Postale locations were sorting waste and had organised for professional waste collection. La Banque Postale has introduced a national contract for the removal and recycling of WEEE (Waste Electrical and Electronic Equipment) hazardous waste, and therefore complies with its legal obligations in terms of WEEE Management. The waste management policy covers 100% of bank operations.	

		Scope
Land use conditions Water and soil discharges	This section does not apply to La Banque Postale.	La Banque Postale and financial services
Nuisance caused by noise and smells	This section does not apply to La Banque Postale.	
Measures taken to limit impact on the natural biological balance	This section does not apply to La Banque Postale.	
Compliance with legal and regulatory requirements	La Banque Postale complies with its legal obligations in terms of waste collection and sorting (particularly the WEEE directive), and has also implemented voluntary initiatives designed to reduce its CO_2 emissions.	
Evaluation and certification initiatives	La Banque Postale introduced environmental impact evaluation at the time of its establishment in 2006. This policy continued in 2008, with the introduction of a new reporting process supported by a formal protocol and indicator datasheets as part of strengthening the bank's sustainable development reporting structure.	
Expenditure on preventing negative environmental impact from company operations	La Banque Postale intends to prevent negative environmental impact from its operations by limiting its CO_2 emissions. Expenditure committed in 2008 enabled the completion of 13 energy performance analyses (€150,000) and the introduction for 2008/2009 of an eco-responsible driving course for 1,000 La Banque Postale employees (€150,000). The introduction of company travel plans is helping La Banque Postale to limit CO_2 emissions caused by travel between home and work by meeting up to 50% of the public transport fares paid by employees volunteering for the scheme. Undertaken voluntarily by La Banque Postale from 2006 to 2008, this measure became compulsory for all French companies on December 31st 2008.	
The amount of provisions and guarantees for environmental risks	The nature of business conducted by La Banque Postale is such that no revisions or guarantees for environmental risks are needed.	
Compensation paid during the financial year	This section does not apply to La Banque Postale.	
Foreign subsidiary companies	This section does not apply to La Banque Postale.	

NOTES

(1) Water: the water consumption figures are taken from meter readings or water bills. The average ratio in Litres per Day is arrived at on the basis of 204 working days. On the basis of data measured since 2006, the margin for error associated with this average is 11%.

(2) Energy: the energy consumption figures are taken from reports produced by energy suppliers, as well as from meter readings and bills.
The emission factors quoted are those given by the ADEME (the French Environment and Energy Management Agency) for electricity, gas and heating oil. Data relating to the district heating network is based on emission factors quoted by the Société de Chauffage Urbain de Paris.
On the basis of data measured since 2006, the margin for error associated with this average is 11%.

(3) Atmospheric emissions: the average CO_2 emissions per employee quoted include those produced by service vehicles, company vehicles and company cars. The extrapolated portion is 23%.
The CO_2 savings observed since the introduction of company travel plans are estimates based on the number of people joining the scheme, weighted by an average daily journey of 7.6 kilometres on the basis of data declared by scheme members.

(4) Raw materials: the total proportion of eco-responsible paper used by La Banque Postale is the average quantity of eco-responsible paper sourced from the three main sources identified, as a proportion of the total quantity of paper consumed. It is estimated on the basis of data (labels and certificates) gathered at December 31st 2008.

On a smaller scale, notebooks are sourced on the basis of La Banque Postale responsibility criteria, but were not included in our reporting for 2008.

La Banque Postale
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capitalised at €2,342,454,090
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