

Financial Report



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1.1. CORPORATE GOVERNANCE AND INTERNAL CONTROL REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD

1.1.1. Corporate Governance

~ CORPORATE GOVERNANCE CODE APPLIED ~

La Banque Postale is a limited company with Executive and Supervisory Boards that is wholly-owned by La Poste (a State-owned industrial and commercial company). The company began trading as a bank on January 1st 2006, after being registered as a credit institution by the French Credit Institution and Investment Firms Committee, or CECEI on December 2nd 2005.

As a business company, La Banque Postale is bound by the French Commercial Law. As a credit institution, it is also bound by the French Monetary and Financial Code and by the regulations of the French Advisory Committee on Legislation and Regulation (CCLRF). Lastly, as a public sector company, the Bank is bound by the July 1983 legislation on the democratisation of the public sector in France.

Moreover, since its foundation, La Banque Postale has based its corporate governance guidelines on the principles set out in the Viénot and Bouton reports on corporate governance for listed companies, which were published by the French Private Companies Association and the French Business Federation, or AFEF/MEDEF in 2008 (www.medef.fr). La Banque Postale therefore adheres to most of the recommendations made in this corporate governance code, subject to the distinctive nature of its sole shareholder and to the provisions of the legislation on the democratisation of the public sector, which specifically stipulate:

- the length of Supervisory Board members' term in office and the procedures for renewing their appointment;
- the appointment of a significant number of employee representatives, i.e. one third of the total, to the Supervisory Board, which results in a lower proportion of independent members than is recommended by the Afep corporate governance code.

1.1.1.1 Conditions governing the preparation and organization of the work performed by the Board

~ ORGANIZATION AND OPERATION OF THE BOARD ~ **Composition of the Board**

The Supervisory Board is chaired by the Chairman of La Poste, Jean-Paul Bailly. It has consisted of fifteen members since the General Meeting of February 12th 2008, which renewed all existing appointments. Seven Board members hold senior management positions at the La Poste Group, three are independent, and five further members were elected by the employees in February 2008, as required by the legislation on the democratisation of the public sector. All Board members hold French nationality.

In accordance with the provisions of the legislation on the democratisation of the public sector, Supervisory Board members are appointed for a five years period.

Moreover, the French Government has seconded a Government Commissioner to La Banque Postale, in view of the Bank's public service responsibilities. Furthermore, the Secretary of the Employee Committee also attends Supervisory Board meetings.

Resume of the Board members

Chairman of the Supervisory Board		
Jean-Paul Bailly (63)	Graduate of the École Polytechnique and the MIT	<ul style="list-style-type: none"> • Career at RATP (Paris Public Transport Authority) as Head of the Bus Fleet, Head of the Metro and Regional Rail System and Head of Personnel. Appointed Chief Operating Officer of RATP in 1990, and Chairman and Managing Director in 1994. • Also a Member of the French Economic, Social and Environmental Council since 1995, Chairman of the International Post Corporation (IPC) since 2006 and Chairman of the International Association of Public Transport (UITP) between 1997 and 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 (60)	Graduate of the IEP Paris, holder of a Master's degree in Law and former student of the ENA	<ul style="list-style-type: none"> • Civil Service Career: successively Member of the French Council of State, advisor to the President of the European Commission and Director in French Prime Minister's Offices until 1988. • Executive Vice-Chairman of Canal+ until 2003. • Executive Director of the La Poste Group since 2004, Member of the Executive Committee and Chairman of the Poste Immo Executive Board.
Other members of the Supervisory Board occupying management positions at the La Poste Group		
Didier Brune (53)	Graduate of the HEC and the ENSPTT	<ul style="list-style-type: none"> • Has pursued a career at the La Poste Group since 1983, including positions as Head of National and International Operations at Chronopost and Head of Finance and Strategy at the Mail Division. • Head of Group Strategy since 2003, with responsibility for corporate strategy, institutional negotiations with the French Government (pensions, La Banque Postale and the legal aspects of La Poste's growth, as well as business monitoring and planning.
Paul-Marie Chavanne (58)	Graduate of the École Centrale des Arts et Manufactures, Paris, former student of the ENA and Auditor in the French Finance Ministry	<ul style="list-style-type: none"> • Civil Service Career: Head of Administration and then Deputy Director of the French Treasury Department until 1989. • Joined the Soparges Group, and then PSA Peugeot Citroën as Deputy Managing Director of Automobiles Citroën (until 1997). • Appointed Chief Executive Officer of the Strafor-Facom Group in 1997 and Chairman in 1998, then Chairman of the Auto Distribution Executive Board in 1999. • Executive Director of the La Poste Group since 2001, member of the Executive Committee, Head of the Parcels Division and Chairman and Chief Executive of GeoPost.
Nicolas Duhamel (56) Nicolas Duhamel resigned his appointment on June 11th 2009.	Graduate of the IEP Paris, former student of the ENA and Auditor in the French Finance Ministry	<ul style="list-style-type: none"> • Pursued a career at the French Ministry of the Economy and Finance until 1984. • Head of Finance at France Télécom until 1988. • Different management positions in the media sector (including Managing Director of Advertising Sales at PagesJaunes, Finance Director at the Havas Group and Deputy Managing Director of the Publishing Division at Vivendi Universal). • Executive Vice President, Chief Financial Officer and member of the Executive Committee of the La Poste Group from 2002 until 11th June 2009.
Bernard Delpit (45)	Holder of a Law Degree, Graduate of the IEP Paris, former student of the ENA and Auditor in the French Finance Ministry	<ul style="list-style-type: none"> • Pursued a career at the French Ministry of the Economy and Finance between 1990 and 2000. • Deputy Managing Director at Dongfeng Peugeot Citroën Automobiles in China, part of the PSA Group, between 2000 and 2004. • Head of Management Control at the PSA Group between 2004 and 2007. • Economic advisor to the President of the French Republic between 2007 and 2009. • Chief Financial Officer at the La Poste Group since 2009.
Georges Lefebvre (57) Georges Lefebvre represents La Poste on the Supervisory Board.	Holder of a degree in mathematics, graduate of the ENSPTT	<ul style="list-style-type: none"> • Pursued a career in the French Post Office and Telecommunications Service, including appointments as Head of Human Resources, then as Senior Executive. • Joined the La Poste Senior Management Team in 1991, with responsibility for the employee relations aspects of the change in status. • Head of Human Resources at the La Poste Group since 1998, Group Managing Director and member of the Executive Committee.

Didier Négier (55)	Graduate of the ENSAE, of the IEP and graduate in Monetary Economics Paris and Paris-IX-Dauphine University	<ul style="list-style-type: none"> Began his career as an economist at the French Embassy in London, and then as the manager of a SMC in the manufacturing and services sector. Joined McKinsey as a Senior Partner in 1985 to head up the firm's banking and insurance division in France. Appointed Deputy Managing Director of La Poste Grand Public in 2005, then Head of Shared Services at La Poste Group, with additional responsibility for information systems, purchasing and cost optimisation.
Independent Members of the Supervisory Board		
Gérard Barbot (63)	Auditor in the French Finance Ministry	<ul style="list-style-type: none"> Pursued a career at the French Ministry of the Economy and Finance until 1984. Joined the Caisse des dépôts et consignations in 1984 and was then appointed Chief Executive of CDC Ixis in 2000, which he had helped set up. Has acted as an independent advisor and non-executive director to companies in the financial and service sector since 2004 and Chairman of several audit committees.
Sylvain Lemoyne de Forges (55)	Graduate of the École Polytechnique former student of the ENA	<ul style="list-style-type: none"> Pursued a career in the French Civil Service, including appointments as Head of Monetary and Financial Affairs at the French Treasury Department, as an Advisory Minister for Financial Affairs at the French Embassy in London, as the Senior French Representative at the EBRD, and as the Head of the French Treasury Agency (Agence France Trésor) at the French Ministry of the Economy and Finance. Joined the Veolia Group in 2003. Head of Risk and Markets at Veolia Environnement since 2007.
Didier Ribadeau Dumas (63)	Law graduate, former student of the ENA	<ul style="list-style-type: none"> French Ministry of the Economy and Finance between 1971 and 1984 and as Deputy Head of the French Treasury Department (1981-1984). Chief Executive of a bank in CIC Group bank until 1989. Vice-President, then Senior Vice-President at the Paris office of the Boston Consulting Group until 2006. Managing Partner of DRD Conseil and Partner of Courcelles advisor in strategy since 2006.
Employee Representative Members of the Supervisory Board		
Jean-Robert Larangé (55)	Graduate of the Institut Supérieur du Commerce International (ISCID-IFCE) and holder of a Master's degree in International Affairs from the EDHEC	<ul style="list-style-type: none"> Held sales and marketing positions at a number of companies (including Thomson-CSF, Alliance.com and Iris Développement). Joined the La Poste Group in 2002 as the Head of Business Finance Sales Development in the Paris Region Financial Centre, then made responsible for monitoring General Audit recommendations at La Banque Postale. Head of Banking Services for the jointly-managed La Poste network and for non-Post Office entities since 2006.
Steeve Maigne (40)	Background in business and finance	<ul style="list-style-type: none"> Pursued a career at the La Poste Group, including positions as a Financial Advisor and then as a Customer Service Manager between 1998 and 2004. Regional Secretary for the Paris Region CFE-CGC union with responsibility for the La Poste retail network and member of the La Poste employee relations committees until 2007. Employee representative on the Supervisory Board of the La Poste Employee Savings Fund until 2007. Head of the Internal Synergies Project at the La Banque Postale Business, Local Authorities and Voluntary Organizations Department since 2008.
Maryvonne Michelet (57)	Post-graduate diploma (DESS) in banking and financial law, qualified legal practitioner (CAPA) and graduate in Applied Foreign Languages	<ul style="list-style-type: none"> Joined the Personnel Department of the French Post and Telecommunications Ministry in 1979, moved to La Poste International Financial Services in 1986 and then to the La Poste Legal Affairs Department in 1997. Currently banking law counsel at La Banque Postale, with additional responsibility for international consulting assignments at the La Poste Group.
Serge Trinca (63) Serge Trinca resigned his appointment on January 15 th 2009. He was succeeded by Françoise Paget Bitsch, his next in-line, as from that date.	Graduate in accounting and holder of a Post-graduate diploma (DESS) from the Institut d'Administration des Entreprises (Financial Management option)	<ul style="list-style-type: none"> Head of Human Resources for a number of manufacturing and insurance companies (including Groupama Assurances) until 1991. Human Resources consultant at Romance Alant Consultants. Joined the Human Resources Department of La Poste in 1998, subsequently moving to the Financial Services Operations Department. Head of the "Disability, Equality and Diversity" project between 2006 and January 15th 2009.

Hélène Wolff (54)	Graduate of the Paris-I University Diploma of Advanced Studies (DEA) in International Economics and of the Paris-IX Dauphine University (Post-graduate diploma (DESS) in Financial Markets and Diploma of Graduate Studies (DESUP) in Management IT)	<ul style="list-style-type: none"> Marketing Manager at Crédit Mutuel until 1988, then held a number of management positions in financial companies. Joined the La Poste Group in 1993, holding a succession of positions, including Accounting Planner and Project Manager in the compensation and banking process units. Since 2006, has held positions as Lead Project Management Consultant, then Head of the quality assurance and multi-channel innovation unit at La Banque Postale.
Françoise Paget Bitsch (53)	Degree in fluid mechanics (University of Aix-Marseille)	<ul style="list-style-type: none"> Joined the La Poste Group in 1979 as a branch management executive. Held positions as Sales Development Manager, Deputy Branch Manager and then Branch Manager until 1994. Departmental then Deputy Management Controller until 2003, including responsibility for the euro transition project in the Department of Vaucluse. Operations Controller at La Poste, and Banking Operations Controller since 2006.

Resume of the Government Commissioner

Government Commissioner		
Christian Bodin (57)	Graduate in private law degree, graduate from the IEP Paris, qualified legal practitioner (CAPA) and former student of the ENA	<ul style="list-style-type: none"> Civil Service career, including positions at the Caisse des dépôts et consignations and the French Budget Department, then as Deputy Director of Economic Affairs in the Ministry for the French Overseas Departments and Territories until 1995. Economic and commercial advisor (including appointments as Head of the Regional Economic Mission in the Ivory Coast, then in Saudi Arabia up until 2005) and as External Services Auditor at the French Treasury Department and Economic Policy Department (DGTPE). Since 2006, Economic and Financial General Auditor (DGTPE), Government Commissioner at La Banque Postale, the Subsidised Housing Guarantee Fund (Caisse de Garantie du Logement Social), Crédit Maritime Mutuel and film funding companies (Sofica).

Assessment of the concept of independence Board Members

Ever since La Banque Postale was founded, the Supervisory Board has applied the general definition of independence set out in the principles of corporate governance for listed companies published by the AFEP/MEDEF in 2008, when assessing whether or not certain of its members meet that criterion. Members of the Supervisory Board 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 which is likely to compromise their freedom of judgement.

Role of the Board

The Supervisory Board is granted powers by the French Commercial Code, the legislation of July 26th 1983 on the democratisation of the public sector and the company's articles of association, particularly Article 25.

The Supervisory Board discusses major strategic, economic, financial or technology issues that affect the company's business, before submitting them to the Executive Board for a decision.

It provides ongoing supervision of the way in which the Executive Board manages the company and grants prior approval for those transactions that the latter cannot carry out without its permission, in accordance with Article 14 of the articles of association.

The Supervisory Board checks and audits the financial statements. It appoints the members of the Executive Board, sets their compensation and also has the power to dismiss them, in accordance with Article 12 of the articles of association.

Activities of the Board in 2009

The Supervisory Board met five times during the 2009 financial year with an average attendance rate of 89%.

In addition to the actual Board members, certain directors of La Banque Postale occasionally attended the Board Meetings, depending on the matters on the agenda. The Statutory Auditors attended those meetings where the annual and interim financial statements were presented.

During 2009, the work performed by the Board focused mainly on the following issues:

- the composition of the Board and its committees;
- the assessment of the work performed by the Board;
- the quarterly Executive Board business reports, including measures taken to withstand the financial crisis;
- the annual parent company and consolidated financial statements for the 2008 financial year, together with the Executive Board management report and the proposed profit allocation of net income;
- the 2009 interim financial statements;

- the strategic initiatives implemented, particularly the La Banque Postale strategy for companies and local authorities;
- updating the Livret A strategy;
- monitoring subsidiary companies' business activities;
- the internal control and risk assessment and monitoring report (Articles 42 and 43 of Regulation 97-02 issued by the French Banking and Finance Regulatory Committee, or CRBF);
- the Internal Audit Department's business report and its programme of work for 2010;
- partnership and acquisition projects;
- the French Banking Commission's follow-up letter on anti-money laundering and counter-terrorism funding procedures and the Executive Board's draft response;
- changes in the payment methods environment;
- the 2010 budget.

In accordance with the internal rules of procedure, the members of the Supervisory Board are notified 10 days in advance of Board meetings and receive the documents for preparing the Board meeting six days in advance.

Internal Rules of Procedure

The Supervisory Board adopted the internal rules of procedure that govern and determine the preparation and organization of its duties. At the same meeting, it also adopted the La Banque Postale Supervisory Board's member's charter, which details the principles that apply to those members, particularly their rights and obligations.

~ ORGANIZATION AND OPERATION OF THE SPECIALIST COMMITTEES ~

The Supervisory Board has set up three committees to assist it in its duties: an Audit Committee, an Appointments and Compensation Committee and a Strategy Committee. It thereby adheres to the recommendations of the AFEP/MEDEF corporate governance code.

The duties of each of these Committees, the criteria for selecting their members and their rules of operation are detailed in the internal rules of procedure that have been approved by the Supervisory Board.

Audit Committee

The Audit Committee consists of six members:

- three independent members, Didier Ribadeau Dumas, the Chairman, Gérard Barbot, and Sylvain Lemoyne de Forges;
- one member from La Poste: Bernard Delpit, who replaced Nicolas Duhamel from June 11th 2009 onwards;
- two employee representative members: Hélène Wolff and Steeve Maigne.

Christian Godin, the Government Commissioner, also attends Audit Committee meetings.

The scope of the Committee's responsibilities is primarily:

- to check that the financial information supplied by the Executive Board is clear and to assess the appropriateness of the accounting measures adopted;
- to manage the selection process for the Statutory Auditors;
- to assess the quality of internal control, especially the principles and procedures for managing risk.

The Audit Committee meets at least six times per year, and especially before any meeting of the Supervisory Board where one or more questions relating to its area of expertise are on the agenda. It reports on its work to the Supervisory Board after every meeting.

The Committee met ten times in 2009 with an average attendance rate of 72%.

During 2009, the works performed by the Committee focused mainly on the following issues:

- updating the risk management policy;
- the Chairman of the Supervisory Board's report on the conditions under which the work of the Board and the internal control procedures were prepared and organised;
- the Internal Audit Department's activity report for 2008;
- corporate credit risk;
- the Banking Commission's follow-up letter on anti-money laundering and counter-terrorism funding procedures and the Executive Board's draft response;
- the parent company and consolidated financial statements for 2008 and the 2008 annual report;
- the internal control review performed by the Statutory Auditors;
- the organization and governance of risks function;
- defining the criteria and thresholds that enable issues picked up by internal control procedures to be identified as significant (Article 17b of Regulation 97-02);
- asset management;
- reports required under Regulation 97-02 (Articles 42 and 43, Articles 38 and 39);
- consumer credit and the impact of its roll-out;
- regulated savings;
- the 2009 interim financial statements;
- the Internal Audit Department's work programme for 2010;
- the Committee's work programme for 2010;
- assessing the operation of the Committee;
- renewing the appointment of a Statutory Auditor.

Appointments and Compensation Committee

The Appointments and Compensation Committee consists of three members: one independent member, Gérard Barbot, who chairs the Committee, and two members from La Poste, Jean-Paul Bailly and Georges Lefebvre.

The scope of the Committee's responsibilities is primarily:

- to examine the profile of the individuals short-listed for a seat on the Supervisory Board on the basis of their independence from the Company and the La Poste Group or for appointment to the Executive Board;
- to examine the compensation paid to officers of the company, regardless of whether that compensation is fixed or variable, or paid in cash or as benefits in kind;
- to examine pension and benefits schemes;
- to study the opportunity for introducing share-based or other profit-sharing and incentive schemes for directors and/or employees.

The Appointments and Compensation Committee met four times during the year, with an attendance rate of 89%.

During 2009, the works performed by the Committee focused mainly on the following issues:

- reviewing the independence of the Board members;
- changes to the medium-term compensation framework for Executive Board members;
- setting the variable portion of the compensation paid to Executive Board members in respect of the 2008 financial year, any changes to their fixed compensation for 2009, and the key indicators used to determine the variable portion of their compensation for 2009;
- compliance with TEPA (French work, employment and purchasing power) legislation and the AFEP/MEDEF recommendations on compensation for company directors;
- the attendance fee policy;
- the compensation policy for market professionals.

Strategy Committee

The Strategy Committee consists of five members:

- one independent member: Sylvain Lemoyne de Forges;
- two members from the La Poste Group: Marc-André Feffer, who chairs the Committee, and Paul-Marie Chavanne;
- two employee representative members: Jean-Robert Larangé and Serge Trinca, who was replaced by Françoise Paget-Bitsch, his next-in-line, from January 15th 2009 onwards.

Christian Bodin, the Government Commissioner, also attends Strategy Committee meetings.

The Strategy Committee examines and monitors the implementation of the company's multi-year strategic plan, together with the strategic projects and operations of the Company and its subsidiaries.

~ EVALUATION OF THE WORK PERFORMED BY THE BOARD AND THE COMMITTEES ~ Supervisory Board

Following four years of operation since the founding of La Banque Postale, an evaluation of the work performed by the Supervisory Board was carried out in the second quarter of 2009. The evaluation was directed by Gérard Barbot, an independent director.

The method selected was self-evaluation, based on an anonymous questionnaire sent to each member of the Supervisory Board. The questionnaire focused on how well Board members were informed, their training, their relationship with the Bank directors, the way in which the Board operates, risk management and the way in which the Committees operate.

The results were summarised by Gérard Barbot, who conveyed them to the Supervisory Board, and were the subject of discussions between the Board members.

Overall, the Supervisory Board members expressed a positive opinion on the way in which the Board operates.

The areas for improvement identified mainly involved the information and discussion process. In terms of information,

they involved not only the material aspect of document availability, but also the supply of information for comparison purposes, performance indicators for the Bank, benchmarks and information about the subsidiary and the competition. Where discussions were concerned, the issue was having more time to exchange views on the matters on the agenda, particularly when partnerships were being presented. Finally, there was a request to broaden the Strategy Committee's role in projects at an early stage.

Audit Committee

The 2009 evaluation of the way in which the Audit Committee operates recorded a significant and ongoing improvement in the presentation of the financial statements compared with the evaluation performed in 2008. The improvement of the way in which the Committee operates is also due to the systematic presentation of a summary of the matters on the agenda.

A few approaches for improving the way in which the Committee operates were identified, including the regular presentation of regulatory changes that may have an impact on the Bank's financial statements and its strategy.

1.1.1.2 Shareholders participation in the General Meeting

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

1.1.1.3 Principles and rules for setting the compensation paid to corporate officers

~ APPLICATION OF THE AFEP/MEDEF RECOMMENDATIONS ON THE COMPENSATION OF COMPANY DIRECTORS ~

Following the works performed by the Appointments and Compensation Committee, which began during 2008 and continued in 2009, the Supervisory Board meeting of March 11th 2009 resolved to comply with the main AFEP/MEDEF recommendations on the compensation of company directors published in December 2008. The main areas that were not compliant concerned severance payments for Executive Board members.

The Supervisory Board has therefore resolved that the dismissal of Executive Board members during their term in office or due to a change in ownership or strategy resulting in their definitely leaving the La Poste Group, could give rise to the payment of an indemnity at the Board's discretion, except in cases of dismissal for gross misconduct or professional error that has a serious effect on the company's financial position.

The indemnity will be capped at twice the average amount of their compensation during the last three full financial years. The performance criteria for receiving the indemnity and the rules for determining it were also set by the Board.

Moreover, company directors do not benefit from any complementary retirement scheme.

~ RULES APPLIED FOR DETERMINING THE COMPENSATION PAID TO SUPERVISORY BOARD MEMBERS ~

Attendance fees are paid to all members of the Supervisory Board, except for employee representatives.

The Appointments and Compensation Committee proposes the attendance fee policy to the Supervisory Board. The fee level is set on the basis of a benchmark analysis performed jointly with a panel of banks, insurance companies and a sample of companies in which the Government has a stake in capital.

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

The amount of the attendance fees paid to the other Board members is calculated on the basis of their actual attendance at meetings of the Supervisory Board and the Committees, with the Chairman of each Committee receiving an additional annual fixed amount.

The internal La Poste Group rules governing payment of attendance fees apply to all members of the Supervisory Board who belong to the La Poste Group. Their attendance fees are therefore paid to La Poste.

~ RULES APPLIED FOR DETERMINING THE COMPENSATION PAID TO MEMBERS OF THE EXECUTIVE BOARD ~

The fixed compensation paid to members of the Executive Board 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 benchmark analysis of the compensation paid to the heads of other French retail banks departments, which is supplied by a panel of credit institutions.

The fixed element of annual compensation may be increased by a capped variable element. In accordance with the decision reached by the Supervisory Board of September 25th 2008 (on the basis of proposals made by the Appointments and Compensation Committee), the variable element is capped at 80% of the Executive Board Chairman's fixed compensation and at 50% of Board members' fixed compensation. Since 2008, the calculation of this variable element has been based on a weighted combination of indicators (including financial indicators such as the trend in NBI, in the operating ratio and prudential and qualitative ratios). Those indicators reflect three priorities: financial performance, the Bank's growth, and the effectiveness of its organization and management. This methodology was confirmed by a Supervisory Board discussion on March 11th 2009.

Executive Board members may also receive a long-term variable compensation element over three years, which is likely to amount to one year's salary. The gross amount of that compensation element will be calculated based on performance at the end of 2011.

1.1.2 Internal control

1.1.2.1 Internal control guidelines

La Banque Postale's internal control function is structured according to the provisions of the French Monetary and Financial Code, CRBF Regulation 97-02 (amended), and to the French Financial Markets Authority, or AMF, general regulations where activities linked to investment services are concerned.

The structure that has been put in place is also based on the Basel Committee's recommendations on the matter and those of the COSO (*Committee of Sponsoring Organizations of the Treadway Commission*).

These fundamental principles have been endorsed through three internal documents: the *Audit Charter* governing periodic checks, the *Risk Management Policy* for ongoing risk management and the key elements of the *Effective Risk Management Policy* for Head Office Departments.

The contents of the documents are then relayed in the form of operating control processes and procedures.

1.1.2.2 Guiding principles

La Banque Postale's internal control is based on:

The responsibility of all the parties involved. This is the basis of an effective management and compliance policy.

All employees must ensure that the work they perform and the transactions that they process are executed in accordance with scheduled procedures and at the required quality level. All employees must be in a position to account for their effective management of the work that they perform and the inherent risks of that work at any time. This principle relies on the close involvement of the Management Team.

Proportionality between the controls in place and the level of risk to be managed. All managers shall analyse their own risk and implement appropriate control procedures in order to achieve a reasonable level of confidence that their business activities are properly managed and that those activities comply with the Company's internal and external standards and regulations.

All-embracing scope of control procedures. All the business activities of the La Banque Postale Group are covered by the internal control procedures.

Those procedures apply to all kinds of risk, to all those employed directly by the Bank and all those acting in its name and on its behalf, and to all the entities of the La Banque Postale Group. The internal control procedures also extend to essential service supplies that have been outsourced.

1.1.2.3 Main parties involved

La Banque Postale's internal control procedures are structured around:

- control procedures that are as close to the business activities as possible;
- central control functions;
- Internal control Corporate Governance Committees.

~ CONTROL THAT IS AS CLOSE AS POSSIBLE TO THE BUSINESS ACTIVITIES ~

La Banque Postale has established specific procedures for transactions performed in its network. The aim of those procedures is to control the transactions performed in Post Offices, in co-ordination with the La Poste Retail Network.

The La Poste Retail Network executive board is responsible for designing and managing the Level 1 checks performed by Branch Managers on banking business conducted at Post Offices, based on specifications drawn up by La Banque Postale's Compliance Department. A Control Guide has been made available to those managers for this purpose, which includes control tables for each of the issues or transactions identified, as well as a record card for tracking all the corrective measures taken by Branch Managers when problems have been identified.

The implementation of the Control Guide by Branch Managers is continually monitored, so that line management, more specifically the Directors of the La Poste Retail Network, are in a position to ensure that controls have been made and the quality of those controls.

Banking supervisors, who are employed by La Banque Postale, perform Level 2 checks on the banking business conducted in Post Offices, under the responsibility of the Regional Bank Representatives and the management of the Compliance Department.

~ CENTRAL CONTROL FUNCTIONS ~

Two departments manage ongoing control procedures

The Compliance Department This department reports directly to the Bank's Executive Board. Its role is:

- to manage the risk of non-compliance, as defined in Article 4 of CRBF Regulation 97-02 (amended), i.e. the risk of non-compliance with legal and regulatory provisions, professional

and business ethics standards, together with the aims of the Supervisory Board and the Executive Board's instructions. To that end, it focuses primarily on business ethics and managing the anti-money-laundering and counter-terrorism funding process.

- to co-ordinate the procedures for ongoing checks, without jeopardising the specific duties of the Risk Department, especially the co-ordination of the Level 2 control teams. The Department is responsible for the functional management of banking supervisors working in the Post Office network. To that end, it provides banking supervisors and their managers with the tools that enable them to perform their control duties: programmes, control questionnaires and systems to consolidate the results compiled according to the managers' levels of responsibility. The scope of this responsibility extends to Internal Control Managers in the Financial Centres and to their internal supervisors via the Operating Department responsible for control within the Banking Operations Department.

The Risk Department This Department also reports directly to the Bank's Executive Board. Its task is to determine the framework within which the operational staff of La Banque Postale conduct their business and enter into commitments on behalf of the Bank, and to check that the rules drawn up for this purpose are adhered to at all times. Lastly, the Department is also responsible for measuring and monitoring risk patterns and for ensuring that they are commensurate with the Bank's equity capital, financial development and strategy.

The Risk Department consists of three divisions:

- the Credit Risk Division, which is responsible for the credit-risk unit;
- the Market and Counterparty Risk Division, which ensures that procedures for monitoring and controlling trading risk are implemented;
- the Operating Risk Division, which is responsible for managing and monitoring the Bank's operating risk. This division also encompasses all those functions identified as central to information systems security and business continuity in banking regulations.

Additional information is provided on La Banque Postale risk management procedures. This information is set out in the management report (Section 2.6 on risk management).

One department is dedicated to periodic checks

The Internal Audit Department is responsible for making periodic checks, as defined by CRBF Regulation 97-02 (amended). It evaluates risk management, together with the quality of internal control.

The Internal Audit Department's main duty is to perform the following audit tasks in respect of all the Bank's business activities and entities, its subsidiary Companies and its outsourced service providers:

- checking the existence, quality, effectiveness and the appropriate nature of internal control procedures;

- checking the reliability and the integrity of accounting and management information processing and control;
- analysing, assessing and managing risk, together with the level of risk to which the Bank is effectively exposed;
- checking compliance with laws, regulations, internal rules and instructions, as well as with business ethics and professional best practice.

~ TOP-LEVEL MANAGEMENT STRUCTURES DEDICATED TO CONTROL ~

La Banque Postale has established an Audit Committee and has set up several Committees to address internal control issues, which are attended by at least one of the two members of the Bank's Executive Board:

The Audit Committee is a Supervisory Board body and consists of three independent Directors. The Committee checks the clarity of the information supplied, and assesses the appropriateness of the accounting methods adopted by the Bank and the quality of its internal control procedures.

The Compliance Committee is chaired by the Head of Compliance. Besides its involvement in compliance and business ethics issues, the Committee co-ordinates control activities and examines the annual reports on internal control.

The Risk Committee is chaired by the Head of Risk. Its role is:

- to define the policy for managing credit, marketing and operating risk;
- to examine material risks and to approve major commitments;
- to validate risk management procedures and be notified about compliance with those procedures.

The Internal Control Co-ordination Committee brings together the Heads of the Central Departments responsible for internal control around the Executive Board member responsible for internal control, in order to enable him or her to ensure the consistency and effectiveness of that control. The Committee consists of the Internal Auditor, the Heads of Compliance and Risk and the Head of the Legal Department.

1.1.2.4 Policies followed in 2009 and major achievements

~ RISK DEPARTMENT ~

The work of the Risk Department focused on three issues in 2009. La Banque Postale conducted an in-depth review of its property lending, its delegation procedures and its conditions for granting home loans. The rules for overdrafts and other loans were not modified. The way in which ongoing Level 2 checks are organised was amended to adapt to the new organization of the commercial banking business. During 2009, the cost of risk linked to the property lending business remained under control and grew in proportion to the increase in loans outstanding.

In the market risk area, procedures for limiting counterparty or issuer credit risk were tightened, particularly at the beginning of the year. A cautious limit re-resetting strategy was presented to the Risk Committee. This strategy led to the reduction of individual limits for some counterparties, by factoring in regulatory changes relating to major risks.

The range of crisis scenarios was broadened, in order to factor in the lessons of the financial crisis. The impact of stress scenarios was assessed every month.

As at December 31st 2009, portfolios (trading, investment and assets valued at market) consisted of quality securities and their composition is monitored on an ongoing basis. The securitisation portfolio, which was transferred to the Bank when it was founded, is being wound down. Except for one temporary managed exception, limits were never exceeded in 2009.

La Banque Postale now acts as guarantor for the funds sold by the Network. This has led the Bank to tighten its procedures for managing asset management risk.

In 2009, the Risk Department finalised the roll-out of the operating risk management procedures to almost all the entities within La Banque Postale. This roll-out was accompanied by training initiatives aimed at disseminating a risk culture at all levels of the Bank. It will be completed in 2010 when the subsidiaries are included in the scope of consolidation.

In terms of risk management, one of the main developments in 2010 will consist in integrating the subsidiary companies risks into La Banque Postale's *Risk Management Policy* and into the risk management procedures co-ordinated by the Bank's Risk Department.

This development, which is in line with the consolidation of the La Banque Postale Group, was also reflected in the setting up of two cross-functional risk committees in early 2010, the Asset Management Risks Committee (which includes all risk managers in the subsidiaries that make up the asset management unit) and the La Banque Postale – La Banque Postale Financement Cross-Functional Risk Committee, set up jointly with the Bank's consumer credit subsidiary.

These developments take account of the changes made to CRBF Regulation 97-02 on internal control by the Decree of January 19th 2010 on the monitoring of risk by the risk function.

~ INTERNAL AUDIT DEPARTMENT ~

As in previous years, the Internal Audit Department drew up its work programme for 2009 in late 2008, based on the Bank's risk map, with the aim of covering the full audit range in four years. This process led the Internal Audit Department to focus on the issues that were considered to be the most sensitive in 2009, given the Bank's business activities and structure

(particularly regulated savings, advisory duties and credit). Meanwhile, the Internal Audit Department continued to cover all the business activities and entities of the Bank and its subsidiaries, without neglecting the recurring concerns represented by IT, the markets, the risk of fraud and human resources. The Internal Audit Department also fulfilled assignments of a regulatory nature or relating to the financial sector as a whole. Those assignments were fulfilled in addition to surveys on fraud, misappropriation of funds and presumed serious problems.

There were 1,577 recommendations issued in 2009, including 199 Level 1 (the most critical level out of four) recommendations.

~ BUSINESS ETHICS ~

La Banque Postale reinforced its business ethics procedures, which were already wide-ranging, in 2009, by:

- providing business ethics training to all Bank employees and to those La Poste Retail Network employees acting in the Bank's name and on its behalf;
- substantially increasing the number of Business Ethics Officers and contact points, which enable the Bank to ensure that Business Ethics rules are disseminated and adhered to by both the local marketing management teams and the employees of the La Poste Retail Network;
- improving procedures for circulating information and following guidelines;
- boosting the role of the Business Ethics Committee and of the Head of Compliance for Investment Services (HCIS), which encompasses the La Poste Retail Network and the departments of La Banque Postale. The Committee meets on a monthly basis and deals with both AMF regulatory issues and business ethics.

~ COMPLIANCE ~

Pursuant to Article 11-1 of CRBF Regulation 97-02, new products are systematically subject to authorisation, which varies depending on the type of customers for which they are intended. The approval of new products for retail customers, or companies that are classified as "non-professional" according to the MiFID Directive, is organised by the "Product Assessment Committee", chaired by the Head of Compliance. These meetings all result in the drafting of a "written opinion", signed by the Head of Compliance and then circulated to the members of the Marketing Committee. Seventeen committees were held in 2009.

The Bank has established procedures for the systematic review of all marketing materials issued by the Sales and Marketing Departments. Around 1,500 documents were approved in 2009, whether for the advisory team, customers or other Departments within La Banque Postale or for Group entities acting in the name and on behalf of La Banque Postale.

The Compliance Department is the functional head of the Operational Banking Controllers (OBC), who carry out checks in Post Offices on issues determined by the Department. Several changes were made to those checks in 2009 in order to take greater account of the most sensitive areas and of issues that require priority attention.

Likewise, the Compliance Department approved the control schedules of the internal control teams and the Financial Centre's compliance teams. In 2009, the content of those schedules was changed, both in order to increase the attention paid to controlling Level 1 checks and in order to take greater account of local realities, which sometimes vary from Centre to Centre.

The Compliance Department is responsible for managing regulatory monitoring procedures and for making their application easier. The directors of La Banque Postale, or their representatives, attend a bimonthly Regulatory Monitoring Committee. That Committee approves the impact studies performed within the framework of the Technical Committees and the actions proposed for implementing their content.

Effectively implementing a separation between tasks and controlling that implementation remains one of La Banque Postale's priority concerns, and instructions on that point are repeated or reinforced every time that it is necessary to do so. The role of the Internal Banking Audit Department is to check systematically that the regulation is in place and applied for transactions that justify its use. Internal supervisors at the Financial Centres have also carried out specific assignments on this issue, focusing specifically on credit.

95% of Financial Centre employees and over 87% of La Poste Retail Network employees acting in the name and on behalf of the Bank received anti-money laundering training in 2008 and 2009. The process will continue in 2010 so that all employees have received training by the end of this year. Training programme attendance is tracked and reported.

A common target for adherence to compliance obligations is defined for the entire Compliance Department. The aim is to support the La Banque Postale Group's development, both by disseminating clear guidelines regarding compulsory application principles for the Group as a whole and by putting appropriate management procedures in place.

Where actions that are more specific to the different divisions of the Compliance Department are involved, particular emphasis should be placed on the following:

- ongoing management centralisation of the anti-money laundering (AML) and counter-terrorism financing (CTF) unit;
- updating and streamlining the content of procedures for employees (especially La Poste Retail Network employees) and maintaining the awareness levels of the parties involved, both through supplementing e-learning training programmes by presenting actual cases on the ground and by providing banking supervisors with information on likely risk areas;
- maintaining a high degree of responsiveness in the "expert compliance" unit regarding the approval of new products and product marketing documentation;
- managing procedures for escalating information on misappropriation of funds indices or business ethics failings within the "Business Ethics- HISC" unit, by analysing the way in which the managers involved follow up issues;

- developing a functional link for HISC issues with the entities responsible for handling investment securities in the Financial Centres;
- assigning greater importance to local risk in Level 2 control management plans; improving employees' use of information systems data to identify areas and transactions that involve risk, and promoting exchanges between the various control bodies;
- lastly, launching a new self-evaluation campaign on risk management procedures and identifying essential outsourced activities for the "permanent control summary units encompassing the head office departments, subsidiary companies and essential service supplies" unit.

1.1.2.5 Controls applied in the preparation and processing of accounting and financial information

The La Banque Postale Accounting Department is responsible for the preparation and processing of accounting information. The Department's key tasks are to produce and disseminate high-quality accounting information, supported by the managers of La Banque Postale's accounts function and the accounting project management resources of the Accounts Department.

In addition to the Accounts Department, La Banque Postale's accounting function includes the banking back-office accounts teams, who report to the Financial Centre Managers. The Bank's Accounts Department sends these teams the instructions and control programmes necessary to ensure the consistency and quality of the information produced. The accounting function also includes a centre specialising in the accounts processing of the Bank's general services, together with the Financial Transactions Department accounting team, which is responsible for market transaction accounting entries.

The Accounts Department co-ordinates and defines the Level 1 justification and control programmes that need to be implemented by the Bank's operational accounts departments, which are located in the Financial Centres, in the Financial Transactions Department and in the general services accounts departments. These control programmes are reviewed according to the risk analyses that are performed periodically during the accounts control and preparation process.

The Accounts Department finalises the Level 1 controls by performing a series of Level 2 controls. Those controls consist in recurring cross-functional checks, which are designed to ensure the quality and thoroughness of the Level 1 controls performed in the operating entities. The control process is formally set out in control manuals and is also

based on the accounts justification and end-of-period data package formalisation procedures scheduled in the work programmes. The Level 2 controls are performed by a dedicated team of accounts supervisors.

The level 2 controls are documented in cycle reports, and supported by a series of performance indicators that was put in place for retail banking accounting and was extended to market transactions in 2009. In the longer term, the series will also extend to general services accounting.

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

- adapt them to changes in business activities and in the regulatory context;
- incorporate project developments;
- take account of newly identified risk factors, or conversely, of risks that no longer apply;
- optimise the effectiveness of the control process as part of the shortening of end-of-period accounting lead-times.

The checks on retail banking activities are organised on a declaratory basis in the Financial Centres and are supplemented by control cycles that enable each cycle to be tested several times during the year.

These recurrent checks are reinforced by tightened control periods known as "pre-year-end periods", which begin one month before the interim and annual closing process. These procedures secure timetables and processes, and provide interim information on the status of the accounts to the Statutory Auditors before they begin their work.

The Accounts Department's resources for handling trading activities increased in 2009, which reinforced those aspects of the control programme involving end-of-period data, reversions, comments from the accounts supervisors and the implementation of related action plans. In the same area, the Accounts Department has tightened the co-ordination process for the parties involved (Financial Transactions Department and Market Risk and Counterparty Departments).

These procedures are finalised in a meeting before the end-of-period data is presented to the Statutory Auditors, which enables the highlights to be reviewed and the end-of-period options to be examined before implementing them (impact of new regulation, accounting treatment of new products, and change in the scope of consolidation of subsidiary companies).

The Accounts Department also co-ordinates the consolidation of the companies that make up the La Banque Postale Group, by issuing specific instructions.

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

The Supervisory Board approved the corporate governance and internal control draft report prepared by the Chairman at its meeting of March 10th 2010.

1.2 STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN

STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE
SUPERVISORY BOARD PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE
Financial year ending December 31st 2009

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
LA BANQUE POSTALE
115, rue de Sèvres
75275 Paris Cedex 06

Ladies and Gentlemen,

In our capacity as Statutory Auditors of La Banque Postale, and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby submit our report on the Report prepared by the Chairman of your company in respect of the financial year ending December 31st 2009, in accordance with the provisions of Article L. 225-68 of the French Commercial Code.

The Chairman is responsible for preparing and submitting a report on the internal control and risk management procedures implemented at the company to the Supervisory Board. That report also provides the further information required by Article L. 225-68 of the French Commercial Code, including information on corporate governance procedures.

Our role is to:

- inform you of the comments that we are required to make on the information contained in the Chairman's report on the internal control and risk management procedures implemented in the preparation and processing of accounting and financial information,
- certify that the report contains the further information required by Article L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to verify whether that information is presented in a fair manner.

We performed our work in accordance with the professional standards applicable in France.

Information on the internal control and risk management procedures implemented in the preparation and processing of accounting and financial information

Professional standards require that we perform checks to assess the fairness of the information on internal control and risk management procedures implemented in the preparation and processing of the accounting and financial information contained in the Chairman's report. These checks primarily consist in:

- familiarising ourselves with the internal control and risk management procedures implemented in the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, together with the existing documentation,

-
- familiarising ourselves with the work that enabled the information and the existing documentation to be prepared,
 - determining whether any major weaknesses in the internal controls implemented in the preparation and processing of the accounting and financial information that we may have identified during our assignment are discussed appropriately in the Chairman's report.

Based on that work, we have no comment to make on the information on the internal control and risk management procedures implemented by the Company in the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board, pursuant to the provisions of Article L. 225-68 of the French Commercial Code.

Other information

We hereby certify that the report prepared by the Chairman of the Supervisory Board contains the further information required by Article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, on March 23rd 2010
The Statutory Auditors

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine
Gérard Hautefeuille

Mazars

61, rue Henri Regnault
92400 Courbevoie
Guy Isimat-Mirin

1.3 INFORMATION ON THE MEMBERS OF THE SUPERVISORY AND EXECUTIVE BOARDS

1.3.1 List of appointments

NB: Appointments and positions held in companies whose shares are traded on regulated markets are identified by an asterisk ().*

1.3.1.1 Members of the Executive Board

■ Mr Patrick Werner,

Chairman of the Executive Board of La Banque Postale:

- Executive Director – Head of Financial Activities at La Poste (a State-owned industrial and business company);
- Chairman and Managing Director of SF2 (a limited company);
- Chairman of the Supervisory Board of La Banque Postale Asset Management (a limited company with Executive and Supervisory Boards);
- Chairman of the Supervisory Board of La Banque Postale Gestion Privée (a limited company with Executive and Supervisory Boards);
- Chairman of the Supervisory Board of XAnge Private Equity (a limited company with Executive and Supervisory Boards);
- Permanent representative of SF2, Director of Sopassure (a limited company);
- Chairman of La Banque Postale Prévoyance (a limited company);
- Director and member of the Audit Committee of CNP Assurances (a limited company)*;
- Chairman of the Supervisory Board of Financière des Paiements (a simplified joint-stock company);
- Chairman of the Supervisory Board of La Banque Postale Finance-ment (a limited company with Executive and Supervisory Boards) until April 24th 2009;
- Chairman of BMS Développement (a simplified joint-stock company);
- Chairman of BMS Exploitation (a simplified joint-stock company);
- Director of Europay France (a simplified joint-stock company) until May 12th 2009;
- Chairman of SFPMEI (a simplified joint-stock company);
- Director of Poste Immo (a limited company) until April 23rd 2009;
- Representative of La Banque Postale, the Managing Partner of CRSF Dom (a limited property investment partnership);
- Representative of La Banque Postale, the Managing Partner of CRSF Métropole (a limited property investment partnership);
- Chairman of the Supervisory Board of La Banque Postale Assurances IARD (formerly Fédération-SF2, a limited company) between September 14th 2009 and December 10th 2009, Chairman and member of the Compensation Committee since December 10th 2009;
- Member of the Supervisory Board of Oddo & Cie (a limited share partnership) since September 23rd 2009;

- Permanent representative of La Banque Postale and Director of the AFPEN charity;
- Member of the Supervisory Board and Audit Committee of the deposit guarantee fund.

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

- Member of the Supervisory Board of La Banque Postale Gestion Privée (a limited company with Executive and Supervisory Boards);
- Vice-Chairman of the Supervisory Board of La Banque Postale Asset Management (a limited company with Executive and Supervisory Boards);
- Vice-Chairman of Titres-Cadeaux (a simplified joint-stock company);
- Managing Director of EF Primo (a limited company);
- Chairman of Fédération-SF2 (a simplified joint-stock company) until September 14th 2009, permanent representative of SF2, director and member of the Finance Committee of La Banque Postale Assurances IARD (formerly Fédération-SF2, a limited company) since December 10th 2009;
- Chairman of the following UCITS: LBPAM Actions Monde and LBPAM Obli Revenus until July 16th and July 21st 2009 respectively.
- Chairman of EasyBourse (a simplified joint-stock company);
- Permanent representative of SF2, Director of Tocqueville Finance SA, since November 16th 2009;
- Permanent representative of SF2, Director of Tocqueville Finance Holding (a simplified joint-stock company), since November 16th 2009;
- Director of the La Poste Foundation.

1.3.1.2 Members of the Supervisory Board

■ 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 (a State-owned industrial and commercial company);
- Director of Sopassure (a limited company);
- Member of the Supervisory Board of La Banque Postale Asset Management (a limited company with Executive and Supervisory Boards);
- Director and member of the Appointments and Compensation Committee of CNP Assurances (a limited company)*;
- Permanent representative of La Poste and Director of GeoPost (a limited company);
- Permanent representative of La Poste and Director of Sofipost (a limited company);

- Permanent representative of La Poste and Director of Poste Immo (a limited company);
- Permanent representative of La Poste and Director of SF12 (a simplified joint-stock company);
- Director of Systar (a limited company)*;
- Permanent representative of La Poste, Director of Xelian (a limited company);
- Director representing the Government and Member of the Ethics, Environment and Sustainable Development Committee of GDF Suez (a limited company)*;
- Director of Accor (a limited company)* since May 13th 2009.

■ **Mr Gérard Barbot, member of the Supervisory Board and 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 (a limited company with Executive and Supervisory Boards);
- Director and Chairman of the Audit Committee of GeoPost (a limited company);
- Member of the Supervisory Board of Oddo & Cie (a limited share partnership);
- Member of the Supervisory Board of Crédit Foncier de France (a limited company with Executive and Supervisory Boards);
- Chairman of the Supervisory Board of Vauban Mobilisation Garanties (a limited company with Executive and Supervisory Boards);
- Managing Partner of Gimar Capital Investissement (a limited share partnership);
- Chairman of CFCAL (a limited company).

■ **Mr Didier Brune, member of the Supervisory Board of La Banque Postale:**

- Head of Strategy at La Poste (a State-owned industrial and commercial company);
- Director of Sofipost (a limited company);
- Director of Somepost (a limited company).

■ **Mr Paul-Marie Chavanne, member of the Supervisory Board and Strategy Committee of La Banque Postale:**

- Executive Director – Head of Parcels at La Poste (a State-owned industrial and commercial company);
- Chairman and Managing Director of GeoPost (a limited company);
- Member of the Supervisory Board of GeoPost Imdh GmbH;
- Director of GeoPost UK;
- Member of the Supervisory Committee of Exapaq (a simplified joint-stock company);
- Member of the Supervisory Committee of Fret GV (a simplified joint-stock company) until February 6th 2009;
- Member of the Supervisory Committee of GeoPost Intercontinental (a simplified joint-stock company);
- Permanent representative of GeoPost and Director of Chronopost (a limited company);
- Director of Sofipost (a limited company);
- Director of Generali Assurances IARD (a limited company);
- Director of Generali Assurances Vie (a limited company);
- Director of Aviation Group Ltd (a private limited company governed by English law).

■ **Mr Bernard Delpit, member of the Supervisory Board and Audit Committee of La Banque Postale since July 9th 2009:**

- Executive Director and Finance Director of La Poste (a State-owned industrial and business company) since June 15th 2009;
- Member of the Supervisory Board of La Banque Postale Asset Management (a limited company with Executive and Supervisory Boards) since June 16th 2009;
- Director of La Banque Postale Prévoyance (a limited company) since June 16th 2009;
- Director and member of the Audit Committee of GeoPost (a limited company) since June 25th 2009;
- Director and member of the Audit Committee of Poste Immo (a limited company) since July 17th 2009 and August 25th 2009 respectively;
- Director of Sofipost (a limited company) since July 7th 2009.

■ **Mr Nicolas Duhamel, member of the Supervisory Board and Audit Committee of La Banque Postale until June 11th 2009:**

- Executive Director and Finance Director of La Poste (a State-owned industrial and commercial company);
- Member of the Supervisory Board of La Banque Postale Asset Management (a limited company with Executive and Supervisory Boards) until June 16th 2009;
- Director of La Banque Postale Prévoyance (a limited company) until June 16th 2009;
- Director of GeoPost (a limited company) until June 25th 2009;
- Director of Poste Immo (a limited company) until July 17th 2009;
- Director of Sofipost (a limited company) until July 7th 2009;
- Member of the Supervisory Committee of XAnge Capital (a limited company) until June 26th 2009.

■ **Mr Marc-André Feffer, Vice-Chairman of the Supervisory Board and Chairman of the Strategy Committee of La Banque Postale:**

- Executive Director responsible for strategy and for the international, legal and regulatory aspects of La Poste (a State-owned industrial and commercial company);
- Chairman and Managing Director of Sopassure (a limited company) until March 28th 2009 and director of the company since March 28th 2009;
- Permanent representative of Sopassure, Director and member of the Strategy Committee of CNP Assurances (a limited company)*;
- Director of GeoPost (a limited company);
- Member of the Supervisory Committee of GeoPost Intercontinental (a simplified joint-stock company);
- Chairman of the executive board of Poste Immo (a limited company);
- Chairman of the Supervisory Board of XAnge Capital (a limited company);
- Member of the Board of Directors of Hypios (a simplified joint-stock company);
- Non-voting director of Xelian (a limited company).

- **Mr Jean-Robert Larangé, Head of non-Post Office Banking Operations (Marketing Department), employee-elected member of the Supervisory Board and member of the Strategy Committee of La Banque Postale.**
- **Mr Georges Lefebvre, Permanent Representative of La Poste, member of the Supervisory Board and Appointments and Compensation Committee of La Banque Postale:**
 - Managing Director and Head of Human Resources and Employee Relations at La Poste (a State-owned industrial and commercial company);
 - Director and member of the Appointments and Compensation Committee of GeoPost (a limited company);
 - Director and member of the Appointments and Compensation Committee of Poste Immo (a limited company);
 - Director and member of the Appointments and Compensation Committee of Sofipost (a limited company);
 - Chairman of the executive board of the following UCITs: LBPAM Profil 100, LBPAM Profil 50, LBPAM Profil 80 and LBPAM Profil 15;
 - Chairman of the executive board of Xelian (a limited company).
- **Mr Sylvain Lemoyne de Forges, member of the Supervisory Board and the Audit and Strategy Committee of La Banque Postale:**
 - Head of Risk and Trading at Veolia Environnement (a limited company)*;
 - Director of Veolia Environnement Services (a limited company);
 - Chairman and Managing Director of Veolia PPP Finance (a limited company);
 - Director and member of the Strategy Committee of La Monnaie de Paris (a State-owned industrial and commercial company);
 - Managing Partner of the Fond Vert limited property investment partnership
- **Mr Steeve Maigne, Head of the Internal Synergies Project (Business, Local Authorities and Voluntary Organizations Department), employee-elected member of the Supervisory Board and member of the Strategy Committee of La Banque Postale.**
- **Ms Maryvonne Michelet, lawyer (Legal Department) and employee-elected member of the Supervisory Board of La Banque Postale.**
- **Mr Didier Négier, member of the Supervisory Board of La Banque Postale:**
 - Head of Purchasing, Cost Optimisation and Information Systems and Head of Shared Services at La Poste (a State-owned industrial and business company);
 - Director and Managing Director of Xelian (a limited company);
 - Permanent representative of Véhiposte SAS and Director of Véhiposte EIG;
 - Permanent representative of Xelian (a limited company), Chairman of Véhiposte (a simplified joint-stock company);
 - Permanent representative of Xelian (a limited company), Chairman of Xelian IT (a simplified joint-stock company);
 - Permanent representative of Xelian (a limited company), Chairman of Xelian Logistique (a simplified joint-stock company);
 - Permanent representative of Xelian (a limited company), Chairman of Deskéo (a simplified joint-stock company).
- **Ms Françoise Paget Bitsch, banking supervisor (RTB Méditerranée) and employee-elected member of the Supervisory Board of La Banque Postale since January 15th 2009.**
- **Mr Didier Ribadeau Dumas, member of the Supervisory Board and Chairman of the Audit Committee of La Banque Postale:**
 - Managing Partner of DRD Conseil (a private limited company);
 - Managing Partner of Sauvigny (a limited property investment partnership);
 - Non-voting director of ABC Arbitrage (a limited company).
- **Mr Serge Trinca, Head of Disability, Equality and Diversity projects (Operations Department), employee-elected member of the Supervisory Board and member of the Strategy Committee of La Banque Postale until January 15th 2009.**
- **Ms Hélène Wolff, Head of the Quality Assurance and Multi-Channel Innovation Unit (Marketing Department), employee-elected member of the Supervisory Board and member of the Audit Committee of La Banque Postale.**

1.3.2 Compensation

1.3.2.1 Compensation of Supervisory Board members

An attendance fee is paid to all members of the Supervisory Board, except for employee representatives. The total sum allocated for this purpose by the General Meeting of May 23rd 2006 was €450,000.

The internal La Poste Group rules governing payment of attendance fees apply to all members of the Supervisory Board who belong to the La Poste Group. The attendance fees paid to members of the Supervisory Board who belong to the La Poste Group are therefore paid to La Poste.

~ AMOUNT OF ATTENDANCE FEES AND OTHER COMPENSATION PAID TO SUPERVISORY BOARD MEMBERS IN RESPECT OF THEIR LA BANQUE POSTALE APPOINTMENTS ~

Name of the company officers	Amounts paid for 2008 (€)	Recipient	Amounts paid for 2009 (€)	Recipient
Jean-Paul Bailly				
Attendance fees	90,000	La Poste	90,000	La Poste
Other extraordinary compensation	0	-	0	-
Marc-André Feffer				
Attendance fees	26,000	La Poste	23,000	La Poste
Other extraordinary compensation	0	-	0	-
Didier Brune				
Attendance fees	13,125	La Poste	12,000	La Poste
Other extraordinary compensation	0	-	0	-
Paul-Marie Chavanne				
Attendance fees	12,375	La Poste	9,000	La Poste
Other extraordinary compensation	0	-	0	-
Nicolas Duhamel				
Attendance fees	15,750	La Poste	3,000	La Poste
Other extraordinary compensation	0	-	0	-
Bernard Delpit				
Attendance fees	0	-	18,000	La Poste
Other extraordinary compensation	0	-	0	-
Georges Lefebvre				
Attendance fees	17,625	La Poste	19,500	La Poste
Other extraordinary compensation	0	-	0	-
Didier Négier				
Attendance fees	13,125	La Poste	12,000	La Poste
Other extraordinary compensation	0	-	0	-
Gérard Barbot				
Attendance fees	39,125*	The member	39,500*	The member
Other extraordinary compensation	0	-	0	-
Sylvain Lemoyne de Forges				
Attendance fees	26,625	The member	24,000	The member
Other extraordinary compensation	0	-	0	-
Didier Ribadeau Dumas				
Attendance fees	38,625	The member	42,000	The member
Other extraordinary compensation	0	-	0	-
Hélène Wolff				
Attendance fees	0	-	0	-
Other extraordinary compensation	0	-	0	-

Name of the company officers	Amounts paid for 2008 (€)	Recipient	Amounts paid for 2009 (€)	Recipient
Jean-Robert Larangé				
Attendance fees	0	-	0	-
Other extraordinary compensation	0	-	0	-
Steeve Maigne				
Attendance fees	0	-	0	-
Other extraordinary compensation	0	-	0	-
Maryvonne Michelet				
Attendance fees	0	-	0	-
Other extraordinary compensation	0	-	0	-
Françoise Paget Bitsch				
Attendance fees	NA	-	0	-
Other extraordinary compensation	NA	-	0	-
TOTAL	292,375		292,000	

* In addition, Gérard Barbot received attendance fees in respect of his appointment at La Banque Postale Asset Management (€17,000 in 2008 and €17,000 in 2009).

~ COMPENSATION PAID TO EMPLOYEE REPRESENTATIVE MEMBERS OF THE SUPERVISORY BOARD ~

Employee representative members of the Supervisory Board do not receive any compensation in respect of their Supervisory Board appointment.

Gross compensation (including the variable element) paid to employee representative members of the Supervisory Board in respect of their contract of employment amounted to €295,508 in 2009.

1.3.2.2 Compensation paid to Executive Board members

Executive Board members have no contract of employment with La Banque Postale. They therefore receive no other compensation than that paid in respect of their appointment as company officers. Likewise, they receive no compensation in respect of their appointments as company officers of subsidiaries of the La Banque Postale Group.

~ TABLE 1: SUMMARY OF GROSS COMPENSATION, SHARE OPTIONS AND SHARES AWARDED TO EXECUTIVE BOARD MEMBERS ~

	2008 Financial Year (€)	2009 Financial Year (€)
Patrick Werner		
Gross compensation payable for the financial year* (see table 2 for breakdown)	498,000	Not known
Value of share options awarded during the financial year	NA	NA
Value of performance-related shares awarded during the financial year	NA	NA
TOTAL	498,000	Not known
Philippe Bajou		
Gross compensation payable for the financial year (see table 2 for breakdown)	401,572	Not known
Value of share options awarded during the financial year	NA	NA
Value of performance-related shares awarded during the financial year	NA	NA
TOTAL	401,572	Not known
EXECUTIVE BOARD TOTAL	899,572	Not known

* Portion of compensation paid by La Banque Postale.

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

	2008 Financial Year (€)		2009 Financial Year (€)	
	Amounts payable for the financial year	Amounts paid during the financial year	Amounts payable for the financial year	Amounts paid during the financial year
Patrick Werner				
Fixed compensation*	344,000	344,000	344,000	344,000
Annual variable compensation	154,000	144,000	(a)	154,000
Extraordinary compensation (b)	0 (c)	0	0	0
Attendance fees (d)	0	0	0	0
Benefits in kind**	0	0	0	0
TOTAL	498,000	488,000	Unknown	498,000
Philippe Bajou				
Fixed compensation	280,000	280,000	280,000	280,000
Annual variable compensation	117,000	112,000	(a)	117,000
Extraordinary compensation (b)	0 (c)	0	0	0
Attendance fees (d)	0	0	0	0
Benefits in kind**	4,572	4,572	4,572	4,572
TOTAL	401,572	396,572	Unknown	401,572
EXECUTIVE BOARD TOTAL	899,572	884,572	Unknown	899,572

* Portion of compensation paid by La Banque Postale.

** Company car.

(a) The amount of variable compensation payable for the 2009 financial year will be set by the La Banque Postale Supervisory Board meeting scheduled for March 10th 2010. The total amount payable for the 2009 financial year was therefore not known when this financial report was published.

(b) Long-term variable portion payable over three years (1st period: 2006/2008; 2nd period 2009/2011).

(c) The performance thresholds established triggering the payment of this variable element were not met in respect of the 1st period.

(d) Members of the Executive Board do not receive attendance fees in respect of their appointments to the positions that they hold at companies in the La Banque Postale Group.

The fixed compensation of Executive Board members is set by the Supervisory Board on the basis of proposals made by the Appointments and compensation Committee. Those proposals are based on a benchmark analysis of the compensation paid to Retail Banking Heads Departments in France provided by a panel of credit institutions.

This fixed annual compensation may be supplemented by a capped annual variable element, for which calculation methods were not changed in 2009. In addition, Executive Board members may receive a three-year long-term variable element.

Executive Board members also benefit from membership of a scheme to cover their health and welfare expenses.

~ BENEFITS GRANTED TO DIRECTORS ON TERMINATION OR CHANGES TO THEIR APPOINTMENT ~

Executive Board members are eligible for a severance payment in the event that their appointment is terminated. That payment was reviewed in the light of the October 2008 AFEP/MEDEF recommendations on compensation for company directors.

The Supervisory Board meeting of March 11th 2009 therefore resolved:

- that a payment would be made on termination of appointment in the following circumstances, except in the case of serious misconduct or gross professional error that has a serious impact on the financial situation of the company:
 - dismissal during the director's term in office,
 - a change in control or strategy resulting in their permanent departure from the La Poste Group,

- that the maximum amount of the payment would be capped at twice the average amount of compensation paid during the last three full financial years.
- that the severance payment would be dependent on the following performance-related conditions being met:
 - a company valuation greater than equity capital,
 - a success rate of 80% or above in meeting the annual targets set for two out of the last three full financial years.

If both the above conditions are met, the severance payment will be made in full. If only the first condition is met, and the success rate falls between 50% and 79%, then it will be reduced by 50%.

- that in the event that an appointment as a company officer is not renewed, the decision of whether to make a severance payment shall be at the Supervisory Board's discretion, on the basis of advice received from the Appointments and Compensation Committee. The severance payment shall be set in accordance with the rules and performance-related conditions described above;
- that in the event that a company officer rejoins the State sector within two years of his or her forced departure from the company, the amount of the severance payment would be reduced in proportion to the annual compensation (including bonuses) payable to a civil servant at the level at which the individual concerned rejoins the State sector.

~ SUPPLEMENTARY PENSION ARRANGEMENTS FOR EXECUTIVE BOARD MEMBERS ~

As at December 31st 2009, La Banque Postale had made no supplementary pension arrangements for Executive Board members.

1.3.2.3 Compensation of Executive Committee members

Gross compensation (including the variable portion) paid to Executive Committee members in respect of their contract of employment amounted to €3,487,901 in 2009.

No other compensation is payable to Executive Committee members. Moreover, they do not receive attendance fees in respect of the appointments that they hold in Group companies.

Executive Committee members receive the usual end-of-career payments, which are valued at €450,000 overall.

1.3.2.4 Compensation of market professionals and directors

Pursuant to the Decree of November 3rd 2009, regarding the compensation of employees whose activities may affect the risk exposure of credit institutions and investment companies, in amendment to regulation 97-02 of February 21st 1997 on internal control, the Appointments and Compensation Committee of December 16th 2009 prepared the agenda for the first Supervisory Board meeting of 2010. Although La Banque Postale does not conduct any Investment Banking (IB) business, the Board had to come to a decision on the compensation policy for market professionals put forward by the Executive Board.

The Committee therefore issued a positive opinion on La Banque Postale's compensation policy, which has established a global framework for the variable compensation of the Bank's directors and salaried market professionals, so as not to jeopardize its ability to generate equity capital and have a negative impact on its liquidity.

That framework is based on the joint fulfilment of the following two criteria:

- the total amount of variable compensation cannot exceed 30% of fixed compensation;
- the total amount of variable compensation must not exceed 5% of the Bank's consolidated gross operating income.

The variable compensation framework for market professionals and members of the executive body was the subject of a detailed analysis, which factored in the specific characteristics of La Banque Postale (share ownership and particularly the level of fixed and variable compensation at the Bank). Following that analysis, the Appointments and Compensation Committee made the following proposal to the Supervisory Board:

- that the variable compensation paid to the executive body for any financial year cannot exceed 100% of fixed compensation and that any compensation above that limit should be spread over three years;
- that the variable compensation paid to market professionals for any financial year cannot exceed 50% of fixed compensation and that any compensation above that limit should be spread over three years.

Finally, the Committee ascertained that control procedures for applying this policy were in place. Application of the policy relies on the Human Resources Department, which is primarily responsible for drawing up a detailed report that is then forwarded to the Heads of permanent and periodic controls, and on the Risk and Compliance Departments.



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2.1 BUSINESS ENVIRONMENT AND HIGHLIGHTS

~ INCIPIENT RECOVERY FOLLOWING A VERY SEVERE RECESSION ~

Following an almost world-wide recession in late 2008 and early 2009, which was particularly severe in developed economies at the epicentre of the financial crisis, an incipient recovery is underway. A rebound in activity, which was first observed in emerging Asian economies, extended to most global regions during the year.

This recovery was largely due to massive government and central bank intervention to jump-start the economy and safeguard financial systems. The risk of sinking into a depression similar to the one experienced in the 1930s has therefore been averted, but the cost has been a significant deterioration in public finances. Moreover, the rebound in business activity was much weaker in the developed world than in emerging economies such as China, India and Brazil, which were much less affected by the financial crisis. In those countries, there was a steep upturn, fuelled by government support measures as well as by a rapid recovery in private demand. In contrast, output in developed countries has only made up a small part of the loss it suffered due to the recession. Overall, GDP contracted by around 3.5% (on an average year-on-year basis) in the OECD as a whole and by 4% in the euro zone. In France, the contraction was more limited (around 2%) due primarily to more resistant consumer demand.

~ THE FINANCIAL CRISIS IS NOT OVER, BUT IT IS ON THE WANE ~

As the moratorium that Dubai requested on its heavy debt burden at the end of last year and the deterioration in Greek debt ratings have reminded us, the financial crisis is not over. However, the level of a number of financial stress indicators (risk and illiquidity premiums and price volatility) dropped. In most countries, bank lending and corporate bond rates have fell back. Although the securitisation market found it hard to recover, most financial markets, which became gridlocked in the autumn of 2008 following the failure of Lehman Brothers, gradually returned to normal. A large number of banks undoubtedly still faced losses on their "toxic assets" and on credit defaults due to the recession and to excessive pre-crisis levels of indebtedness. Nonetheless, the solvency of the banking sector improved overall, thanks to government support, capital increases and to ongoing restructuring at the banks themselves.

As a result, access to credit stopped tightening in a large number of countries in late 2009, while new consumer credit volumes recovered somewhat in the euro zone and in France.

~ CONSUMER PRICES FELL TEMPORARILY ~

The consumer price trend was erratic, and in some ways mirrored the 2008 trend. Following the fall in the price of crude in

the autumn of 2008 and the very marked drop in food prices, the year-on-year change in the consumer price index turned negative in developed economies, hitting a low point in the summer (-0.7% in France in July). Excluding food and energy, the consumer price trend remained positive but slowed as a result of the recession, which put a brake on salaries and ate into producers and distributors' margins. However, the price of basic commodities, including oil, rebounded in 2009 as emerging economies gathered speed. As a result, consumer prices saw a limited upturn late in the year (+0.9% on year-to-year in France in December).

On an average year-to-year, inflation in France was almost nil (+0.1%), which provided a welcome boost to household purchasing power.

~ CENTRAL BANKS CONTINUED TO TAKE ACTION TO COUNTER THE FINANCIAL CRISIS ~

Major central banks either kept their base rates at zero or thereabouts (the Federal Reserve, the Bank of Japan) or lowered rates one last time (the ECB, which lowered rates to 1% in May). At the same time, central banks maintained their exceptional measures to support credit and liquidity for banks and financial markets. Short-term market rates dropped as a result, pulling bank lending and short-term investment rates downwards. In the euro zone inter-bank market, the Eonia (Euro OverNight Index Average) and three-month Euribor (Euro Interbank Offered Rate) dropped to extremely low levels, due to the abundance of available liquidity.

~ A SHARP REBOUND IN EQUITY MARKETS AND A TEMPORARY RISE IN LONG-TERM RATES ~

After falling again at the beginning of the year, equity markets began to rebound sharply in mid-March 2009, as the very first signs appeared that the crisis was abating. This rebound in prices continued until year-end, although it lost some momentum. The rebound was supported by listed companies' results, which were somewhat better than expected in light of the recession. Overall, major stock market indices regained around 20% over the year (+19% for the Dow Jones, +22% for the CAC40 and +21% for the EuroStoxx 50). That rebound was initially accompanied by a rise in long-term yields on Government debt, for two reasons: a return of risk aversion in the markets, and the severe deterioration in public finances caused by the recession and stimulus measures. However, long-term yields then softened in the 2nd quarter, at least for the top-ranked countries, due primarily to the abundant liquidity provided by central banks, which was partly reinvested in Government debt. The ten-year French Government bond yield thus fell back to 3.5% at year-end, or the same level as at the end of 2008.

~ THE SAVINGS AND CREDIT MARKETS IN FRANCE: A CHANGE IN INVESTMENT TRENDS AT THE EXPENSE OF CASH SAVINGS PRODUCTS AND A HALT IN THE FALL IN LOANS ~

Financial investment flows in France held up relatively well in 2009, amounting to around €110 billion (including reinvested capitalised interest), i.e. 8.5% of after-tax income. Flows were sustained by an increase in the savings rate as a result of precautionary savings spurred by the financial crisis and “unintentional” savings due to unexpected gains in purchasing power caused by the temporary fall in inflation. Savings inflows also benefited from a slowdown in household investment in new housing. Conversely, financial investments resulting from the sale of resale properties continued to fall, due to a further decrease in property transactions in 2009. One major development was a reversal in the structure of savings flow trends compared with 2008. The share of cash or quasi-cash savings products like savings books, term deposit accounts and money market mutual funds, collapsed, after reaching a peak in 2008 due to risk-aversion and very high short-term rates. Term deposits and money market mutual funds experienced massive withdrawals due to the fall in their yields. Although Livret A savings accounts benefited from being made available in all banks at the beginning of the year, they then suffered from withdrawals with each successive cut in the savings rate, which fell from 4% in August 2008 to 1.25% in August 2009.

Moreover, the net payment balance for other savings accounts turned negative. Conversely, medium to long-term savings inflows recovered sharply. Euro-denominated life insurance policies found renewed favour with savers, thanks to a rebound in their returns compared with cash savings products, while unit-linked life policies benefited from the stock market recovery from mid-March onwards. Non-cash mutual funds

and listed shares also saw net positive inflows for the same reasons. In addition, amounts invested in home loan savings plans (PELs), which had suffered significant capital withdrawals since late 2005, only fell slightly last year: This investment is now more attractive to savers as its return has remained unchanged (3.5% including the Government subsidy); moreover, banks began recommending home loan savings plans to their customers again, in order to boost their balance-sheet resources. Finally, it is worth noting that instant-access deposits were the only liquid savings product that saw an increase in inflows last year: households did not bother to optimise their income management given the very low short-term interest and inflation rates.

On the credit markets, the fall in **new housing loans** between late 2008 and early 2009 gave way to a rebound from spring 2009 onwards. Though still fragile, the recovery was the result of a net improvement in bank refinancing conditions on the offer side and of the fall in interest rates, and housing support measures on the demand side. The support measures included the so-called “Scellier tax-break” for investments in rental housing and a doubling of the zero-interest loan threshold. New home loans to households nonetheless contracted by a further 20% or so over the year. The amount has fallen 35% from its peak in 2006, although it has increased by a factor of five since the mid 1990s.

The recession and the financial crisis led to a contraction **in consumer credit** in late 2008 and early 2009, especially for institutions which specialise in that market. That contraction was followed by a recovery, thanks to the fall in consumer credit rates and a rebound in car registrations (scrappage scheme subsidies and environment-friendly bonuses).

In total, aggregate consumer credit amounts outstanding (excluding overdrafts) showed only a slight decline in 2009.

2.1.1 Retail Banking's highlights

~ BUSINESS ACTIVITIES ~

After the strong rise in deposit inflows into regulated savings products observed at the height of the financial crisis in 2008, when the interest rate environment was favourable, 2009 was characterised by a stabilisation in mortgage savings plans (PEL) and mortgage savings account (CEL) deposits, and by a decrease in funds invested in short-term savings products (particularly Livret A savings accounts).

La Banque Postale entered the amount of Livret A deposits on its balance sheet for the first time as at January 1st 2009. The Bank chose to re-assign those deposits to the Caisse des dépôts, along with Livret Développement Durable (sustainable development savings accounts) deposits, which were previously used for lending to OSEO, BNP Paribas or to the Banques Populaires Group. This choice was driven by the absence of an agreement enabling La Banque Postale to lend to companies.

The campaign launched in August 2008 to prevent the deregulation of the distribution of Livret A savings accounts, was aimed at boosting the loyalty of existing customers and winning new ones and bore fruit in 2009. During the year, La Banque Postale recorded a limited number of account transfers. On January 1st 2009, the Livret A deposits received from the Caisse Nationale d'Épargne on December 31st 2008 were transferred to La Banque Postale, thereby boosting the Bank's balance sheet as at January 1st by over €59 billion.

As in 2008, business activity in 2009 was also characterised by the strength of the home loan sector, where loans outstanding continued to increase by around €4.3 billion, compared with a rise of €3.5 billion the previous year. That increase was at the expense of the Bank's trading activities, particularly the investment portfolio, where there was a further contraction of over €3 billion in the amounts invested in 2009. The contraction between December 31st 2007 and December 31st 2008 was €2.7 billion.

Several surveys conducted by specialist periodicals on the positioning of the Bank's product range in 2009 confirmed La Banque Postale's positioning in terms of rates and the quality of its product range. In this respect, La Banque Postale regularly features as the least expensive bank network for low-income and vulnerable customers (*Le Monde Argent*, February 2009). It also features as offering competitive mortgage loans, and was ranked second in a poll of top financial institutions drawn up by *Le Revenu* magazine. In its December 15th 2009 edition, *La Tribune* newspaper published the results of a study on bank charges applicable as at January 1st 2010, and put La Banque Postale at the top of the ranking for national banks with a bricks-and-mortar branch network.

The growth in loans outstanding occurred without any unfavourable drift in the Bank's credit risk exposure. The cost of risk grew proportionately to the increase in loans outstanding (excluding the one-off "Lehman" effect recorded in 2008).

The quality of the Bank's financial instruments portfolio enabled it to go through the year with no investment management issues. A long term impairment charge of €4 million was recorded as at December 31st 2009, due to the mechanical effect of the new IFRIC specifications on impairment, which were incorporated into the Bank's accounting principles.

La Banque Postale did not apply the October 2008 IAS and IASB amendments on the reclassification of financial assets in 2009. The portfolio of financial assets that were reclassified from *Assets available for sale* to *Loans and receivables* as at July 1st 2008 decreased significantly, due to the effect of disposals and of securities reaching maturity.

~ NEW PRODUCT RANGES ~

2009 was characterised by multiple initiatives aimed at reinforcing our closeness to customers and improving our response to the expectations they expressed.

La Banque Postale therefore launched new customer relationship formats, in order to add to the way it manages the relationships that it has been building with its customers for several years. The aim is to enable every customer or future customer to choose the way in which they interact with the bank in a transparent manner. This new relationship range is based on:

- the way in which all customers who come to open a savings account at La Banque Postale are welcomed and dealt with;
- establishing the relationship type that works best for each customer;
- explaining how La Banque Postale works.

At the same time, improvements and innovations were introduced to remote internet banking on the La Banque Postale website or through specific services accessible via mobile phone in 2009. These channels supplement the other ways in which customers can access the Bank, including via the Post Office network, bank cash points and remotely via telephone.

In late 2009, EasyBourse, La Banque Postale's financial information portal, became the Bank's online brokerage arm. EasyBourse rounds out the existing online broking services on the *labanquepostale.fr* internet portal. This range of services is offered to La Banque Postale customers as well as to prospective customers who want to manage their stock market investments independently. With this new product, EasyBourse now offers an extensive range of online broking services, by providing access to foreign stock markets and a wide range of open-platform architecture UCITS, and to deferred and extended settlement services, as well as to a large number of financial instruments (warrants, tracker funds and certificates of deposit).

La Banque Postale also opted to make a strong commitment to new products aimed at supporting *auto-entrepreneurs* in 2009. That commitment was reflected in the signing of a partnership agreement in early February, the aim of which is to provide active support to future entrepreneurs and to develop a range of banking and insurance products and services that is adapted to their needs. This new product range was launched in March.

The end of the year was marked by the marketing launch of the first consumer credit products in pilot areas. Those ranges will be rolled out on a national basis in the first quarter of 2010.

Lastly, the La Banque Postale Group won several awards during 2009:

- for collective investment management, through its La Banque Postale Asset Management subsidiary (LBPAM). LBPAM's investment management won the following award in this area :
 - three Performance Awards in March (*Mieux vivre votre argent*),
 - three prizes awarded by *Le Revenu* magazine in May,
 - the Corbeille d'Or prize awarded by *Mieux vivre votre argent* in September 2009.
- the *Top Innovation Prize* awarded by *Le Revenu* magazine for product innovation in March 2009 for the *Cachemire* life insurance policy, which was launched in late 2008;
- as well as awards for its welfare product range, which is marketed through its La Banque Postale Prévoyance subsidiary.

~ ORGANIZATION ~

In order to support its customers in the best possible way and to pursue its growth momentum, La Banque Postale continued to adapt the way in which it is organised in 2009.

In March 2009, the Bank made changes to its multi-channel customer relationship network in order to make telephone access easier for its customers. A national customer relationship call centre was therefore set up, primarily for the following purposes:

- **customer reception** (handling calls from customers and prospective customers);
- **information** (simple enquiries about La Banque Postale's products and services);
- **marketing** (prospecting for new customers, making appointments);
- **remote banking technical support**, by telephone or email.

In April, following the creation of the Commercial Banking Department and the Businesses, Institutions, Associations Department on January 1st 2008, the Banking Operations Department became the Operations Department as of April 1st 2009, and is now structured around four operational Directions:

- **a Shared Services Direction**, which is responsible for back-office functions in the Financial and National Centres, with service quality and efficiency as its priority focus;

- **a Development and Customer Relations Direction**, which is responsible for front and middle-office functions in the Financial Centres and other business platforms, with customer relationships and commercial development as its priority focus;
- **an Organization and Projects Direction, which is responsible for cross-functional projects**, for process benchmarks and for managing the Operations Department's professional documentation;
- **a Financial Centre Management Direction**, which forms the lynchpin for a close relationship with the Financial Centres.

The Department of Quality Assurance, Processes and Procedures has been divided into two: the Quality Assurance Department will be merged with the Strategy Department, while the Processes and Procedures Department will be merged with the Operations Department, which will also be responsible for major strategic shared services projects and for the Retail Bank.

Meanwhile, the Marketing Department will focus on managing the product range, the markets the Bank operates in, product promotion and organising product distribution.

As in 2008, the contractual relationship between La Banque Postale and La Poste was maintained.

2.1.2 Subsidiaries' highlights

~NEW SUBSIDIARIES AND INVESTMENTS ~

During August 2009, La Banque Postale and the main shareholders of Tocqueville Finance announced their decision to enter into exclusive discussions regarding the sale of a majority interest in Tocqueville Finance to La Banque Postale. In October 2009, La Banque Postale and the shareholders of Tocqueville Finance reached a definitive agreement to sell a majority (70%) interest in Tocqueville Finance to La Banque Postale. The transaction was completed in 2009 and became effective at year-end.

~ PARTNERSHIPS ~

At the Supervisory Board meeting of March 11th 2009, following a detailed process that was based on a multi-criterion industrial, financial and legal study, La Banque Postale resolved to enter into exclusive negotiations with Groupama to create a joint company specialising in casualty insurance, in which La Banque Postale will be the majority shareholder.

La Banque Postale and Société Générale reached a decision to launch a consumer credit product range in April 2009, through the founding of La Banque Postale Financement, in which SF2 will ultimately hold a 65% interest, with the remaining interest held by the Société Générale Group.

In May, La Banque Postale and La Mutuelle Générale announced their decision to enter into exclusive discussions in order to agree on a partnership in the health insurance field.

This partnership is currently based on a common subsidiary in which La Banque Postale holds a majority interest and which should benefit from La Mutuelle Générale's recognised expertise, in order to develop a high-quality product range intended for as many people as possible. SF2 acquired a 68% controlling interest in Efprimo, which is intended to become the holding vehicle for the company, in which La Banque Postale formerly held a 100% interest, by subscribing to a reserved capital increase.

2.2 LA BANQUE POSTALE GROUP IN 2009

2.2.1 Overview of the Group's business activities

La Banque Postale Group's primary focus is on the French retail banking market, and specifically on retail customers. This core business is complemented by its insurance and asset management divisions.

~ RETAIL BANKING ~

The Group in the retail banking operations, which were traditionally based on its core business activities, saw the first contribution from the activities of its La Banque Postale Financement subsidiary, which specialises in consumer credit, in late 2009. This new business rounds out the sectors in which La Banque Postale was already present: e-banking, debit cards, savings products and lending.

In order to deliver these services, La Banque Postale relies primarily on La Poste employees, who are fully funded by the Bank. Those employees include:

- advisory and sales staff, who are mainly located in Post Offices;
- counter staff for the banking side of its business activities;
- staff in the Financial and National Centres, who are responsible for the back-office processing of customer transactions;
- staff in the Financial Services IT Department.

The distribution of new consumer credit ranges, which began in two pilot areas at the end of 2009, is carried out by the Post Offices, working together with La Banque Postale Financement.

In 2008, La Banque Postale began developing a new business area that focuses on companies, local authorities and voluntary organizations. The development of this business unit continued in 2009, both in respect of the range of products and services on offer, and of the access channels.

~ INSURANCE ACTIVITIES ~

This division includes the health and personal risk insurance activities that were introduced from 1998 onwards via a company owned jointly with CNP Assurances. That company, which has since been named La Banque Postale Prévoyance, offers life, health and other insurance cover.

The division also includes the brokerage activities of Sogerco, a company that operates primarily in the payment insurance sector, with products like Alliatys, for example, and that has particularly distinguished itself through providing insurance products specifically designed for post office staff.

The division also includes the Group's interest in CNP Assurances.

Finally, it also includes a new joint venture (La Banque Postale Assurances IARD) in its scope of consolidation. This is the joint venture created with Groupama as the result of a partnership agreement signed on October 12th 2009, the aim of which is to offer La Banque Postale customers a policy range that covers their essential casualty insurance requirements and that is distributed through all the channels accessible to them.

~ ASSET MANAGEMENT ~

There was a marked development in La Banque Postale's asset management business in late 2009, when the Bank acquired a majority interest in Tocqueville Finance. This acquisition enables La Banque Postale to capitalise on Tocqueville Finance's expertise, and to extend its product range to a new customer base.

La Banque Postale's asset management division remains responsible for setting up and managing the mutual funds marketed by the retail bank, through the intermediary of La Banque Postale Asset Management and its subsidiaries. The division also includes structured product management, together with a seed capital company focusing on innovative and/or specialist management companies, the aim of which is to enable La Banque Postale customers to invest in platforms that benefit from such expertise.

The asset management division also includes a private equity business, and manages property investments (REITs, open-ended property funds, etc.) for La Banque Postale's customers, thus providing them with a broad spectrum of investments.

2.2.2 Results for 2009

The impact of the financial crisis on La Banque Postale gradually receded during 2009, as the Bank reaped the rewards of its management policy. The Bank remained cautious where financial investments were concerned, and devoted its energies to marketing its products and services to customers.

La Banque Postale continued to promote its home loan range during 2009. Despite the financial crisis, it had no need to change its home loan offer conditions, which had remained cautious. As in 2008, the level of home loans outstanding continued to increase very significantly (a total of €8 billion in loans was granted in 2009, enabling the level of home loans outstanding to cross the €30 billion threshold).

Savings deposits stagnated in 2009. The impact of the increased availability of Livret A savings accounts was limited and the number of account transfers remained moderate for the year as a whole. In contrast, the marked fall in regulated savings remuneration rates significantly reduced the attraction of these savings products. Home ownership savings account deposit levels were stable overall in 2009, following a significant contraction in 2008.

Important inflows into life insurance products were recorded, together with inflows into discretionary asset management products, where deposits rose substantially in 2009.

The number of active customers continued to grow, reaching 9.9 million at the end of 2009 (against 9.5 million at the end of 2008), as a result of La Banque Postale's efforts to make customer relationships easier. In this area, 2009 was characterised by the launch of a new customer relationship range, which was accompanied by a broadening of the multi-channel platform structure, in order to make it available anywhere, at any time.

Asset management's results were mixed, due to market trends during the period. The falling interest rate trend reduced returns on new investments, thus lowering their contribution to net banking income from financial investments. The growth in home loans outstanding was offset by a contraction in the held-to-maturity securities portfolio, and therefore in the income from those investments. Finally, after indices hit a low point in March, financial markets made a strong recovery in the second quarter, and continued to perform over the second half of the year.

La Banque Postale's results for 2009 were characterised by a €204 million rise in NBI (net banking income); i.e. a 4.2% increase compared with 2008. After adjustments for changes to the home ownership savings accounts provision and for the elimination of the impact of changes to the way in which the remuneration paid on Livret A savings accounts is calculated, and after taking long term or significant impairments provisions into account, NBI rose by 4.0%.

Meanwhile, operating expenses decreased by €73 million (-1.6%) for various reasons. Personnel expenses rose as a result of the Bank's higher headcount, which was primarily linked to the setting up and launch of new partnerships in the consumer credit and casualty insurance fields. In contrast, there was a sharp fall in service agreement expenses for counter transactions and bank back-offices, due to the work done on process optimisation, as well as a fall in Customer Advisor expenses, primarily as a result of optimising the way in which the network is organised. IT investments rose, due to an increase in the business lines' workload, and to IT expenditure stemming from major business line projects and from partnerships.

Total gross operating income amounted to €676 million, up €276 million compared with 2008. The cost of risk fell sharply, by €60.8 million, due to the base effect of the €78 million provision recorded in 2008 following the failure of Lehman Brothers. After adjusting for that effect, the rise in the cost of risk was in line with the increase in loans granted to customers, with no evidence of significant drift in the proportion of the Bank's loans at risk of default.

The operating expense ratio improved, falling to 86.6% compared with 91.8% in 2008.

The Group's share in profits of equity associates increased by €55.2 million, due to the turnaround in CNP Assurances' bottom line. The attributable to equity holders of parent of annual net profits was €587.6 million.

2.2.3 Ratings

In April 2008, Fitch aligned its rating on La Banque Postale with the rating that Standard & Poor's had awarded La Poste. On that occasion, La Banque Postale was rated AA-. There was no change in the rating in 2009.

On January 21st 2009, Standard & Poor's adjusted its rating on the La Poste Group and lowered its long-term rating on La Banque Postale at the same time. The rating went from AA- to A+. On that occasion, La Banque Postale's short-term rating was lowered from A1+ to A1, despite the Bank's very high liquidity.

2.3 CORPORATE GOVERNANCE

2.3.1 Executive Board

La Banque Postale is a company with Executive and Supervisory Boards.

Overall 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 of its corporate remit and subject to those powers expressly conferred on the Supervisory Board and the Annual Shareholders' Meeting by French law and the company's articles of association.

The Executive Board has two members:

- Patrick Werner, the Chairman of the Board;
- and Philippe Bajou.

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

As previously authorised by the Supervisory Board, the members of the Executive Board have divided management duties between themselves. They have also set the amounts in excess of which certain actions committing the Company must receive prior approval from the Supervisory Board. Failure to secure that approval may result in the individual concerned being personally liable towards the Company and its shareholders.

~ PROFILE OF THE EXECUTIVE BOARD MEMBERS ~

Chairman of the Executive Board		
Patrick Werner (59)	Graduate of the IEP Paris, former student of the ENA and Government Auditor	<ul style="list-style-type: none"> • Inspection des Finances (French Government Audit Office) between 1976 and 1980. • Appointed Head of Internal Audit at La Caisse des dépôts et Consignations in 1980, member of the Executive Board then Managing Director of C3D (the holding company for CDC subsidiaries) between 1983 and 1991. • Managing Director of the Victoire insurance group between 1991 and 1995. • Appointed Managing Director in 1996, then Vice-Chairman and Managing Director in 1997 of the Federation of French Insurers (FFSA). • Appointed Deputy Managing Director and member of the Executive Committee of the La Poste Group in 1999. • Chairman of the Executive Board of La Banque Postale since 2006.
Member of the Executive Board		
Philippe Bajou (51)	Graduate of the ENSPTT, and Degree in Electronics from Paris XI University	<ul style="list-style-type: none"> • Has worked at La Poste Group since 1982, was seconded to the French Ministry of Post and Telecommunications in 1989, then appointed to various positions in the La Poste Finance Department. • Appointed Head of Financial Affairs and Investments at La Poste in 1995, with responsibility for the post-office funds management project from 1998 onwards. • Appointed Managing Director of Efposte in 2000. • Member of the Executive Board of La Banque Postale since 2006.

2.3.2 Internal Executive Board Committees

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

The members of these committees are the Heads of the Departments concerned by the matters discussed and the Heads of the insurance and asset management units. The Bank's Regional Representatives also attend certain committee meetings (risk, sustainable development, customer quality assurance, and compliance and business ethics). Likewise, the Financial Centre Heads attend certain committees (risk, sustainable development, customer quality assurance) on a rotation basis.

Minutes are systematically taken and submitted to the Chairman for approval.

- **The Executive Committee** assists the Executive Board in defining the Bank's strategic orientations, taking major collective decisions and implementing those decisions at the operating level. It draws up the Bank's strategy plan. The Committee meets three times a month and occasionally holds Executive Strategy Committee meetings to study procedures for implementing strategic decisions and to monitor major projects.

As at December 31st 2009, the Executive Committee consisted of the following members:

- Patrick Werner, Chairman of the Executive Board ;
- Philippe Bajou, member of the Executive Board ;
- Serge Bayard, Head of Strategy ;
- Philippe Blin, Head of Information Systems ;
- Yves Brassart, Chief Financial Officer ;
- Yves Caplain, Head of Internal audit ;
- Marie Cheval, Head of Operations ;
- Bernard Condat, Head of Sales ;
- Jean-Luc Enguéhard, Head of Asset Management Division ;
- Sylvie François, Head of Human Resources ;
- Sylvie Lefoll, Head of Communications ;
- Marc Levy, Head of Compliance ;
- Alain Saubole, Head of Risk ;
- François Schwerer, Head of Legal Affairs ;
- Pierre-Manuel Sroczyński, Head of Financial Operations ;
- Didier Vuillaume, Head of Marketing ;
- Danielle Wajsbrot, Head of Insurance Division.

- **The Management Committee** is a forum for the mutual exchange of information, particularly on the roll-out of the Bank's major policies, on the progress of projects, and on the Bank's budget and results. It reviews the Bank's performance using key performance indicators that monitor the Bank's business activities and analyses the implementation and the results of the Bank's marketing policy on a quarterly basis.

It also manages the career paths of senior executives and potential high-flyers. The Committee meets once a month. As at December 31st 2009, it consisted of all the members of the Executive Committee, as well as the Bank's six Regional Representatives (Jean-Paul Barré, Danièle Faivre, Bernard Feissat, Éric Moitié, André Taboni and Jean-Luc Thiebault) together with Philippe Espanol, the Head of the Corporate, Local Authority and Voluntary Associations Banking Department.

- **The Risk Committee** is involved in defining the credit policy for each business activity, reviews sensitive risks, approves major commitments, monitors market and operating risk and approves risk management procedures. The Committee meets once a month.

- **The Compliance and Business Ethics Committee** ensures that the actions taken in respect of legal and regulatory provisions that are specific to the banking industry are coherent and effective. More specifically, it ensures that anti-money laundering and counter-terrorism funding procedures are effective, co-ordinates internal control activities, makes certain that business ethics rules are adhered to, updates the list of "sensitive" staff and investigates major conflicts of interest. The Committee meets once a month.

- **The ALM (Asset-Liability Management) Committee** ensures that the Bank's financial and marketing policies are consistent, forecasts and manages future net interest margins, manages future balance sheet risk, particularly liquidity risk, interest rate and credit & counterparty risk. The Committee meets once a month.

- **The Strategic Information Systems Committee** monitors the information systems budget and manages arbitrages within the IT project portfolio, in accordance with the strategy plan. The Committee meets every quarter.

- **The Marketing and Sales Committee** approves the marketing mix implemented in markets identified as priorities for increasing NBI on sales. The Committee meets once a month.

- **The Customer Quality Assurance Committee** issues recommendations on the direction of the quality assurance policy and monitors customer satisfaction, the quality of the service delivered to customers and best practices in the sector. It launches "Quality Assurance" plans and monitors their progress. The Committee meets every quarter.

- **The Sustainable Development Committee**, which was created in late 2008, aims to define, prioritise and direct responsible sustainable development programmes. The Committee studies programmes that have been implemented and promotes their adoption by the Bank's different business lines. The Committee meets every quarter.

2.4 SHAREHOLDER RELATIONS

Pursuant to Article 16 of Law 2005-516 of May 20th 2005 and its enactment decree of August 30th 2005, La Poste transferred all the assets, rights and obligations relating to its financial services to La Banque Postale, with effect from December 31st 2005. Equity interests were included in the transfer, with the exception, where appropriate, of those required by La Poste for its directly managed activities. In exchange for these contributions, La Poste received 1,008,333,000 shares in La Banque Postale, with a par value of €2.16 each. Following these transactions, La Poste holds a 99.99% interest in La Banque Postale.

The aforementioned Article 16 specifically states that La Poste must retain a majority interest in its subsidiary.

Moreover, under the terms of the transfer agreement, La Poste has committed to hold its shares in the company for a period of at least three years. La Banque Postale has no knowledge of any other agreement that would modify La Poste's shareholding, if implemented.

The relationship between La Poste and La Banque Postale is very close, both in terms of their corporate governance and bodies and of their industrial and commercial relations. The Executive Chairman of La Banque Postale is therefore the Deputy Managing Director of La Poste, with responsibility

for its financial activities. He is also a member of La Poste's Executive Committee. Seven members of La Banque Postale's Supervisory Board are employees of La Poste, and the Chairman of La Poste chairs the Bank's Supervisory Board. La Poste is also represented on its Supervisory Board Committees.

La Poste is the main service provider for La Banque Postale, which uses La Poste's resources to conduct its business activities. Various agreements have been reached between La Poste and La Banque Postale in this respect and pursuant to Article 16 of Law 2005-516 of May 20th 2005. The main agreements were approved by the Supervisory Board of La Banque Postale, in accordance with the provisions of Article L. 225-86 of the French Commercial Code. Members of the Executive Committee of La Poste did not take part in the vote. These agreements are updated regularly, depending on the trends observed, and presented to the Supervisory Board for approval.

Lastly, La Banque Postale is La Poste's main bank.

Besides its close relationship with its parent company, La Banque Postale is in regular contact with the French Government Investment Agency, which is kept informed of the Bank's strategic orientations, among other matters.

2.5 INFORMATION ON 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 Husscherr Substitute: Pierre Coll	April 28 th 2004	At the General Meeting called in 2010 to vote on the financial statements for the year ending December 31 st 2009
Mazars Tour Exaltis 61, rue Henri-Régnault 92400 Courbevoie Represented by Guy Isimat-Mirin Substitute: Anne Veaute	May 23 rd 2006	At the General Meeting called in 2012 to vote on the financial statements for the year ending December 31 st 2011

2.6 RISK MANAGEMENT

The drafting of the European Directive into French law gave rise to the publication of the Decree of February 20th 2007 on the equity capital requirements applicable to credit institutions that are specifically required to publish information on the nature and size of their risk and the way in which they manage that risk, together with the adequacy of their equity capital.

A significant portion of the information requested in respect of the "Basel II Third Pillar" is published in Section II. 6 of the management report on risk management, in Section II. 7 on equity capital and in the consolidated financial statements (Paragraphs 2.1, 2.4 and 3.44).

2.6.1 Measures to combat non-compliance

~ COMPLIANCE ~

Articles 11 to 11.6 of CRBF regulation 97-02 drafted the "Compliance" function into French law. They entered into force on January 1st 2006, on the same day that **La Banque Postale was created. La Banque Postale's Corporate Governance Committees have therefore included a Compliance and Business Ethics Committee since the founding of the bank, together with a Compliance Department, the Head of which is a member of the Executive Committee.**

• The Compliance and Business Ethics Committee

This monthly committee is chaired by the Head of Compliance, and reports to the La Banque Postale Executive Board. Its role is to:

- ensure that the actions taken in respect of legal and regulatory provisions specific to banking and financial activities are consistent and effective, particularly where prevention of money laundering and the funding of terrorism are concerned;
- co-ordinate internal control procedures;
- validate the compliance policy and ensure that it is implemented;
- examine the annual internal control reports as well as the reports submitted by the Head of Compliance for Investment Services (HCIS).

The Committee members are: the members of the Executive Board, the Head of Internal Audit, the Heads of Banking Operations and Risk, and the Head of the Legal Department, together with the Head of Marketing and the Head of Sales. Two of the Bank's Regional Representatives also attend the committee on a half-yearly rotation basis.

• The Compliance Department

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

- manage non-compliance risk as defined in Article 4 of Regulation 97-02 (amended). To that end, it focuses primarily on business ethics and combating money-laundering and the funding of terrorism.

- co-ordinate the permanent control procedures, and specifically the Level 2 control teams, without impeding the responsibilities of the Risk Department.

The Compliance Department has its own budget, and is entitled to examine the budgets of the other compliance functions within the system (the internal compliance functions of the Financial Centres and of the network banking supervisors). In the event that the Head of Compliance disagrees with those budgets, the Department can request a final decision from the Executive Board on the matter.

The Head of Compliance has full responsibility for the functional operation of the Compliance Department, whose staff consists mainly of the assistants to the Regional Bank Representatives responsible for managing the Banking Supervisors and the Internal Supervisors in the Financial Centres. Those responsibilities specifically involve managing careers in a manner consistent with the requirements of each organization.

The Compliance Department also manages La Banque Postale's Level 1 and Level 2 control procedures. This involves:

- **managing the network Banking Supervisors:** working together with the Bank's Regional Representatives, the Department drafts and disseminates control procedures, and drafts and disseminates reporting and consolidation procedures in liaison with the Risk Department;
- **co-ordinating the various Level 1 and Level 2 control bodies:** making sure procedures are consistent, contributing to the definition of performance indicators and information escalation channels and consolidating information. The Risk Department defines its own performance indicators, which are escalated back to it directly;
- **drafting or centralising regulatory reports** on internal control.

• **The Compliance Department fulfils its role through five different units:**

- **The Expertise and Compliance Unit** drafts a “written opinion” that is signed by the Head of Compliance under new product regulation requirements; it also validates all product launch materials, such as the internal procedures that apply to products and services, the information and training documents for employees and all types of marketing materials intended for customers.

This unit is also responsible for regulatory monitoring.

- **The Business Ethics Unit** is responsible for defining and disseminating good conduct rules and co-ordinating the management of the Business Ethics Officers. The Head of Compliance for Investment Services also reports to this unit. It draws up the Business Ethics policy of the Bank and its subsidiaries, and disseminates it throughout the network and the operating facilities.

- **The Level 2 Control Management Unit** is responsible for the functional management of the banking supervisors working in the Post Office network. To that end, it provides the 200 Banking Supervisors and their 16 managers with the tools that enable them to perform their control assignments: programmes, control questionnaires and systems to consolidate the results compiled according to the managers’ responsibility levels. The scope of this responsibility extends to the 28 Internal Control Managers in the Financial Centres and to their 84 Internal Supervisors via the Operating Department responsible for control within the Banking Operations Department.

- **The Anti-Money Laundering and Counter-Terrorism Funding Department (AML & CTF Dept.)** manages the system used by the TRACFIN officers who report to it, as well as by dedicated staff in the Financial Centres and the Post Office network. It validates the procedures and training and information materials that are disseminated to all the agents and monitors the effective implementation of that training. Finally, the Department project manages the IT applications dedicated to these activities.

- **The Permanent Control Summary Unit Covering Head Office Departments, Subsidiaries and Essential Services** is responsible for summarising internal risk management control procedures for those business activities within its areas of responsibility. Its tasks include taking all initiatives necessary to improve these systems, within the framework of Regulation 97-02 and working together with the Risk Department within its own areas of responsibility.

This unit is also responsible for drafting a number of the regulatory reports.

All units work together and play a dual advisory and management role to ensure that the company’s best practices, culture and values are reflected 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.

It is worth noting that in May 2008, the Bank appointed a Personal Data Protection Officer, or DPO, who operates independently of the Compliance Department and all other departments. The DPO monitors the application of French data protection legislation within La Banque Postale and on behalf of the officers of the company.

• **Relationship with the customer**

Putting customers’ interests first is an essential part of the relationship.

The initiatives developed to achieve this aim reflect the values of trust that are fundamental to La Banque Postale and to the La Poste Group. The characteristic nature of a significant part of our customer base, which consists of the elderly or those on low incomes, only heightens the importance of that obligation.

The advisory duty is therefore taken into account in every aspect of the product design process and of the way in which relationships with customers are managed:

- designing products and paying particular attention to promotional materials;
- ensuring that the composition of the sales force, the way commissions are calculated and the products and services offered to customers are consistent with the profile of the actual customers;
- ensuring that the information contained in customer files is appropriate for the checks carried out by banking supervisors in this area.

La Banque Postale pays particular attention to ensuring that the products it offers customers are suited to their particular situation and can be clearly understood. This means that they contain no superfluous sophisticated terms that are likely to mislead customers who are not especially expert, especially within the meaning of the MiFID directive, which classifies all retail customers as “non-professionals”. This is one of the criteria that the Compliance Department takes into account in the written opinion that it delivers to the Marketing Committee, pursuant to Article 11-1 of CRBF Regulation 97-02 (amended).

This practice of paying continual attention to the clarity of the information provided to customers also influences the Compliance Department when it validates all the procedure notes accompanying the products and services intended for the network, as well as all promotional materials in all formats. Over 1,500 documents were validated in this way during the financial year.

La Banque Postale pays particular attention to ensuring that the composition of the Advisory Team and the training and skills of its members are consistent with the products and services that each category of Customer Advisors is allowed to offer customers, and with the profile of the actual customers. La Banque Postale also ensures that the methods used to calculate commissions paid to Advisors are not related to the level of risk attached to the financial products offered to customers.

The Bank has also incorporated the MiFID directive into its control programmes. This means that a significant part of the work performed by the Banking Supervisors focuses on:

- systematically checking that the official documents are in place, in order to make sure that the products and services that are offered to customers match their requirements;
- checking that the customer targeting guidelines set down for the network are respected.

~ BUSINESS ETHICS ~

At the time it was founded, La Banque Postale opted to continue calling the Head of Compliance for Investment Services by the following title: “Head of Business Ethics”.

This decision gives greater meaning and clarity to the function and therefore sets a kind of “benchmark” for “good conduct rules”, which is fully consistent with the “whistle-blowing” guidelines featured in CRBF Regulation 97-02 (amended).

To this end, the banking business ethics function is structured on three levels:

- the La Banque Postale business ethics unit, which reports to the Compliance Department;
- Business Ethics officers working in the operating units: the La Poste Retail Network, the Financial Centres, the Financial Services IT Department, the Marketing Department, the Head Office departments and the subsidiary companies;
- local contact points.

The position of Business Ethics Officer, as defined by La Banque Postale, is held by employees reporting directly to the Head of Operations, the Head of Marketing, the Head of the La Poste Retail Network, the Head of IT for La Poste Financial Services and to the Head Office departments.

The role of Business Ethics Officer can be assigned to an employee with other responsibilities, to the extent that those responsibilities are independent from his or her business ethics role.

These employees are in charge of disseminating business ethics standards within their unit. They guarantee and promote La Banque Postale’s rules of conduct

Local contact points are managed by the Business Ethics Officers.

Because they are close to the ground, local contact points are well-positioned to pick up any eventual breaches or problems that come to their attention, which they then escalate. They also have an educational role to play by providing information to and raising awareness among their colleagues. Around one hundred local contact-points are positioned throughout the networks, reporting to the Directors of the La Poste Retail Network. The Head of Internal Control and Compliance also acts as the local contact point in each Financial Centres.

Recommendations on good conduct rules are incorporated into La Banque Postale and La Poste’s internal rules of procedure.

The Business Ethics rules are appended to the internal rules of procedure.

Ongoing training on business ethics issues is provided in all the entities of the Bank, the La Poste Retail Network and the Financial Centres. Special training is given to new hires.

In addition, **checks are carried out to ensure that business ethics standards** are applied.

Lastly, La Banque Postale has implemented procedures for withdrawing the right to act in its name and on its behalf from the La Poste Retail Network and Financial Centre employees who have breached its business ethics guidelines. This process is managed by the Head of Business Ethics and the Head of Compliance.

~ COMBATING MONEY-LAUNDERING AND ILLEGAL ACTIVITIES ~

La Banque Postale pays particular attention to its responsibilities in this area. It is highly conscious of those responsibilities, especially in view of the fact that it is accessible to a very large customer base and of its postal money order business.

Initiatives relating to this issue depend on tight and thorough co-ordination between La Banque Postale, the Financial Centres, the La Poste Retail Network and the subsidiary companies.

The duty of vigilance first and foremost involves **identifying customers and “knowing” them.**

The procedures in place are strict, and they are scrupulously applied. The Financial Centres are forbidden from opening any account without the supporting proofs of address and identity required in law. The application of these rules is closely monitored by specialist control bodies. Changes in the regulation will result in an updating of procedures before September 2010, especially regarding “up-to-date customer knowledge” and the approach to risk.

The Branch Managers and Department Heads forward **details** of any unusual or abnormally high transactions, based on their knowledge of the customer, to the Financial Centre Financial Transaction Security (FTS) units. Any cases which might need to be declared are forwarded to one of the TRACFIN officers reporting to the Anti-Money-Laundering and Counter-Terrorism Funding Department (AML & CTF Dept.) within La Banque Postale's Compliance Department. Only the persons making the statement and the Liaison Officers deal with TRACFIN.

The FTS unit technicians and TRACFIN officers also have tools for detecting suspicious transactions. La Banque Postale uses a range of **powerful tools**. The tools filter all accounts and almost all transactions for evidence of terrorism funding; the remaining transactions are processed manually.

Training initiatives have been rolled out for all the Bank's employees or employees acting in its name and on its behalf since mid-2008, in a co-ordinated movement with the La Poste Retail Network and the Financial Centres. The e-learning training programme, which is very significant due to the number of people involved (over 5,000 employees) will be continued in 2010.

The way these procedures work is the subject of many control exercises, including an exercise conducted by the French Banking Commission in late 2008 and early 2009, covering both adherence to the procedures and their effectiveness and management.

2.6.2 Financial management risk

2.6.2.1 Structural risk factors

The structural risk factors that affect La Banque Postale are primarily related to its retail banking business, **i.e. liquidity and interest rate risk** linked to converting short-term customer funds to longer-term use, **credit risk** on home loans, and to a lesser extent, overdrafts on ordinary customer accounts.

Given the high level of financial assets as a proportion of total assets, **market and counterparty risks** are also structural risk factors that are closely monitored by La Banque Postale.

~ LIQUIDITY RISK ~

As a result of the limits on credit approval issued by the CECEI (no corporate funding is allowed, only loans to consumers), La Banque Postale's retail banking balance sheet showed a large surplus as at December 31st 2009, due to the fact that customer loans outstanding only amounted to one fifth of customer deposits.

La Banque Postale is therefore not dependent on the market to meet its commitments. It is nonetheless exposed to liquidity risk arising from putting its sources of funding, which consist mainly of instant-access deposits, to longer-term use, either in the form of home loans, or in the form of securitised debt.

The amounts allocated to the held-to-maturity securities portfolio are calculated by applying a benchmark scenario, which models the outflow of liabilities under various stress scenarios. Those scenarios specifically factor in significant instant-access deposit withdrawals.

The securities available for sale portfolio consists of the portion of funding resources that is not allocated to securities held to maturity or to home loans. Those securities are actually negotiable and can be sold rapidly if the need arises.

La Banque Postale's risk management policy identifies two types of liquidity risk, for which it adopts two different monitoring approaches:

- **tactical liquidity risk relating to the institution's cash flow management**

There is an operating limit that enables the funding requirements of the cash flow management unit to be capped. The amount and length of time the cap applies are set by the Risk Committee.

Operating recommendations enable the Cash Flow Management Unit's funding needs to be met on a daily basis. The amounts and maturities are set by the ALM Committee.

- **structural liquidity risk**

This is the risk relating to the Bank's balance sheet structure. It takes into account the outflow agreements validated by the ALM Committee.

Management of this risk is assigned to the ALM Committee in accordance with the principles and limits approved by the Risk Committee.

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

The Bank is guaranteed that the liquidity represented by the liquidity gap will be available to it, based on an almost certain confidence interval

In mid-2009, changes were made to the operating methods used to measure tactical liquidity risk in order to take account of the predictable short-term nature of commercial loans outstanding and the Bank's capacity to refinance.

Those changes were reflected in the implementation of a set of rules regarding the tactical liquidity gap, which reflects the Bank's capacity to raise funding on the markets.

The outflow agreements selected to measure structural liquidity risk are based on modelling the outflow of liabilities with no fixed maturity and the outflow of off-balance sheet loans granted and on taking the realisation potential of the sovereign debt portfolio into account.

Standard outflow agreements for liabilities with no fixed maturity are reviewed at least once a year in order to reset them at the minimum levels required by changes in the deposit volatility trend (behavioural changes, etc.)

Off-balance-sheet loans are subjected to outflows assumptions based on a behavioural model that takes account of the rate of product changes, payment periods and the life-span of new loans.

Although the programme implemented by the ALM Committee and the Risk Committee provides for cautious liquidity risk management, La Banque Postale has diversified its sources of funding:

- a €20 billion certificates of deposit programme, where the amounts issued range between 15% and 40% of the programme, and which is designed to keep the La Banque Postale name alive on the short-term market;
- a €10 billion EMTN programme was set up at the end of 2006. A €500 million subordinated notes issue, callable as additional equity capital stock, was placed at the end of November 2006.
- access to the interbank market;
- the use of buybacks for securities held in the held-to-maturity financial assets portfolio. This portfolio consists mainly of high quality, rapidly-realizable Government securities.

~ INTEREST RATE RISK ~

Interest rate risk represents the likelihood of seeing the Bank's future margins or economic value affected by fluctuations in interest rates.

La Banque Postale has two different types of indicators for monitoring interest rate risk.

- indicators that support the hedging decision-making process;
- indicators aimed at assessing an institution's ability to withstand external stresses.

Sensitivity indicators are part of the first category.

They involve both future income schedules (**sensitivity of future margins**) and the net present value of future cash flows (**NPV sensitivity**).

These sensitivity ratios are established using deterministic rate scenarios on the one hand, and the stochastic dispersion method on the other. The second method provides a more accurate snapshot of the implicit and explicit balance sheet options.

In fact, it is always necessary to model customer behaviour, and in the present case to model that behaviour in light of changes to the interest rate environment. Among the implicit options available to customers, the most significant, both in terms of balance sheet and margin impact, are:

- the risk of anticipated repayment of outstanding loans if interest rates fall;
- risks related to home loan savings: deposits are collected at a higher fixed rate than expected if market interest rates fall, and take-up of the entitlement to low fixed-rate home loans is higher than expected, if market interest rates rise. These risks are covered by a special provision, the amount of which is determined on the basis of the same home loan savings account customer behavioural model as the model used in future margin simulations.

The second category of indicators includes the measurement of economic capital (EC) linked to global interest rate risk.

- Measuring economic capital enables an institution to demonstrate its capacity to withstand adverse market developments within a given confidence interval established on the basis of its equity capital.
- **Stress scenarios**, based on historical or hypothetical situations, provide a clearer understanding of an institution's risk profile and are especially useful for estimating measures that would need to be adopted if such a scenario were to materialise.

Interest rate risk is initially managed through the financial assets portfolio, by selecting maturity dates and coupon indexation terms for those assets. Derivative instruments, whether futures or options, are only used in a secondary capacity, for example to manage exposures for which a "cash" hedge is not seen as appropriate.

~ MONITORING LIQUIDITY AND INTEREST RATE RISK ~

The ALM Committee is primarily responsible for monitoring liquidity and interest rate risk. Chaired by an Executive Board member, the Committee consists of the Head of Marketing, the Head of Risk and the Finance Director, along with the Head of Financial Transactions, who runs it.

- The ALM Committee periodically reviews customer deposit models and formally validates the outflow assumptions produced.
- It monitors the interest rate and liquidity risk performance indicators, and anticipates their future development, in light of the Bank's sales policy and of observations on customer behaviour.
- Finally, it decides the financial asset investment and hedging policies to be implemented.

The Risk Committee, which is also chaired by a member of the Executive Board, validates the ALM risk control procedures, especially the limits applicable to ALM.

Operating application of the guidelines set out by these committees is defined partly by the Balance Sheet Management operating Committee, chaired by the Head of Financial Operations, who is responsible for the ALM and Cash portfolios, and partly by the Investment Committee, chaired by the Finance Director, who is responsible for benchmarked portfolios.

2.6.3 Credit risk

2.6.3.1 Scope of intervention

Credit risk is the risk incurred in the event of default by a counterparty or counterparties considered as a single beneficiary, according to the meaning of banking regulations.

The transactions involved at La Banque Postale are the following:

- home loans to private individuals that are intended to finance a main residence, a secondary residence and rental properties owned by Bank customers;
- home loans to limited property investment partnerships, regardless of whether they are family-owned, that are controlled by private individuals and where the main aim is to manage the private assets of those individuals;
- instant-access deposit overdrafts, including short-term company cash flow facilities for retail customers;
- consumer loans to employees of La Banque Postale and its subsidiary companies;
- social micro loans. These loans are consumer loans. They are strictly reserved for private individuals who are unable to obtain a loan at market conditions within the banking system: people affected by job insecurity, people on low incomes, jobseekers, people on benefits, people who receive minimum social security payments, students, apprentices, etc.

Finally, La Banque Postale Financement, a La Banque Postale subsidiary that specialises in consumer credit, has been marketing these types of consumer credit loans since December 2009.

The Trading Room, acting on behalf of La Banque Postale's ALM Department, is responsible for implementing the guidelines under all circumstances.

Pursuant to IFRS 7 regarding disclosure of risk, a detailed presentation of financial management risk is provided in the notes to the financial statements.

2.6.2.2 Market and counterparty risk

Disclosure of exposure to market and counterparty risk, which is provided pursuant to the application of IFRS 7, is featured in the notes to the financial statements (Notes to the financial statements: financial risk management and hedging policy).

2.6.2.3 Liquidity risk

Disclosure of exposure to liquidity risk, which is provided pursuant to the application of IFRS 7, is featured in the notes to the financial statements (Notes to the financial statements: financial risk management and hedging policy).

Home loans outstanding, which represent the bulk of La Banque Postale's retail banking lending activity, increased by 16% during the past year and amounted to €32 billion as at December 31st 2009.

Outstanding authorised overdrafts for retail customers increased by 0.9% in 2009 compared with 2008.

The percentage of doubtful home loans among total loans outstanding was 0.26% as at the end of 2009 against 0.23% as at the end of 2008.

The amount of home loans in arrears was up 15% as at December 31st 2009 compared to the previous year, in line with the increase in total loans outstanding.

2.6.3.2 Credit risk management policy

La Banque Postale's Risk Management Department is responsible for the La Banque Postale Group's risk division and ensures that risk management procedures at Group level are consistent.

~ MANAGEMENT OF LA BANQUE POSTALE'S DIRECT BUSINESS ACTIVITIES ~

La Banque Postale's Risk Department draws up **guidelines governing the assumption of risk** at a national level and modifies those guidelines, especially the guidelines for taking on new customers and for granting loans. To this end, it works with the Marketing Department, the Sales Department and the Transactions Department as the need arises.

Where management of inherent risk is concerned, the Risk Department is responsible for the rules on recovery, working together with the Legal Department and the Transactions Department, and with the Accounting Department for the rules governing provisions for accounts receivable.

The Risk Department defines and implements tools (scorecards and expert systems) for granting and managing loans and overdrafts; it makes sure that they work properly, assumes responsibility for any adjustments necessary and carries out regular back-testing.

The Department defines and implements credit risk assessment indicators, together with action plans in the event of a deterioration in those indicators.

Beyond the scope of its own capacities, which are assigned by the Executive Board, it has the rules on credit risk validated by the Risk Committee or the Executive Board if requested to do so by the Chairman of the Risk Committee.

The application of these rules relies on a network of Liaison Officers in the Financial Centres and in the commercial banking network.

2.6.4 Operating risk

2.6.4.1 Governance of operating risk management

The Risk Department is responsible to the Executive Board for managing and monitoring the Bank's operating risk.

In this context, the Operating Risk Department, which forms part of the Risk Department, reports to the Risk Committee on the drafting and implementation of the operating risk management and control procedures.

In terms of risk monitoring, the Operating Risk Department defines the monthly operating risk monitoring indicators approved by the Risk Committee. The Operating Risk Department is therefore responsible for ongoing risk management.

As part of the guidelines for monitoring all kinds of transaction-related risk (Article 6a of Regulation 97-02 [amended]), the main responsibilities of the Operating Risk Department are:

- to ensure that La Banque Postale has properly defined and formalised targets for the security of its information systems and has identified the main areas of weakness. La Banque Postale's Head of Information Systems Security (HISS) is the project manager in this area. She determines the level of security and the guidelines, in accordance with professional standards and the level requested by the Executive Board. She validates the implementation of these measures and monitors their application;
- to ensure that La Banque Postale has appropriate business continuity plans in place and to conduct tests and make the necessary improvements if required;

The Department ensures that credit risk is the subject of reports, including both internal reports for the attention of the Risk Committee and the Executive Board, and external reports for the attention of the French Banking Commission.

~ MANAGEMENT OF LA BANQUE POSTALE FINANCEMENT'S BUSINESS ACTIVITIES ~

Where the distribution of consumer credit by La Banque Postale Financement is concerned, the definition of risk guidelines (for the granting, agreeing and recovery of loans) is the responsibility of La Banque Postale Financement's Risk Department, which keeps La Banque Postale's Risk Department informed, primarily through a cross-functional La Banque Postale-La Banque Postale Financement Committee.

The note on IFRS 7 sets out La Banque Postale and La Banque Postale Financement's exposure to credit risk in more detail.

- to identify the operating risks within a risk mapping exercise for each process and entity, analyse those risks, rate them (according to their impact and occurrence), rank them, monitor the implementation of the recommended action plans and submit reports, including indicator-based reports;
- to monitor and process risks linked to debit cards and comply with regulatory requirements, specifically in terms of drafting reports (to the French National Bank, the French Banking Commission etc.)

The Operating Risk Department relies on networks of liaison officers working in the following three areas, either as an exclusive assignment or in another operating capacity:

- information systems security;
- business continuity;
- risk mapping and/or monitoring of processing schedules.

2.6.4.2 Operating risk management guidelines

~ FRAMEWORK ~

La Banque Postale has adopted the following definition of operating risk:

"the risk of loss arising from the inadequacy or failure of procedures, staff members, internal systems or external events, including the risk of damage to the Bank's 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 CRBF Regulation 97-02.

La Banque Postale has selected the standard method of calculating equity requirements to cover operating risk. In this respect, the Operating Risk Department has drawn up guidelines for the analysis, assessment and management of operating risk in accordance with the Ministerial Decree of February 20th 2007 regarding equity requirements applicable to credit institutions and investment firms.

These guidelines are primarily based on:

- drawing up an operating risk map for each process and entity;
- putting in place a system for escalating incidents and losses recorded at the various entities of La Banque Postale and the subsidiaries involved to the Risk Department;
- preparing a monthly report on the main operating risk indicators for the Risk Committee and the Management Committee.

These guidelines must provide the best response possible to the stated requirements for implementing the advanced assessment of operating risk, in order to prepare La Banque Postale for the potential transition to the advanced method.

Their aim is to provide La Banque Postale, and all the entities acting in its name and on its behalf, with an organizational framework that will enable operating risk to be identified, assessed and monitored on an ongoing basis, in order to implement the appropriate preventive or corrective measures. In this way, operating risk management helps reinforce the Bank's internal control procedures.

The causes and potential consequences of each risk identified during the mapping process are analysed individually. The criticality of each risk is assessed using a forecast "expert view" rating, based on a dual impact and occurrence scale. The incidents and losses identified are systematically attached to the corresponding risk to complete the qualitative analysis and the risk rating process.

~ 2009 DEVELOPMENTS ~

In 2009, the Operating Risk Department finalised the roll-out of the operating risk management procedures to almost all the entities within La Banque Postale.

That roll-out was accompanied by a systematisation of the responsibilities of the La Banque Postale agents involved in operating risk management through the risk management policy, which was validated by the Executive Board and approved by the Audit Committee. In addition, the Risk Management Department also carried out extensive training, information and awareness-raising programmes for every department at La Banque Postale to accompany the roll-out of the guidelines and disseminate a "risk culture" at every level of the organization.

As at December 31st 2009, around 1,500 users working at the Bank's headquarters, the Financial Centres or the Regional Banks, had been trained on the approach to risk management and the CaRO (Operating Risk Mapping) tool. The roll-out will be completed in 2010 when the subsidiary companies are included in the scope of consolidation.

2.6.4.3 Information systems security management guidelines

~ FRAMEWORK ~

La Banque Postale's information systems security policy, which was approved in January 2007, applies to all the information systems (IS) and organizations that contribute to the running of La Banque Postale.

As required by ISO standard 27001, La Banque Postale's information systems security management is subject to an ongoing improvement process.

The guidelines that were implemented in 2007 for controlling La Banque Postale's IS security levels rely upon:

- the La Banque Postale IS Security Committee, managed by the Bank's Head of IS Security (HISS). This Committee primarily monitors corrective action plans aimed at remedying IS security risks identified following security incidents, internal audits and control investigations. The Committee provides regular updates to the Bank's Risk Committee;
- the drawing up of monthly indicators that feed in to the periodic reports presented to the Risk and Audit Committees.

~ 2009 DEVELOPMENTS ~

La Banque Postale has defined its IS accreditation policy and has rolled out a network of Accreditation Officers throughout the Bank's various entities. The Operating Risk Department is currently overhauling its accreditation management processes for information systems and related IT tools, a programme that will continue to be rolled out until 2011.

The Operating Risk Management Department pursued its awareness-raising and support programmes for projects developed by the Bank's various business lines, in order to implement a security management approach in IS development projects.

In 2009, as part of the operating risk prevention programme, the Bank developed a systems for measuring and assessing information systems risk on an ongoing basis (MAP ISR), the aim of which is primarily to assess the real level of risk relating to information systems (IS) and to monitor the action plans implemented.

Measures for identifying and assessing the 30 major and critical business line risks linked to information systems security (ISS) were implemented and a monitoring process for monitoring the management level of the two greatest risks was established.

2.6.4.4 Business continuity planning management guidelines

~ FRAMEWORK ~

La Banque Postale's general business continuity planning policy sets out the guiding principles, the reference framework and the organizational structure that enable the continuity of La Banque Postale's essential services to be guaranteed during a crisis event.

This policy applies to all the entities and to all members of staff working in La Banque Postale's banking and financial businesses and acting in its name or on its behalf. It also applies to all the subsidiary companies of the La Banque Postale Group.

The organizational structure adopted by La Banque Postale to ensure that the BCP is implemented and checked relies on:

- a network of Business Continuity Officers (BCOs) who are responsible for the operational roll-out of the La Banque Postale BCP in their business line, for monitoring the plan and for reporting back on it;
- a network of business continuity contacts, (BCCN), formed by each BCO. The BCCNs gather information about priority processes and implement the BCP in each entity.

The global BCP is defined as the business continuity plan that brings together all the plans implemented at the Bank in order to ensure the back-up, recovery and continuity of the company's essential services, and is the responsibility of La Banque Postale's Head of Business Continuity (HBC) at the Bank's Risk Department. The BCOs are the HBC's contact points for questions relating to the BCP in their area.

~ 2009 DEVELOPMENTS ~

La Banque Postale conducted a BCP maturity appraisal in all Bank entities in 2008. That appraisal identified that particular attention should be paid to the Head Office BCP. In 2009, tests were conducted to assess the impact of extreme circumstances on the Bank's Head Office and three potential back-up scenarios were presented to the Bank's Executive Board.

In August, the Bank established a system for managing the H1N1 flu pandemic, which included a crisis management unit chaired by a member of the Executive Board, among other measures. The impact of the possible absence of between 25% and 40% of staff members for a period of between 8 and 12 weeks was highlighted.

In 2009, 61 continuity plan tests and exercises were conducted, included testing the continuity of trading activities at the emergency back-up site in the Paris area.

2.6.5 Insurance cover and policies

The insurable risks of La Banque Postale and its subsidiaries are covered by an insurance programme that includes the following policies:

Area	Insurance policy	Comments
CARS	Car pool insurance	Vehicles used by La Banque Postale employees for business and personal travel.
	Car insurance at work	Damage to an employee's personal vehicle that was being used for work purposes.
	Civil liability	Civil liability for an employee's personal vehicle that was being used for work purposes.
	Licence Plus	Legal protection in case of loss of driving license points.
	Damage to the personal property of employees working in Sensitive Urban Zones	As part of their main job and within the perimeter of Sensitive Urban Zones as defined by decree.
CIVIL LIABILITY	General and professional civil liability for non-financial business activities	Third-party liability excluding financial business activities.
	Professional civil liability for financial business activities	Third-party liability linked to financial business activities.
	Civil liability of the directors of La Banque Postale	<i>De facto, de jure</i> and additional directors and officers.
	Civil liability for the drafting of legal documents	Civil liability insurance for the Group's corporate lawyers.
	Financial guarantees	Compulsory insurance for insurance brokers.
	Civil liability of employers in relation to employee relations	
DAMAGES	All damages except for Insurance of property and fixtures and fittings and/or Additional Expenses	Damage to fixtures and fittings and property owned by for any reason by La Banque Postale.
	Comprehensive except – Damages insurance for the assets or operating losses of subsidiaries	Damages to fixtures and fittings and property owned for any reason by subsidiaries of the La Banque Postale Group.
	Fraud	Internal and external fraud Damage to computer data.
	Consequential damages	Valuables in safes or cash machines and counters (excluding transportation).
	All valuables risks – Securities and funds insurance	Loss of banking business following a major incident Including the transportation of cash and securities under escort.
	Banking business protection	Ten-year building defects insurance.
TRANSPORTATION	Civil responsibility and damages insurance for goods in transport	Loss of banking business following a major incident Including the transportation of cash and securities under escort.
CONSTRUCTION	Building defects insurance	Ten-year building defects insurance.
	All construction site risks	
EXHIBITIONS, SPORTING AND CULTURAL EVENTS	Civil liability insurance for event organisers	Injury to third parties at events organised by the company + attendance at trade fairs or shows.
	Insurance of event attendees	Assistance and insurance for attendees of events organised by the company.
	Comprehensive exhibition insurance – Door to door insurance for exhibits	
BUSINESS TRAVEL	Business travel insurance for employees	Assistance and insurance for employees travelling on business (excluding expatriation).

The structuring of these programmes is overseen by the Insurance Unit and implemented working together with the La Poste Group Insurance Department.

Specific programmes are implemented for certain subsidiaries.

2.7 ACCOUNTING INFORMATION

2009 was characterised by an increase in Group net banking income, which rose by €204 million to €5,019 million (+4.2%).

The increase in net banking income occurred in a singular environment, which was characterised by the continuation of the financial crisis in the 1st half, and then by a gradual economic recovery, although interest rates remained low. 2009 was also marked by the lifting of restrictions on the distribution of Livret A savings accounts in credit institutions.

In this environment, La Banque Postale's commercial strength and the soundness of its economic models were re-affirmed.

The growth in customer loans continued throughout the year, following a sharp increase in 2008 and despite the slowdown

of demand in the property market recorded at the beginning of the year.

On the savings side, customer deposits were heavily weighted towards life insurance contracts, due primarily to the remuneration rates recorded for those products during the year, against a backdrop of falling cash savings rates. The new life insurance product range launches seen in 2008 continued in the 1st quarter of 2009 and were also a contributing factor in the increase in deposits.

Overall, as in 2008, the retail banking businesses accounted for the bulk of net banking income.

Net banking income by sector (en millions d'euros)	2009	2008	Change
Retail banking	4,853.6	4,672.9	3.9%
Asset management	92.8	75.7	22.6%
Insurance	72.5	66.8	8.5%
TOTAL	5,018.9	4,815.4	4.2%

General operating expenses fell by 1.9% to €4,224.6 million, excluding depreciation and impairment of fixed assets.

Net depreciation and impairment of fixed assets amounted to €118.1 million, a slight increase (+€8.2 million) compared with 2008.

The cost of risk recorded a €60.7 million fall compared with 2008. There were two main reasons for the difference: a 2008 comparison effect due to the impairment charge recorded on Lehman Brothers bonds held by La Banque Postale (€78 million) and, to a certain extent, an increase in net provisions on

loans and instant-access deposits related to an increase in La Banque Postale's loans outstanding.

Operating profits amounted to €624.6 million, an increase of €336.9 million.

Income from equity associates increased by €55.2 million, due primarily to the rise in the Group's share of CNP Assurances' net profits. Income from equity associates contributed €185.8 million to the Group's share of net profits, which amounted to €587.6 million after tax in 2009, up €285 million compared with the previous year (+94.2%).

2.7.1 Retail Banking Results

Retail Banking accounted for 58.8% of Group net profit in 2009, i.e. a substantially higher proportion than in 2008 (41%). The increase reflects improved profit margins in this

area at a time when the Group's three business areas were reporting higher net income.

Retail banking (€ million)	2009	2008	Change
Net banking income	4,853.6	4,672.9	180.7
General operating expenses	(4,148.0)	(4,240.4)	92.4
Depreciation	(119.3)	(109.0)	- 10.3
Gross operating profit	586.3	323.4	262.9
Cost of risk	(51.1)	(109.0)	57.9
Operating profit	535.2	214.4	320.8
Income from equity associates		-	-
Gains or losses on other assets	0.6	(0.7)	1.3
Profit before non-recurring items and tax	535.9	213.6	322.3

~NET BANKING INCOME (NBI) ~

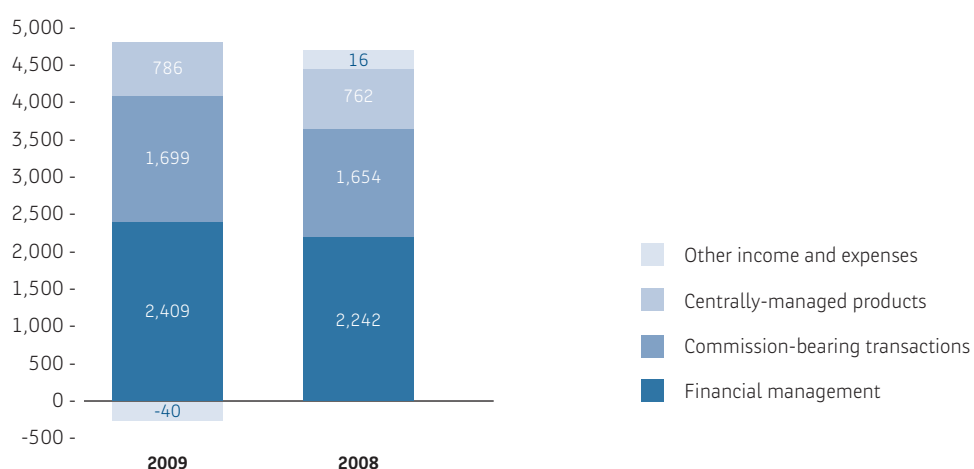
Retail Banking NBI consists of commissions charged to customers, NBI from the financial management activities (interest

margins, income from the securities portfolio and income from cash management), as well as the yield on centrally-managed products.

(€ millions)	2009	2008	Change
Centrally-managed products	785.9	761.8	+ 24.1
Commission-bearing transactions	1,698.8	1,653.7	+ 45.1
Financial management*	2,408.9	2,241.5	+ 167.4
Other income and expenses*	(40.1)	15.8	- 55.9
TOTAL NET BANKING INCOME	4,853.6	4,672.9	+ 180.7

* These items have been adjusted for dividends from the Group's non-consolidated associates, which differs from the 2008 presentation.

Changes in the breakdown Retail Banking NBI (€ millions)



Centrally-managed products

(€ millions)	2009	2008	Change
Livret A	711.4	703.2	+ 8.2
LEP savings accounts	48.9	56.2	- 7.3
Sustainable development savings accounts	25.6	2.4	+ 23.2
Net banking income from centrally-managed products	785.9	761.8	+ 24.1

There was a relatively small increase in the income from Livret A savings accounts. However, that increase reflects two significant and divergent trends: the impact of a change in the way the remuneration rate is calculated following the lifting of restrictions on the distribution of Livret A accounts (€36 million), which was offset by a substantial increase in volume (+€44 million) due to a very sharp increase in average deposits (caused by significant inflows of €3.4 billion at the end of 2008).

Net banking income from LEP savings accounts decreased. The fall is explained by a €1.7 billion reduction in deposits between 2008 and 2009, following measures taken by La Banque Postale to close LEP accounts during 2009.

Finally, net banking income generated by re-assigned LDD sustainable development savings accounts increased significantly, as a result of the re-assignment of 100% of the deposits in those accounts to the Caisse des dépôts et Consignations as at March 2nd 2009, whereas none of the deposits had been re-assigned as at December 1st 2008.

Retail customers

Net banking income from commission-bearing transactions increased by 2.7% to €1,698.8 million.

(€ millions)	2009	2008	Change
Customers	1,004.2	966.9	+ 37.3
Insurance	512.8	498.7	+ 14.1
Securities and UCITs	181.8	188.1	- 6.3
Net banking income from commission-bearing transactions	1,698.8	1,653.7	+ 45.1

Commissions charged on banking services increased by 3.9% to €1,004.2 million.

The increase was primarily due to continued implementation of the sales policy, particularly through promoting service "packages" (over 4 million contracts) instead of single services like bank cards and account insurance contracts, or directly-held cards.

Overall net banking income generated by insurance commissions increased by €14.1 million, due primarily to an increase in average deposits (+€4 billion on average over the year).

Commissions on securities and unit trusts fell by €6.3 million, due to the financial crisis, which led to a slowdown in customer transaction volumes and a fall in values, particularly for equity UCITs, despite a recovery in the markets and in transaction volumes at the end of 2009.

Financial management

Two trends had a favourable impact on net banking income: interest income on lending increased sharply (+€192 million) due to high business volumes, while interest income on deposits decreased, due primarily to a fall in the regulated Livret A average savings rate from 3.67% in 2008 to 1.92% in 2009, and to a fall in non-regulated savings rates.

Conversely, the €376.1 million fall in net income from trading activities had a negative impact on net banking income.

Net banking income from financial management increased by €167.4 million overall.

(€ millions)	2009	2008	Change
Write-back of home loan savings provision	25.0	25.0	-
Interest income from deposits	(902.3)	(1,253.9)	+ 351.5
Interest income from loans	1,292.8	1,100.8	+ 192.0
Market transactions	1,993.5	2,369.6	- 376.1
Net banking income from financial management	2,408.9	2,241.5	+ 167.4

A more detailed analysis of the market transactions performed as part of the Bank's balance sheet management process shows the following breakdown:

(€ millions)	2009	2008	Change
Assets held to maturity	1,499.2	1,733.3	- 234.1
Assets available for sale (including fair value hedges)	328.3	346.8	- 18.5
Securities available for sale reclassified under loans and receivables	39.4	63.4	- 24.0
Sustainable development savings accounts (including cash flow hedges)	-	92.6	- 92.6
Cash and derivatives	126.6	133.5	- 6.9
Net banking income from trading activities	1,993.5	2,369.6	- 376.1

In the case of market activities, Net Banking Income from the held-to-maturity assets and loans and receivables portfolios fell by €258.1 million, which was mostly due to lower volumes, coupled with an increase in loans outstanding over the year.

The change in Net Banking Income generated by held-for-sale asset and hedge portfolios amounted to a fall of €18.5 million. Three factors came into play in 2008:

- the impact of impairments on assets held in the available-for-sale asset portfolio, which led to a €50 million impairment in 2008, compared with only €4 million in 2009 (+ €46 million);
- the cross-effects of fixed and variable income security sales (+ €60.2 million);
- and the additional impact of two items:
 - Sales and changes in the value of commodity-indexed securities, which were recorded at fair value through the income statement according to IFRS (+ €14.7 million),
 - the global fall in the yield of available-for-sale securities compared with 2008 (-€147.8 million).

Income from the refinancing of non re-assigned Sustainable Savings Account deposits recorded a fall of €92.6 million, due to the reallocation of the corresponding loans outstanding as part of the 2009 cash management process. That reallocation was the result of La Banque Postale's decision to re-assign 100% of the Sustainable Savings Account balances to the Caisse des dépôts et Consignations as of March 2nd 2009.

The fall in Net Banking Income from other market activities reflects the general contraction in those deposits, which began at the end of 2008 as a result of the financial crisis, together with less favourable conditions on the inter-bank market.

Other retail banking operating income and expenses

Other income and expenses fell by €55.9 million. This trend was characterised by:

- a €44.2 million reduction in dividend income, which was explained by the exceptional dividend payment on La Banque Postale's non-consolidated holding in Visa Inc in 2008 (-€30 million) and the fall in dividends from non-consolidated subsidiaries and affiliates (-€9 million);
- Other sundry income fell by €13.4 million.

~ OPERATING EXPENSES ~

General operating expenses fell by €82 million.

(€ millions)	2009	2008	Change
Personnel expense	196	170	26
Other operating expenses	3,952	4,070	- 118
Depreciation and provisions	119	109	10
TOTAL	4,267	4,349	- 82

The rise in personnel expense was largely due to the increase in the number of people working for La Banque Postale, as a result of the expansion of its business activities and also of the setting up and launch of new partnerships.

The agreements with La Poste (use of production and distribution resources, together with franking services) amounted to 76% of operating expenses and registered a €70 million fall compared with 2008.

There was a decrease in agreement-related expenses, which consist of the following:

- expenses re-invoiced under the terms of the "counter agreement" (€1,129 million in 2009 against €1,148 million in 2008), a reduction of €19 million;
- expenses relating to Banking Advisers, which were down €36 million (€1,015 million in 2009 compared with 1,051 million in 2008);
- expenses relating to La Poste staff working in the Financial Centres and in IT services, which also fell by €15 million.

These falls are linked to the ongoing optimisation efforts made by the Bank in respect of counter transactions and operating processes in the Financial Centres.

La Banque Postale's postage costs continued to decrease (-€35 million in 2009), due to the rationalisation of the customer statements mailing process and to charging for intra-month statements.

There was a €10 million increase in depreciation charges and provisions.

~ COST OF RISK ~

After suffering one-off impairments on Lehman Brothers financial assets in 2008, the Retail Banking cost of risk amounted to €51 million last year, down €58 million compared with 2008. The movement includes a €78 million impairment charge on outstanding Lehman Brothers bonds held by La Banque Postale, recorded as at 31st December 2008.

Other major developments included the following:

- a net €8 million provision on lending, which was lower than the amount recorded in 2008;
- a net €26 million provision for impairment of instant-access on sight deposits, i.e. an increase of €7 million, which was linked to the increase in deposits;
- a net €12 million provision for bank card receivables at risk;
- and finally, a €3 million provision for sundry receivables.

~ OPERATING PROFIT ~

There was a sharp €320.8 million increase in Retail Banking operating profit, which amounted to €535.2 million.

2.7.2 Asset management results

La Banque Postale Asset Management (LBPAM), the main driver of the Asset Management Unit, continued its strong commercial expansion in 2009. The end of 2008 was marked by the signing of a €68 billion investment management mandate awarded by CNP Assurances. The company saw strong growth in 2008 and 2009, driven by the launch of a marketing drive targeting institutional clients. It continued to update its organizational structure to support the expansion of its business activities, including those linked to CNP Assurances' mandates and to institutional clients.

The subsidiary, La Banque Postale Structured Asset Management (LBPSAM) manages the guaranteed funds marketed by La Banque Postale.

LBPAM's total assets under management amounted to €121.3 billion as at the end of December 2009 (up 11% compared with the end of 2008), including over €20.6 billion managed on behalf of retail customers and around €100.7 billion on behalf of CNP Assurances.

For La Banque Postale Gestion Privée, 2009 was also characterised by a significant increase in assets under management, due primarily to a sharp rise in customer inflows.

Tocqueville Finance was included in the scope of consolidation at the end of 2009 and did not make a material contribution to net income in that year.

NBI increased by €17.1 million overall over the year, rising from €75.7 million to €92.8 million. This movement is mainly explained by the increase in investment mandate commissions, which did not have much impact on NBI in 2008, but were included on a full-year basis in 2009. The inflows recorded by La Banque Postale Gestion Privée and the inclusion of Tocqueville also contributed to the increase in NBI.

General operating expenses in this area increased by €9.9 million, due primarily to work on the LBPAM information systems, and to changes in the organizational structure and control procedures.

Operating income increased by €7.9 million to €38.3 million.

2.7.3 Insurance sector results

For La Banque Postale Prévoyance, the individual personal insurance business continued to develop at a sustained rate. The two million contract threshold was crossed at the end of 2009. Remote selling through the Financial Centre customer platforms made a large contribution to that growth, which was also boosted by the launch of two new family and dependency insurance policies in 2009. Meanwhile, the creditor insurance business was boosted by the increase in the rate of home loans awarded, which continued at a sustained rate in 2009.

Sogerco's net banking income was essentially driven by policy volumes (mainly Allytis policies), which continued to grow in 2009 (5.6 million policies, an increase of 5.6% compared with 2008).

Overall, the increase in the sector's net banking income was driven by the NBI of the two main contributors: a 15% increase in La Banque Postale Prévoyance's net banking income and a 4% increase in Sogerco's NBI.

Overall, net banking income for the insurance sector amounted to €72.5 million in 2009, an increase of €5.7 million.

The sector's operating expenses remained steady at €20.7 million, at exactly the same level as in 2008.

The cost of risk decreased by €2.1 million, falling from €2.8 million in 2008 to €0.7 million in 2009.

Current profit before tax increased by €63.3 million, due to the equity consolidation of CNP Assurances, which resulted in a positive movement of €55.2 million. The increase in CNP Assurances' contribution was partly due to the comparison effect with 2008, where net income was affected by the financial crisis, and partly due to better investment performance (proprietary investments and trading). These beneficial effects were nonetheless partly offset by a fall in the net income of the French casualty insurance business.

2.7.4 French Economic Modernisation Act (LME) Information – supplier payment days

Amounts owing to suppliers as at December 31st 2009 were €95 million, of which three quarters were payable within a period of one month or less.

(€ millions)	Closing balance	≤ 1 MONTH	1 MONTH ≤ 2 MONTHS	2 MONTHS
TOTAL	94,748	71,011	23,708	29

2.7.5 Consolidated balance sheet

The total Group balance sheet increased by €60 billion, primarily as a result of the impact of the French Economic Modernisation Act of August 4th 2008, which opened up the distribution of Livret A savings accounts to competitors, and as a corollary move, abolished the Caisse National d'Épargne, where the funds had been held up to that point. Recording those amounts on the Group balance sheet boosted it by around €59 billion as at January 1st 2009. These deposits were transferred to the Caisse des dépôts et Consignations as a receivable from a credit institution. This transfer mostly explains the increase in the credit institutions loans and receivables item (+€55 billion) in balance sheet assets. The reform also resulted in an increase of around €1 billion in the level of obligatory reserves that La Banque Postale must hold with the French National Bank.

Other movements of note included:

- an increase in loans outstanding and customer receivables linked to a continuation in the expansion in home loans,

which increased by €4.3 billion, offset by a corresponding €3 billion impairment of assets held to maturity and not renewable.

- a decrease in the level of assets held for transaction purposes (-€2 billion) linked to the fall in short-term rates and lower market activity.
- a €2.4 billion increase in the level of financial assets available for sale;
- a moderate increase in securitised debt (€1.2 billion), which corresponds to a rise in certificates of deposit issued to meet the requirements of La Banque Postale customers who wish to invest funds.

Finally, equity capital before distribution plans rose by €868 million due to the increase in reserves for unrealised capital gains on financial assets, which was primarily explained by the favourable trend in financial markets seen in 2009 and was also due to the increase in net profit and consolidated reserves.

2.7.6 Prudential ratios

~ INTERNATIONAL SOLVENCY RATIO ~

The international solvency ratio is the measure used to assess financial institutions' capacity to withstand risk.

In order to calculate its equity capital requirements, La Banque Postale uses a consolidated version of the standard approach for

calculating credit risk, market risk and operational risk requirements. These ratios include La Banque Postale Financement on a consolidated basis.

Based on the financial statements as at December 31st 2009, La Banque Postale's solvency ratio was 13.4%, while its Tier 1 ratio was 11.3%.

~ PRUDENTIAL CAPITAL, WEIGHTED DEPOSITS AND SOLVENCY RATIOS ~

(€ millions)	12.31.09	12.31.08
PRUDENTIAL CAPITAL		
Equity capital (Attributable to equity holders of parent)	4,445	3,577
Dividends	(264)	(96)
Minority interests after dividend distribution	0	2
Prudential deductions ⁽¹⁾	(832)	(572)
Other deductions ⁽²⁾	(21)	(28)
Total core equity	3,328	2,881
Total additional equity	658	500
Other deductions ⁽²⁾	(21)	(28)
Total prudential capital	3,965	3,353
Capital requirements	2,360	2,156
International solvency ratio	13.4%	12.4%
Tier 1 ratio	11.3%	10.7%
Hedging ratio	168.0%	155.5%

⁽¹⁾ Consists mainly of goodwill, intangible assets and elimination of IFRS effects.

⁽²⁾ Interests in non-consolidated financial companies or companies consolidated via the equity method.

~ CAPITAL ADEQUACY RATIO ~

The equity capital requirements for the La Banque Postale Group highlight a level of coverage of required equity capital by available equity capital:

- 141% for Tier 1 equity capital only;
- 168% when additional equity capital is taken into account.

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

This requirement was satisfied as at December 31st 2009.

~ OTHER RATIOS ~

Control of major risks

In accordance with regulation on major risks, institutions must comply with the following two restrictions:

- the total amount of risks incurred in respect of a single beneficiary must not exceed 25% of Group net capital. La Banque Postale complies with this ratio at all times. In addition, the institution must notify the Banking Commission about any beneficiaries who account for over 10% of consolidated net capital. La Banque Postale has declared three counterparties in this respect, which all belong to the French banking sector;
- the total risk exposure to beneficiaries where individual risk exceeds 10% of net consolidated capital must not exceed that net consolidated capital by a factor of more than eight. The level reached in respect of this limit is around 7.5%; La Banque Postale therefore adheres to it at all times.

Liquidity ratio

This short-term liquidity monitoring ratio, which is calculated on a monthly basis, must always be above 100%. The average ratio was 159% over the 2009 financial year, with a minimum 153% level recorded in April 2009.



3. COMMENTS OF THE SUPERVISORY BOARD ON THE REPORT OF THE EXECUTIVE BOARD AND THE 2009 FINANCIAL STATEMENTS

COMMENTS OF THE SUPERVISORY BOARD
ON THE REPORT OF THE EXECUTIVE BOARD
AND THE 2009 FINANCIAL STATEMENTS

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During the 2009 financial year, the Supervisory Board performed the verifications and checks that it deemed necessary as part of its duty to monitor the way the company was managed by the Executive Board, in accordance with legal and statutory provisions.

In accordance with legal requirements, the Board therefore examined the parent company and consolidated financial statements for the 2009 financial year submitted by the Executive Board. It also examined the report on the business activities of La Banque Postale that the Executive Board prepared during the financial year.

The Supervisory Board has no particular comment to make on the financial statements and the Executive Board's management report.

**On behalf of the Supervisory Board,
The Chairman,**

Jean-Paul Bailly



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~ CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31ST 2009 ~

(€ '000s)	Notes	12.31.09	12.31.08
ASSETS			
Cash and central banks	1	3,699,660	2,138,554
Financial assets at fair value through profit and loss	2	6,580,587	8,468,249
Derivatives hedging	3	363,254	272,400
Financial assets available for sale	4	11,240,968	8,821,901
Loans & receivables - credit institutions	5	73,966,537	18,889,024
Loans & receivables - customers	6	33,074,805	28,795,903
Revaluation differences on interest rate risk hedged portfolios	8	94,944	147,548
Financial assets held to maturity	9	34,626,622	37,649,538
Current and deferred tax assets	10	56,363	132,435
Accruals and other assets	11	4,953,107	4,411,228
Deferred profit-sharing			1,880
Investments in associates	12	1,864,045	1,565,966
Tangible and intangible fixed assets	13	679,160	624,397
Goodwill	14	50,978	26,157
TOTAL		171,251,030	111,945,180
LIABILITIES			
Financial liabilities at fair value through profit and loss	2	388,228	270,550
Derivatives hedging	3	218,095	174,668
Due to credit institutions	15	5,618,828	6,904,765
Due to customers	16	149,830,946	92,302,124
Debt securities	17	3,806,899	2,620,113
Current and deferred tax liabilities	18	155,989	4,945
Accruals and sundry liabilities	19	5,574,563	4,892,456
Technical reserves of insurance companies	20	383,343	307,690
Provisions	21	325,793	389,312
Subordinated debt	22	502,232	500,993
SHAREHOLDERS' EQUITY, ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		4,445,284	3,577,478
- Share capital		2,342,454	2,342,454
- Consolidated and other retained earnings		1,151,757	934,585
- Unrealised or deferred gains and losses		363,480	(2,143)
- Net profit for the period		587,593	302,582
MINORITY INTERESTS		830	86
CONSOLIDATED EQUITY		4,446,114	3,577,564
TOTAL		171,251,030	111,945,180

~ 2009 PROFIT & LOSS STATEMENT ~

(€ '000s)	Notes	12.31.09	12.31.08
Interest and similar income	24	5,518,618	5,071,288
Interest and similar expense	24	(2,607,374)	(2,748,020)
Commissions (income)	29	1,932,196	1,855,791
Commissions (expense)	29	(215,049)	(203,080)
Net gains and losses on financial instruments at fair value through profit and loss	30	159,855	697,509
Net gains and losses on financial assets available for sale	31	162,049	48,300
Income from other activities	32	479,987	643,685
Expenses from other activities	32	(411,368)	(550,064)
NET BANKING INCOME		5,018,914	4,815,409
General operating expenses	33	(4,224,638)	(4,305,579)
Depreciation, amortisation and impairment to tangible and intangible fixed assets	34	(118,097)	(109,833)
GROSS OPERATING INCOME		676,179	399,997
Cost of risk	35	(51,570)	(112,328)
OPERATING INCOME		624,609	287,669
Share in profits of equity associates	12	185,792	130,580
Net gains or losses on other assets	36	(1,795)	(731)
PRE-TAX INCOME		808,606	417,518
Income tax	37	(220,908)	(114,851)
CONSOLIDATED NET INCOME		587,698	302,667
Minority interests		105	85
NET PROFIT, ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		587,593	302,582
Earnings per share (in euros)		28.85	14.85

~ STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY CAPITAL ~

(€ '000s)	12.31.09	12.31.08
NET PROFIT, ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	587,593	302,582
Translation differences		
Revaluation of financial assets available for sale	151,300	(67,380)
Revaluation of derivative hedging instruments	13,719	46,931
Revaluation of fixed assets		
Gains and losses recognised directly in equity for entities consolidated via the equity method	200,604	(314,162)
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAX, ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	365,623	(334,611)
Net profit and gains and losses recognised directly in equity, attributable to equity holders of parent	953,216	(32,029)
Minority interests in net profit and gains and losses recognised directly in equity	111	85
NET PROFIT AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	953,327	(31,944)

~ STATEMENT OF CHANGES IN EQUITY~

	SHAREHOLDERS' EQUITY, ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT						EQUITY CAPITAL, MINORITY INTERESTS	TOTAL CONSOLIDATED EQUITY
	Capital ⁽¹⁾	Legal reserves, retained earnings and other reserves	Consolidated reserves	Unrealised or deferred gains and losses net of income tax, attributable to equity holders of parent ⁽²⁾⁽³⁾	Net profit, attributable to equity holders of parent	Equity capital, attributable to equity holders of parent		
(€ '000s)								
IFRS EQUITY CAPITAL AS AT 12.31.07	2,342,454	363,259	340,341	332,468	539,579	3,918,101	2	3,918,103
Allocation of 2007 net income		397,260	142,319		(539,579)			
2008 dividends paid on 2007 net income		(109,383)				(109,383)		(109,383)
Extraordinary dividend		(163,000)				(163,000)		(163,000)
Sub-total of movements linked to relations with shareholders		124,877	142,319	0	(539,579)	(272,383)		(272,383)
Movements in gains and losses recognised directly in equity			(9,521)	(20,449)		(29,970)		(29,970)
2008 net income					302,582	302,582	85	302,667
Sub-total			(9,521)	(20,449)	302,582	272,612	85	272,697
Share in movements in the equity capital of associates consolidated via the equity method			776	(314,162)		(313,386)		(313,386)
Other movements			(27,466)			(27,466)	(1)	(27,467)
IFRS EQUITY CAPITAL AS AT 12.31.08	2,342,454	488,136	446,449	(2,143)	302,582	3,577,478	86	3,577,564
Allocation of 2008 net income		291,581	11,001		(302,582)			
2009 dividends paid on 2008 net profit		(96,142)				(96,142)		(96,142)
Sub-total of movements linked to relations with shareholders		195,439	11,001	0	(302,582)	(96,142)	0	(96,142)
Movements in gains and losses recognised directly in equity			40,004	165,019		205,023	6	205,029
2009 net income					587,593	587,593	105	587,698
Sub-total			40,004	165,019	587,593	792,616	111	792,727
Share in movements in the equity capital of associates consolidated via the equity method			(5,146)	200,604		195,458		195,458
Other movements		(1,067)	(23,059)			(24,126)	633	(23,493)
IFRS EQUITY CAPITAL AS AT 12.31.09	2,342,454	682,508	469,249	363,480	587,593	4,445,284	830	4,446,114

(1) As at December 31st 2009, the share capital of La Banque Postale consisted of 20,369,166 shares with a par value of €115.

(2) Unrealised or deferred gains and losses include translation reserves; those reserves originate from the foreign subsidiaries consolidated by the CNP Assurances Group.

(3) As at December 31st 2009, unrealised or deferred gains or losses included €263 million in net unrealised gains on assets available for sale recorded by the CNP Assurances Group, compared with €98 million as at December 31st 2008.

As at December 31st 2009, movements in gains and losses recognised directly in equity included a €36.7 million adjustment for the terms under which the carve out was applied.

The estimated provisional dividend payment is €264.392 thousand, or €12.98 per share.

~ CASH FLOW STATEMENT FOR THE 2009 FINANCIAL YEAR ~

The cash flow statement is presented according to the indirect method model.

Investment activities represent cash flows relating to acquisitions and disposals of holdings in consolidated companies, and of financial assets held to maturity and tangible and intangible fixed assets.

Financing activities represent changes linked to structural financial transactions involving equity capital and subordinated debt.

Operating activities include those cash flows that fall outside the two previous categories. More specifically, securities relating to strategic investments included in "Financial assets available for sale" are classified in operating activities.

The concept of net cash includes cash, receivables and payables to central banks, as well as instant-access deposits (assets and liabilities) held by credit institutions.

(€ '000s)	12.31.09	12.31.08
PRE-TAX PROFIT	808,606	417,518
+/- Depreciation and amortisation of tangible and intangible fixed assets	118,097	111,399
- Impairment of goodwill and other fixed assets		
+/- Provisions	(28,033)	183,404
+/- Net gains and losses on investment activities	1,485	727
+/- Net gains and losses on financing activities		
+/- Share in the income of associates	(185,792)	(130,580)
+/- Other movements	116,258	84,192
= Total non-cash items included in net pre-tax profit and other adjustments	22,015	249,142
+/- Cash flows relating to transactions with credit institutions	963,317	(6,859,200)
+/- Cash flows relating to customer transactions	(5,747,699)	(3,959,990)
+/- Cash flows relating to other transactions that have an impact on financial assets or liabilities	1,123,861	7,607,784
+/- Cash flows relating to other transactions that have an impact on non-financial assets or liabilities	(98,646)	1,868,353
- Taxes paid	74,202	(161,261)
= Net increase/decrease in assets and liabilities from operating activities	(3,684,965)	(1,504,314)
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	(2,854,344)	(837,654)
+/- Cash flows linked to financial assets and equity investments	2,944,641	2,627,549
+/- Cash flows linked to tangible and intangible fixed assets	(175,577)	(126,456)
TOTAL NET CASH FLOWS LINKED TO INVESTMENT ACTIVITIES (B)	2,769,064	2,501,093
+/- Cash flows from or to shareholders	(95,376)	(272,383)
+/- Other net cash flows from financing activities	2,000	0
TOTAL NET CASH FLOWS LINKED TO FINANCING ACTIVITIES (C)	(93,376)	(272,383)
IMPACT OF MOVEMENTS IN EXCHANGE RATES AND CHANGES IN CASH MANAGEMENT METHODS (D)		
Net increase (decrease) in cash and cash equivalents (A+B+C+D)	(178,656)	1,391,056
Opening cash and cash equivalents	3,580,227	2,189,170
Cash and central banks	2,138,554	2,667,865
Current accounts and instant-access loans with credit institutions	1,441,673	(478,695)
Closing cash and cash equivalents	3,401,571	3,580,226
Cash and central banks	3,699,660	2,138,554
Current accounts and instant-access loans with credit institutions	(298,089)	1,441,672
CHANGE IN NET CASH	(178,656)	1,391,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PRINCIPAL VALUATION AND PRESENTATION RULES APPLYING TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 LEGAL AND FINANCIAL FRAMEWORK

4.1.1 Founding of La Banque Postale

The end of the 2005 financial year was marked by Efposte, originally an investment company, becoming La Banque Postale, which was licensed to operate as a bank.

This change was in line with Law 2005-516 of May 20th 2005 on the regulation of the French postal services.

Pursuant to the above law and to the enacting decree of August 30th 2005, the assets, rights and obligations linked to the accounts and agreements of the Caisse National d'Epargne were transferred to La Poste on December 31st 2005. On the same date, those items, together with the assets, rights and obligations linked to La Poste's financial services were transferred to Efposte, which then changed its name to La Banque Postale, with December 31st 2005 as the legal and accounting start date.

The assets transferred included La Poste's holdings in SF2, which acts as a holding company (including for its indirect holdings in the Caisse National de Prévoyance [National Provident Fund]) and in the CRSF Métropole and CRSF DOM limited property investment partnerships, which own the Bank's business premises.

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

In accordance with the provisions of the aforementioned law and its enacting decree, provisions governing funds collected through Livret A accounts on behalf of the Caisse Nationale d'Epargne remained unchanged (these funds were re-assigned to the Caisse des dépôts et Consignations).

4.1.2 Highlights of the period

4.1.2.1 Impact of the financial markets on the 2009 financial year

~ IMPACT ON LA BANQUE POSTALE ~

The global financial crisis, which began in 2007 and intensified in 2008, did not have a material impact on La Banque Postale's 2008 financial statements, due to the quality of the Bank's financial assets and the highly liquid nature of its balance sheet.

The financial crisis gradually lost momentum during 2009. Meanwhile, La Banque Postale continued to benefit from pursuing its cautious management policy and therefore did not have to record any significant impact caused by the crisis in its 2009 financial statements.

The beginning of 2009 was characterised by the continued fall in stock market values, which saw the CAC 40 index reach a low point of around 2,500 on March 9th. At the same time, two major initiatives were launched to help bring an end to the crisis.

First, governments announced and put in place stimulus plans for their economies, which had a simultaneous effect on government debt and led rating agencies to downgrade certain ratings (including those for Greece, Portugal and Spain). Second, central banks continued to lower their base rates and to inject liquidity, in order to make it easier for banks to access that liquidity and to help bank lending get back on track. Acting within that framework, the European Central Bank implemented a series of non-conventional measures to broaden the terms under which commercial banks could refinance with the Central Bank.

Inter-bank liquidity, which had been severely affected at the height of the financial crisis in late 2008, gradually recovered. A similar trend was recorded for bond market liquidity. In this environment, credit spreads gradually tightened, although they did not return to the historical levels seen before the financial crisis.

Economic players' confidence gradually returned during 2009. Following the low point recorded in March, stock market indices registered a stunning increase in the last three quarters.

Impact on the Bank's risk management policy

La Banque Postale's cautious risk policy enabled it to mitigate the impact of the financial crisis on its profits to a significant degree in 2008.

The specific crisis management operating measures adopted in 2008 were retained in the first half of 2009, for as long as justified by the recorded or anticipated effects of the crisis.

The initiatives adopted in 2009 were motivated by the same caution as in 2008. The movements seen in the markets led the Bank to be even more selective where counterparties, issuers or financial instrument options were concerned. In addition, the responsiveness of the Bank's counterparty risk policy was increased, in order to adjust commitment limits as close to market events as possible.

The return of liquidity to the inter-bank and the short-term debt markets gradually enabled the Bank to re-start its short-term financing programme (issuing certificates of deposit) and to rebuild its repo business step by step. It should be specified that this financing is not intended to guarantee La Banque Postale's liquidity directly, as the Bank has a structural deposit surplus, but to enable it to maintain a presence in the short-term debt market, as a preventive liquidity risk measure.

There was no further reclassification of financial instruments in 2009 pursuant to the IASB amendments of October 2008. La Banque Postale had reclassified assets worth €2.5 billion based on those amendments in 2008, with no impact on the profit and loss statement. The reclassification involved bank debt securities for which the market became inactive.

The rebound in stock market indices also enabled the Bank to avoid recording impairment charges on financial instruments in the first half of 2009. During the second half of the year, La Banque Postale tightened its impairment rules in order to bring them in line with IFRIC recommendations. The Bank recorded a mechanical impairment charge of €4.1 million in this respect, although the quality and valuation outlook for the assets concerned improved compared with the situation at the end of the 2008 financial year.

~ IMPACT ON CNP ASSURANCES ~

The consequences of the financial crisis in 2009, and more specifically of the September 2008 failure of Lehman Brothers, whose securities were held as collateral by a number of life insurance companies, caused the Italian market to lose interest in Unit and Index-linked products. CNP UniCredit Vita launched a range of euro-denominated products in late 2008. The success those products encountered during 2009 enabled over €3 billion in deposits to be gathered. In view of this strategic change in the product mix marketed by CNP UniCredit Vita, the Group was compelled to review the company's business plan and its valuation, and therefore to review the value at which the subsidiary's intangible assets (portfolio value and goodwill) were recognised in its consolidated balance sheet.

The CNP Assurances Group recorded an impairment charge on the full value (€45 million as at December 31st 2009) of the policy portfolio acquired from that subsidiary during November 2004. The portfolio consisted primarily of Unit or Unit-Linked policies sold to customers who have since switched their savings to other, mainly euro-denominated products. Furthermore, the lower value assigned to the business plan, particularly in view of the higher solvency margins required for new policies, led the CNP Assurances Group to record an impairment charge on the original goodwill (impairment of €104 million on the original goodwill amount of €366.5 million, i.e. leaving residual goodwill of €262.5 million). The CNP Assurances Group is confident about the results that the new strategy should generate in the future by relying on UniCredit network. UniCredit is the second largest banking and insurance group in Italy, with a network made up of 1,969 agencies (UCBdR and Banco di Sicilia). Aside from the success of its euro-denominated products, which is expected to be confirmed in 2010, CNP UniCredit Vita is launching a multi-platform product range, and will continue to expand its home and personal loans coverage.

Moreover, the rebound in the financial markets from March 2009 onwards (the CAC 40 index registered a 22.3% increase in 2009, reaching 3,936.33), coupled with the fall in interest rates throughout the year, was reflected in positive unrealised gains on financial instruments recognised at fair value. The resulting impact was a €281 million gain on movements in the fair value of assets recognised at fair value through the CNP Assurances Group's profit and loss statement and a €833.8 million gain in changes in the Group's equity capital from assets classified as available for sale. Those amounts are net of deferred profit-sharing and deferred income taxes).

4.1.2.2 Ending of distribution restrictions for Livret A saving accounts

Article 145 of the French Economic Modernisation Act (LME) of August 4th 2008 provides for opening up the distribution of Livret A saving accounts to competition by allowing the accounts to be marketed by any credit institution licensed to receive instant-access deposits from the general public. The corollary effect was to abolish the Caisse Nationale d'Épargne, which had held the Livret A funds deposited with La Banque Postale up until that point, which explains why those deposits were not shown on the Bank's balance sheet in the past.

Impact on La Banque Postale's balance sheet

All funds held by the Caisse Nationale d'Épargne were transferred to La Banque Postale as at January 1st 2009, according to the provisions of LME Article 146:

"Livret A deposits received as at December 31st 2008 by the Caisse Nationale d'Épargne [...], the debts attached to them and the corresponding receivable from the Caisse des dépôts et Consignations held by the Caisse Nationale d'Épargne in respect of the re-assigned Livret A deposits will be re-assigned as at January 1st 2009. The rights and obligations attached to

those balance sheet items will also be transferred to La Banque Postale. The other assets, liabilities, rights and obligations of the Caisse Nationale d'Épargne will be transferred to savings funds managed by the Caisse des dépôts et consignations as at January 1st 2009."

As a result, La Banque Postale's balance sheet increased by around €59 billion on January 1st 2009:

- the amount was entered under special savings schemes on the liabilities side;
- on the assets side, the amount was entered under term accounts and loans receivable from credit institutions (100% re-assigned to the Caisse des dépôts et Consignations on January 1st 2009.)

The ending of restrictions on the distribution of Livret A saving accounts had a limited impact on the Bank's customer base, as the Bank only recorded just over 120,000 transfer requests in 2009. Multi-ownership checks ("Echos Ficoba") only generated 129,000 account closure requests. At the same time, 500,000 new Livret A accounts were opened in 2009. The ending of restrictions on the distribution of the accounts was accompanied by a new remuneration calculation formula. The impact of that formula on the 2009 financial statements was valued at -€36 million.

4.1.2.3 Changes in the scope of consolidation

~ LA BANQUE POSTALE FINANCEMENT ~

Under the terms of the memorandum of understanding between La Banque Postale and Société Générale signed on March 26th 2009, La Banque Postale sold 35% of the capital and voting rights of Issy SF2 4, which subsequently became La Banque Postale Financement, to the Société Générale Group on April 24th 2009.

As La Banque Postale retains exclusive control over the company, it remains fully consolidated.

La Banque Postale Financement, which is exclusively dedicated to consumer credit, has been licensed as a financial company by the French Credit Institutions and Investment Companies Commission (CECEI).

The first consumer credit product ranges were offered to customers in late 2009, while the real business launch is planned for 2010.

~ TOCQUEVILLE FINANCE ~

Once the October 6th 2009 transfer agreement had been finalised, La Banque Postale acquired 100% of the shares of OFC Finance and a 69.99% interest in Tocqueville Finance Holding on November 16th 2009. 36.3% of the shares were acquired directly through SF2 while the remaining 33.7% were acquired indirectly via OFC Finance. This acquisition gives La Banque Postale a 69.84% interest in Tocqueville Finance, which is a portfolio management company operating mainly in the private wealth, UCIT and venture capital sectors.

OFC Finance, Tocqueville Finance Holding and Tocqueville Finance were fully consolidated for the first time as at December 31st 2009. The difference between the fair value of the assets and liabilities acquired and the price paid for the shares resulted in goodwill of €24.9 million being recognised on the balance sheet. The Group will recognise any potential adjustments to that item within a period of twelve months from the acquisition date. The amount recognised as goodwill is therefore likely to be reviewed.

~ PARTNERSHIP WITH GROUPAMA IN THE CASUALTY INSURANCE SECTOR ~

On October 12th 2009, La Banque Postale and Groupama reached a definite agreement regarding their partnership in the casualty insurance sector. The aim of the agreement was to create a joint venture in which La Banque Postale is the majority shareholder. On December 10th 2009, La Banque Postale raised €2.5 million in new capital, enabling Groupama to take a 31.3% interest in Fédération SF2, which became La Banque Postale Assurances IARD. A second capital increase is planned to take place by September 1st 2010 at the latest which will mark the actual start-up of the partnership.

As La Banque Postale retains exclusive control over the company, it remains fully consolidated.

This subsidiary, which is dedicated to casualty insurance activities, has been licensed by the French Insurance and Private Insurance Companies Authority (ACAM).

4.1.2.4 Exercise of CNP Assurances' put option on its holding in Natixis Global Asset Management (NGAM)

On December 17th 2009, CNP Assurances exercised its put option on its 11.34% interest in Natixis Global Asset Management (NGAM), as provided for in the amendment to the memorandum of understanding signed in 2007 between CNP Assurances and the Caisse Nationale des Caisses d'Épargne (CNCE).

The exercise of the put option resulted in the recognition of a €234.3 million gain on disposal in CNP Assurances' consolidated financial statements as at December 31st 2009, i.e. €17.4 million, net of taxes and the cancellation of the put option, which had been recorded at a value of €203.7 million as at December 31st 2008.

This decision, which was a pure asset management decision, does not alter the operating relationship between the two companies. CNP Assurances intends to continue entrusting the life insurance deposits gathered by the Caisse d'Épargne networks to NGAM, together with other portfolios.

4.1.3 Regulatory framework

EC Regulation 1606/2002 of July 19th 2002 requires companies whose debt securities are listed on a regulated market to apply the accounting standards drawn up by the International Accounting Standards Board (IASB). Pursuant to that regulation, La Banque Postale has prepared its consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) as approved by the European Union, since January 1st 2007. More specifically, the Group has chosen to apply the provisions of European Commission Regulation 2086/2004 by adopting IAS 39, with the exception of certain provisions. This European regulation allows certain macro-hedging transactions performed as part of asset-liability management (including customer instant-access deposits) to be treated as fair value hedges.

The impact of the initial application of IFRS to equity capital, the balance sheet and the profit and loss statement was detailed in the 2007 annual report, together with the specific regulations retained for the initial application according to IFRS 1.

The consolidated financial statements are presented in thousands of euros.

In the absence of any model imposed by IFRS guidelines, the Group has used the summary statement format suggested in Recommendation 2009 R04 of July 2nd 2009 issued by the French National Accounting Board (CNC).

4.1.4 Standards and interpretations applied by the Group from January 1st 2009 onwards

4.1.4.1. IAS1 (amended) “Presentation of financial statements”

The amended version of IAS 1 “Presentation of financial statements”, which was issued by the IASB on September 6th 2007 and adopted by the European Union on December 17th 2008, entered into force for financial years beginning from January 1st 2009 onwards. In the absence of any model imposed by the IFRS, the Group has used the summary statements format suggested by Recommendation 2009 R04 of July 2nd 2009 issued by the French National Accounting Council.

The Group’s application of this standard has no impact on profit or equity capital levels, but has resulted in changes to the format of the summary statements. Two new notes have been included in the notes to the financial statements (notes 4.3.23.1 and 4.3.23.2).

4.1.4.2 IFRS 7 (Amended) “Financial Instruments – Disclosures”

The amendment to IFRS 7 “Financial instruments – Disclosures” issued by the IASB on March 5th 2009 and adopted by the European Union on November 27th 2009 applies to the financial years beginning from January 1st 2009 onwards.

The Group’s application of this standard has no impact on its profit or equity capital levels. It improves information on fair value by introducing a three-tier fair value ranking.

4.1.4.3 IFRS 8 “Operating Segments”

This standard, issued by the IASB on November 30th 2006, was adopted by the European Union on November 21st 2007. Its application by the Group became effective as of January 1st 2009. It does not change accounting methods or those used for valuing transactions and has no impact on the information provided in the notes to the financial statements.

4.1.4.4 IFRIC 13 “Customer Loyalty Programmes”

This interpretation, which clarifies the accounting treatment of customer loyalty programmes, was issued by the IASB on June 28th 2007 and entered into force for all financial years beginning from July 1st 2008 onwards. The Group’s application of this interpretation does not change its accounting methods or the methods used for valuing customer loyalty programmes.

4.1.4.5.2 Other standards or interpretations

Standards or interpretations	Date of adoption by the European Union
Annual improvements to IFRS	January 23 rd 2009
Amendments to IAS 32 and IAS 1 "Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation"	January 21 st 2009
Amendments to IFRS 1 and IAS 27 "Cost of an Investment in a Subsidiary, a Jointly-Controlled Entity or Associate"	January 23 rd 2009
Amendment to IAS 23 "Cost of Borrowing"	December 10 th 2008
Amendment to IFRS 2 "Share-Based Payment: Vesting Conditions and Cancellations"	December 16 th 2008
IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	December 16 th 2008
IFRIC 11 "Group and Treasury Share Transactions"	June 1 st 2007
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	June 4 th 2009
Amendment to IAS 39 "Reclassification of Financial assets: effective date and Transition"	September 9 th 2009

These standards and interpretations do not affect the Group or their application had no material impact over the period.

4.1.5 Standards and interpretations not yet applied

The IASB and the IFRIC have issued standards and interpretations which were not applied as at December 31st 2009. Application of these standards and interpretations will only be obligatory from January 1st 2010 onwards or from the date they are adopted by the European Union. They were therefore not applied by the Group in 2009.

4.1.5.1 IAS 27 (amended) "Consolidated and Separate Financial Statements" and IFRS 3 (amended) "Business Combinations"

The amendment of IAS 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations" was issued

on January 10th 2008 by the IASB. These standards, which were reviewed following the Business Combination Phase II project, involve accounting for control transactions and their subsequent treatment. Their application could have an impact on the amount of goodwill to be recorded, net profit for the year in which the acquisition was made and net profit for subsequent years. The amendments to IAS 27 primarily specify that a change in the percentage of the interest held in a subsidiary company be treated as a transaction within the equity capital of that company, with no impact on goodwill or net profit.

Their application is compulsory for financial years beginning from July 1st 2009 onwards.

4.1.4.5 Other standards or interpretations

Standards or interpretations	Date of publication by the IASB	Date of adoption by the European Union
Amendment to IFRIC 9 and IAS 39 "Embedded Derivatives"	March 12 th 2009	November 30 th 2009
IFRS 1 (amended) "First time Adoption"	November 27 th 2008	November 25 th 2009
IFRIC 18 "Transfer of Assets from Customers"	January 29 th 2009	November 27 th 2009
IFRIC 17 "Distribution of Non-Cash Assets to owners"	November 26 th 2008	-
IFRS 9 "Financial instrument and Valuation"	November 12 th 2009	-
Improvements to IFRS	April 16 th 2009	-
Amendment to IFRS 2 – Group cash-settled share base payment transaction	June 18 th 2009	-
Amendment to IAS 39 "Financial instruments – Eligible hedged items"	July 30 th 2008	September 15 th 2009
IFRIC 15 "Agreements for the Construction of Real Estate Assets"	July 3 rd 2008	July 22 nd 2009
Amendment to IAS 32 "Classification of Subscription Rights"	October 8 th 2009	-
Amendment to IAS 24 "Related Party Disclosures"	November 4 th 2009	-
IFRIC 19 "Extinguishing Financial liabilities with Equity Instruments"	November 26 th 2009	-
Amendment to IFRIC 14	November 27 th 2009	-
IFRIC 12 "Service Concession Arrangements"	November 30 th 2006	March 25 th 2009

4.1.6 Principles adopted for the preparation of the consolidated financial statements

4.1.6.1 Determining the scope of consolidation

The consolidated financial statements include the financial statements of La Banque Postale, the consolidated financial statements of the sub-groups and the financial statements of those subsidiary companies and holdings controlled or significantly influenced by La Banque Postale, 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 nature of the control exercised by the Group includes the existence and effect of any potential voting rights, from the date when the latter are exercisable or convertible at any time.

The following consolidation methods are applied:

~ FULL CONSOLIDATION ~

Companies that are exclusively controlled by the Group are fully consolidated.

Exclusive control over a subsidiary is defined as the power to direct its financial and operating policies in order to benefit from its business activities.

Such control stems:

- either from holding the majority of the voting rights in the subsidiary, either directly or indirectly;
- or from the ability to appoint or dismiss the majority of the members of the subsidiary's administrative, management, and supervisory bodies, or from holding the majority of the voting rights at meetings of those bodies;
- or from the ability to exercise a dominant influence on a subsidiary under the terms of a contract or clauses in that company's articles of association.

~ PROPORTIONAL CONSOLIDATION ~

Jointly-controlled Group companies are consolidated on a proportional basis.

IFRS guidelines define joint control as shared control of a subsidiary company that is jointly operated by a limited number of shareholders or partners, who agree on the financial and operating policies implemented.

A contractual agreement must ensure that control over the company's economic activities and over target-related decisions requires the agreement of all partners or shareholders involved in the joint control.

~ CONSOLIDATION USING THE EQUITY METHOD ~

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

Material influence is defined as the ability to contribute to the financial and operating policies of a subsidiary without having control of that subsidiary. More specifically, that control may stem from representation on the subsidiary's management or supervisory bodies, from involvement in strategic decisions, from the existence of significant inter-company operations, from the exchange of management staff, or from technical dependency. Control is assumed to exist from the moment that the Group holds at least 20% of the voting rights, either directly or indirectly. That assumption may be challenged if the Group can demonstrate that no material influence exists, despite owning over 20% of the voting rights. Conversely, a significant influence can be shown to exist even if the 20% threshold is not reached.

~ THE PARTICULAR CASE OF SPECIAL PURPOSE VEHICLES~

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

The following criteria are applied independently to assess whether a special purpose vehicle is controlled by another entity:

- the vehicle's business activities are exclusively conducted on the Group's behalf so that it may benefit from them;
- the Group holds decision-making powers and management control over the vehicle's day-to-day business activities or over its assets;
- the Group is able to benefit from most of the advantages enjoyed by the vehicle;
- the Group remains exposed to most of the risk relating to the vehicle.

To date, the Group has no special purpose vehicles eligible for consolidation.

4.1.6.3 Consolidation principles

4.1.6.3.1 Restatements and eliminations

The restatements and reclassifications required in order to make the financial statements of all consolidated subsidiary companies comply with the Group's accounting principles are carried out.

Reciprocal accounts are eliminated, together with income and expenses arising from internal Group transactions and which have a material impact on the consolidated financial statements.

4.1.6.3.2 Conversion of the financial statements of foreign subsidiaries

For companies where the functional currency is not the euro, the balance sheet statements of foreign subsidiaries are converted at the applicable year-end exchange rate.

Income and expenses in the profit and loss statement are converted at the average exchange rate for the period. Exchange rate differences that arise from changes in the exchange rates applied to equity capital, reserves and net profit are entered under *Unrealised or deferred gains and losses – Exchange rate differences*.

4.1.6.3.3 Business Combinations

The Group accounts for business combinations using the acquisition method.

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

The identifiable assets, liabilities and potential liabilities of the acquired entities that meet IFRS accounting criteria are recorded at their fair value at the date of acquisition, in accordance with the provisions set out in IFRS 3 "Business Combinations". Analyses required for the initial valuation of these items and any potential adjustments may be performed within a period of 12 months from the acquisition date.

Any positive difference between the acquisition cost of the entity and the share of net assets acquired that is revalued in this way is recognised as *Goodwill* in consolidated balance sheet assets. In the event that the difference is negative, it is immediately expensed through the profit and loss statement.

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

Goodwill is regularly reviewed by the Group, and impairment tests are performed at least once a year, and as soon as any loss in value occurs.

At the date of acquisition, each goodwill item is assigned to a Cash Generating Unit (CGU). This is the most detailed level used by the Management Team to determine the return on an investment in the Group's major business lines. When the recoverable value of a CGU, defined as the higher of that CGU's market and useful values, is lower than its book value, a terminal impairment is charged to the profit and loss statement.

The book value of goodwill for associated companies is included in their valuation using the equity method.

In cases where minority interests are purchased in a subsidiary over which control has already been established, additional goodwill corresponding to the difference between the total

acquisition cost of the additional interest and the Group's share in the net assets acquired is recognised and deducted from equity capital if positive.

From that point, the current IAS 27 "Consolidated and Separate Financial Statements" and IAS 32 "Financial Statements: Disclosures and Presentation" require the Group to record a liability in respect of commitments to purchase minority interests, offset by a decrease in minority interests. The Group has chosen to deduct the difference between the amount of the commitment and the minority interests offsetting the liability from equity capital.

Subsequent movements in the debt linked to changes in the estimated exercise price of the purchase commitment and in the book value of minority interests are recognised in *Reserves, attributable to equity holders of parent*.

4.1.6.3.4 Consolidation of insurance activities

The financial assets and liabilities of the Group's insurance companies are mostly valued and recognised according to the provisions set out in IAS 39.

However, the following policies are recognised according to IFRS 4:

- insurance policies that include a contingency clause for the policy holder. This category includes health and personal insurance, retirement and general insurance policies, as well as unit-linked savings policies with a minimum guarantee;
- financial contracts issued by the insurer that include a discretionary profit-sharing (PS) clause.

In accordance with the provisions of IFRS 4, local guidelines for valuing underwriting reserves are retained for both types of contract.

Financial contracts governed by IAS 39 correspond to investment contracts with no discretionary profit-sharing clause: unit-linked savings policies with no euro-denominated or minimum guarantee.

Pursuant to the "shadow accounting" principles set out in IFRS 4, a provision for deferred profit-sharing is recorded for insurance policies that included a discretionary profit-sharing clause. This provision is determined in a way that reflects the potential rights of policyholders to share in unrealised gains on financial instruments valued at fair value or in potential losses in the event of unrealised losses on those instruments.

At each year-end, the Group's insurance companies conduct a liability adequacy test, which consists in checking that the insurance liabilities recognised, net of deferred acquisition costs and related intangible assets, are adequate based on current estimates of future cash flows from insurance policies and financial contracts with discretionary profit-sharing clauses.

~ TECHNICAL AND ACTUARIAL RESERVES ~

Technical reserves represent commitments to policy-holders. Actuarial reserves for euro-denominated policies correspond to the difference between the current value of the insurer and the policyholder's commitments.

Life insurance reserves are recorded based on discount rates that are at most equal to prudently-estimated rates of return on the underlying assets.

The net present value of commitments is calculated by choosing a discount rate that is at most equal to the pricing rate of the policy involved and by using statutory mortality tables or tables based on experience where these are more cautious. Lower interest rates are factored in to investment income discount rate calculations when the rate is deemed to be too high relative to the expected reinvestment prospects.

Actuarial reserves for on unit-linked policies are valued on the basis of the underlying assets. Gains or losses resulting from the revaluation of these policies are recognised in the profit and loss statement in order to cancel out the impact of movements in technical reserves.

~ ACTIVE DEFERRED PROFIT-SHARING ~

Most financial contracts issued to policyholders by the Group's life insurance subsidiaries include a discretionary profit-sharing clause.

The discretionary profit-sharing clause entitles life insurance policyholders to receive a share in any realised financial gains, as well as the income guaranteed. Pursuant to the "shadow accounting" principles set out in IFRS 4, the provision for deferred profit-sharing for these policies is adjusted to reflect the policyholders' entitlement to any unrealised gains or to their share of unrealised losses on financial instruments valued at fair value under IAS 39.

The amount of the net deferred share in profits established by "shadow accounting" is recognised either in balance sheet liabilities (*Net deferred profit-sharing – Liabilities*) or assets (*Net deferred profit-sharing – Assets*) depending on the situation of the entity concerned.

A recoverability test is conducted on any asset-based deferred profit-sharing. The aim of this test is to show that the profit-sharing amount is recoverable through sharing in future or unrealised gains, against the background of the Group's business continuity, and will not result in any inadequacy of the commitments recognised in the Group's accounts in respect of these economic commitments. The recoverability test is performed by using current estimates of future policy cash flows. The test is based on tools for modelling the asset-liability management of the subsidiaries involved, and enables a value to be assigned to commitments under a high number of economic scenarios using a stochastic approach.

In accordance with the recommendation on methods for identifying deferred profit-sharing issued by the French National Accounting Council (CNC), on December 19th 2008, profit-sharing recoverability is based on a prudent assessment of the capacity for holding the assets, particularly in terms of their future collection, in forecast cash flows.

Likewise, the capacity of future returns to absorb unrealised losses was tested, based on an unfavourable repurchase scenario that has never been experienced up until now.

4.1.7 Presentation and valuation principles

4.1.7.1 Foreign currency transactions

At year-end, monetary assets and liabilities denominated in foreign currencies are converted into euros, the Group's functional currency, at the year-end exchange rate. Unrealised or realised exchange rate gains and losses are recognised in profit and loss.

The value of non-monetary assets is converted into euros at the year-end exchange rate. Exchange differences on non-monetary items denominated in foreign currencies are recognised in profit and loss if the gain or loss on the non-monetary item is recorded in profit and loss or in equity capital if the gain or loss on the non-monetary item is recognised in equity capital.

4.1.7.2 Financial assets and liabilities

When initially recognised, financial assets and liabilities are valued at fair value, net of acquisition expenses that are directly related to the acquisition (except for financial instruments recognised at fair value through profit and loss).

Securities are recorded on the balance sheet at their delivery date, while derivative instruments are recorded at their negotiation date. Loans and receivables are recorded on the balance sheet at their payment date.

Financial assets and liabilities are classified in one of the following four categories:

4.1.7.2.1 Loans and receivables

Loans and receivables are non-derivative financial assets, which are not listed on an active market and for which returns are fixed or can be determined. They include credit institution and customer loans and receivables. Following their initial recognition, they are recognised at amortised cost using the effective interest rate method and may be subject to impairment, where applicable.

The effective interest rate is the exact rate used for discounting future cash flows at the initial fair value of the loan. It includes transaction costs directly linked to loan issuance, which are viewed as an integral part of returns on lending.

Exceptionally, certain securities may be recognised in this category. They are then subject to loans and receivables accounting, valuation and impairment rules.

~ RECLASSIFICATION OF FINANCIAL ASSETS ~

A financial asset with a fixed or determinable yield, which was initially recognised in the available-for-sale financial assets category, but which is no longer tradable on an active market and which the Group intends and is able to hold for a foreseeable period or until maturity may be reclassified in the *Loans and receivables* category.

Reclassifications are carried out at the market value at the date of reclassification and financial assets transferred in this way are then valued according to the rules applicable to their new category. Profits and losses that were previously recorded in equity capital are amortised through profit and loss over the residual life of the instrument using the effective interest rate method.

In addition to the information required by IAS-IFRS, La Banque Postale has continued to provide the information previously required under CRC Regulation 2002.03, which applied to separate financial statements.

Performing and non-performing doubtful loans outstanding are included in impaired receivables, in accordance with international standards.

~ DOWNGRADING METHODS ~

The downgrading process applies to unauthorised overdrafts and to home and consumer loans. The downgrading of unauthorised overdrafts applies to active and closed accounts. The effect of downgrading unauthorised overdrafts on active accounts is to downgrade performing loans to doubtful loans. Downgrades are performed on a monthly basis and factor in the amount and length of the overdraft for each account. The effect of closing the account is to downgrade the receivable to a doubtful non-performing loan. Receivables for very small amounts are immediately expensed as losses.

Home loans which are at least six months in arrears and consumer loans at least three months in arrears are downgraded to performing doubtful loans.

The effect of early termination is to downgrade the receivable to a doubtful non-performing loan. In addition, loans are automatically downgraded to non-performing doubtful status one year after being classified as doubtful.

By applying the contagion principle, all loans outstanding to the same beneficiary are downgraded as soon as one loan to that beneficiary is downgraded.

Impairment of loans on an individual basis

The Group begins by identifying whether there is objective evidence of an event occurring after a loan - or a group of loans - was granted that is likely to lead to a loss in value. These may be loans that are at least three months in arrears, outstanding debts that are already the subject of a disputed recovery process or loans where the financial situation of the counterparty has deteriorated and is reflected in a risk of non-recovery.

An impairment is then recorded on the difference between the book value and the net present value of the expected cash flows, discounted at the original effective interest rate and determined taking account of the financial situation of the creditor and the current value of guarantees received. In the case of terminated non-performing loans backed by a guarantee, where the amount outstanding is greater than a given minimum amount, an expert appraisal is performed in order to determine the amount of the provision. For amounts below that threshold and performing credits, a prudent estimate is made, which factors in the acquisition cost of the asset.

Loans guaranteed by a private individual or loans with no guarantee are impaired in full.

The amount of that impairment is recognised in *Cost of risk* in the profit and loss statement and the value of the financial asset is reduced through an impairment charge.

Impairment on a portfolio basis

In addition, loans that are not impaired on an individual basis are analysed and impaired on a portfolio basis, where required. These are a group of "sensitive cases" that form a sub-category in performing loans: they show preliminary signs of default (with one or more payments less than six months in arrears) but their status has not yet been downgraded to doubtful.

These credits are impaired according to their likelihood of being downgraded, which is calculated based on observations made between 2005 and 2009. The risk of loss takes account of the nature of the guarantee and is calculated in the same way as for doubtful credits and impaired on the basis of the net present value of recoverable cash flows.

The amount of that impairment is recognised in *Cost of risk* in the profit and loss statement and the value of the financial asset is reduced through an impairment charge.

Impairment of overdrafts

Impairment recorded for overdrafts on active post office bank accounts factor in the loan recovery performance for the previous year according to the level of risk.

Financing commitments

Financing commitments that are not viewed as derivative instruments are not shown on the balance sheet. If the counterparty is likely to default, a provision is recognised over the commitment period.

4.1.7.2.2 Financial assets and liabilities at fair value through profit and loss

Securities classified in this category represent financial assets and liabilities held for transaction purposes, i.e. securities originally acquired with the intention of reselling them or buying them back in the short term, together with assets and liabilities that the Group intended to classify as valued at fair value through profit and loss from the outset, pursuant to the option provided by IAS 39, subject to adhering to the conditions set out in that standard:

- eliminating or significantly reducing accounting mismatch;
- a group of financial assets or liabilities for which management and performance evaluation are conducted at fair value;
- compound financial instruments containing one or several embedded derivatives.

The Group has chosen to recognise these securities as financial assets at fair value through net income from French Treasury bonds (OATs) indexed to the 10-year Constant Maturity Treasury (TEC) rate.

Movements in fair value are recorded in the profit and loss for the period in *Net gains or losses on financial instruments at fair value through profit and loss*.

4.1.7.2.3 Financial assets held to maturity

Financial assets held to maturity are listed financial assets with a fixed or determinable income and maturity that the Group intends and is able to hold until maturity and that it has not chosen to classify as financial instruments at fair value through profit and loss or as financial instruments available for sale.

With a few limited exceptions, IAS 39 prohibits the sale or transfer of these securities before they mature. Infringing this rule may result in the Group being prohibited from classifying securities in this category for two financial years.

At year-end, the securities are valued at amortised cost according to the effective interest rate method, which includes amortisation of the premiums and discounts that correspond to the difference between their acquisition and repayment values.

Income received in respect of these securities is shown in *Interest and similar income* in the profit and loss statement.

Where there is objective evidence of impairment, a provision is recorded to represent the difference between book value and estimated recovery value, discounted at the original effective interest rate. In the event of a subsequent improvement, the excess provision is reversed.

4.1.7.2.4 Financial assets available for sale

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

These assets are recognised on the balance sheet at their market value at the time of their acquisition and at subsequent year-ends until they are sold. Movements in fair value are recorded in a specific line in equity capital: *Unrealised or deferred gains and losses*. These unrealised gains and losses recognised in equity capital are not recognised in the profit and loss statement unless the assets are sold or impaired. Income accrued or received from fixed-income securities is recognised in profit and loss according to the effective net interest method in *Interest and similar income*. Dividends received on variable-income securities are recognised in *Net gains or losses on financial assets available for sale* in the profit and loss statement.

In the event of a prolonged or material reduction in the fair value of equity instruments, an impairment charge is recorded on financial assets available for sale. The same applies to debt securities in the event of a significant deterioration in the credit risk. The fall in the fair value of a security is deemed to be significant when a equity instrument has lost at least 40% of its value between the acquisition date and year-end. When such objective evidence of impairment is observed, the unrealised loss that had hitherto been directly recognised in equity capital is automatically recognised through profit and loss. The fall in the fair value of a security is assumed to be long-term when the ongoing fall extends over a period of more than 24 months. In this case, the Group examines whether there are grounds to recognise the impairment through profit and loss, depending on the level of significance of the unrealised losses. This approach does not rule out the line-by-line examination of objective evidence of impairment.

For debt instruments like bonds, an impairment charge is recorded when there is a proven counterparty risk.

Losses on the impairment of variable income securities recognised in profit and loss cannot be reversed while the instrument concerned is shown on the balance sheet. They are recognised in *Net gains or losses on financial assets available for sale*. Losses on the impairment of fixed-income securities are reversible and are recognised in *Cost of risk* when they involve credit risk.

4.1.7.2.5 Financial derivatives and hedge accounting

According to IAS 39, a derivative is a financial instrument or other contract that has the following three characteristics:

- its value fluctuates according to an interest rate, the price of a financial instrument, the price of a commodity, an exchange rate, an interest rate or credit index, or another variable known as the underlying asset;
- it requires a low or nil initial net investment, or a net investment that is lower than the investment required by a non-derivative financial instrument in order to achieve the same sensitivity to the underlying asset;
- it is unwound at a future date.

~ TRADING DERIVATIVES ~

Derivatives belong to the category of financial instruments held for trading, except for derivatives that are used for hedging purposes. Their fair value is recognised in the balance sheet in *Financial instruments at fair value through profit and loss*. Movements in fair value and interest accrued or received are recognised in *Net gains and losses on financial instruments at fair value through profit and loss*.

~ HEDGING DERIVATIVES ~

Hedging derivatives that qualify as hedging instruments according to the IAS 39 criteria are classified in the *Fair value hedges* or *Cash flow hedges* category, depending on the circumstances. Other derivative instruments are classified in *Assets or liabilities at fair value through profit and loss* by default, even if they have been entered into in order to hedge one or several transactions from an economic perspective.

In order to classify a financial instrument as a hedging derivative, the Group must establish the hedge relationship from the outset (hedging strategy, description of the risk hedged, the item hedged, the hedging instrument and the method used to assess its effectiveness). Effectiveness is assessed at inception and at each year-end while it remains in place.

Depending on the nature of the risk hedged, the derivative financial instrument is designated as a fair value hedge, a cash flow hedge or an exchange rate hedge linked to a net foreign investment.

Fair value hedge

Fair value hedges enable exposure to fluctuations in the fair value of financial assets or liabilities to be hedged; they are primarily used to hedge interest rate risk on fixed-interest assets and liabilities and on instant-access deposits, according to the options approved by the European Union.

Any revaluation of the derivative is recognised in profit and loss in a way that mirrors the revaluation of the item hedged. Gains or losses attributable to the hedged risk are recognised in *Net gains or losses on financial instruments at fair value through profit and loss* in the profit and loss statement. As soon as the hedge relationship becomes effective, movements in the fair value of the hedged item are mirrored by the movements in the fair value of the hedging instrument. Any potential failure in the hedge is directly recognised in profit and loss. The portion relating to the accrued income or expenses of the derivative instrument is recognised in *Income and interest expense* in the profit and loss statement at the same time as the interest income and expense relating to the hedged item.

As soon as the derivative instrument no longer meets the effectiveness criteria specified by the standard, and especially if it is sold, hedge accounting is prospectively discontinued: the derivative is transferred to *Financial assets at fair value through profit and loss* or *Financial liabilities at fair value through profit and loss*.

loss while the remeasurment adjustment of the hedged item is amortised over the remaining period based on the initial life of the hedge.

In the event that the hedged item is sold or redeemed, the hedging instrument, which no longer qualifies as a hedging instrument but still exists, remains on the balance sheet and is accounted for at fair value through profit and loss. A gain or loss on the sale of the hedged item is eventually recognised in profit and loss.

Macro-hedging

The Group applies the provisions of IAS 39, as adopted by the European Union, to macro-hedging transactions that are performed as part of the asset-liability management of fixed-rate positions.

Macro-hedging instruments are primarily interest rate swaps designed as fair value hedges for the Group's fixed-rate resources.

Macro-hedging derivatives are accounted for according to the same principles as those described above. The revaluation of the hedge component is recognised in *Revaluation differences on against interest-rate risk portfolios hedged*.

Cash flow hedge

Cash flow hedge is used to hedge exposure to movements in cash flows from financial assets or liabilities, firm commitments or future transactions. More specifically, it is used to cover interest-rate risk on revisable-rate assets and liabilities.

The effective portion of movements in the fair value of a derivative instrument is entered on a specific line in equity capital, while the ineffective portion is recognised in profit and loss in *Net gains or losses on financial instruments at fair value through profit and loss*.

The portion relating to the accrued income or expenses of the derivative instrument is recognised in Income and *interest expense on hedging transactions* in the profit and loss statement at the same time as the interest income and expense relating to the hedged item.

Hedged instruments continue to be recognised according to the rules that apply to their accounting category.

In the event of a break in the hedging relationship, or as soon as the derivative instrument no longer meets the effectiveness criteria specified by the standard, or especially if it is sold, the hedge accounting ceases. The aggregate amounts entered in equity in respect of the revaluation of the hedging derivative are gradually transferred to profit and loss as interest income or expense, or immediately recognised in profit and loss. In the event that the hedged item is sold or redeemed, the derivative is reclassified in *Financial assets at fair value through profit and loss*, while the revaluation of the hedged item entered in equity capital is immediately recognised in profit and loss.

Hedging 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 a hybrid instrument. It is separated out of the host contract and recognised separately when its economic characteristics and the related risks are not closely linked to those of the host contract, except where the hybrid instrument is valued at fair value through profit and loss.

~ DAY ONE PROFIT ~

The Group does not generate any profit when negotiating structured instruments.

4.1.7.2.6 Guarantees commitments

~ FINANCIAL GUARANTEES ~

A contract meets the definition of a financial guarantee if it includes an indemnity clause, according to which the issuer shall compensate the beneficiary for losses that the latter has suffered due to the default of a debtor who was specifically designated to make a payment on a debt instrument. The financial guarantees provided are valued at their initial fair value at the date they were entered into. They are subsequently valued at the higher of the amount of the commitment and the amount initially recorded, less the commission guarantee, where applicable.

4.1.7.2.7 Determining fair value or market value

Fair value is the amount for which an asset could be exchanged or a liability extinguished between knowledgeable and willing parties in an arm's length transaction. When an instrument is first recognised, its fair value is usually the transaction price.

IAS 39 recommends using a quoted price in an active market in the first instance to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker, an intermediary or a regulatory agency and those prices represent real arm's length transaction. In the absence of an active market, fair value must be determined using valuation techniques. These techniques include the use of recent transactions performed in a normal competition environment. They are based on market data, on the fair value of substantially identical instruments, on cash flow or option valuation discount models and involve recognised valuation methods. The aim of a valuation technique is to establish what the price of an instrument would be under normal market conditions.

For example, the fair value of bond securities, variable-income securities and futures is determined by using quoted prices. The use of valuation techniques concerns over-the-counter derivatives, discounted securities (treasury notes, certificates of deposit, etc.) and repo deposits.

The market value of unlisted equity investments classified as securities available for sale is determined on the basis of certain criteria such as net asset value, forecast returns and the net present value of future cash flows. Non-consolidated equity investments whose fair value cannot be assessed on a reliable basis are valued at cost.

The quoted price for an asset held or a liability to be issued is usually the bid price, while the offer price is used for a liability held or an asset to be acquired. In the case of symmetrical asset and liability positions, only the net position is valued, at the bid price for a net asset or a net liability to be issued and at the offer price for a net liability or a net asset to be acquired.

4.1.7.2.8 Debt

~ DEBT PAYABLE TO CREDIT INSTITUTIONS AND CUSTOMERS ~

Debt payable to credit institutions and customers is broken down according to the initial maturity or nature of the debt: instant-access debt (instant-access deposits, ordinary accounts) or longer-term debt (special scheme savings accounts). The debt includes securities and shares assigned under repo agreements.

~ DEBT SECURITIES ~

Financial instruments are classified as debt instruments if the issuer is obliged to remit cash or other financial assets or to exchange instruments under potentially unfavourable conditions. Debt securities consists of negotiable debt securities issued by La Banque Postale.

The debt is initially recognised at its issue price and is then valued at amortised cost using the effective interest rate method.

4.1.7.2.9 Derecognition of financial assets or liabilities

Financial assets are derecognised when the contractual rights to the cash flows attached to the financial asset expire or when those rights and virtually all the risks and benefits of ownership have been transferred to a third party.

When certain risks and advantages have been transferred and while control of the financial asset is retained, that asset remains on the balance sheet to reflect the ongoing involvement in the asset concerned.

A gain or loss on disposal is then recorded in the profit and loss statement, at an amount equal to the difference between the book value of the asset and the amount received in exchange.

Financial liabilities are derecognised when the contractual obligation is extinguished, cancelled, or expires.

~ REPURCHASE AGREEMENTS ~

The assignor does not derecognise the securities. The Group records a liability that represents its commitment to refund the cash received. This debt represents a financial liability, which is recorded at amortised cost and not at fair value.

The assignee does not recognise the assets received, but recognises a receivable for the cash loaned by the assignor. At subsequent year-ends, the assignor continues to value the securities according to the rules applicable to their original category. The nominal value of the receivable is shown in loans and receivables.

~ SECURITIES LENDING ~

The lending and borrowing of securities do not qualify as a financial asset transfer according to IFRS. Therefore, these transactions cannot result in the derecognition of the loaned securities. They remain recognised in their original accounting category and valued according to the rules of that category. Borrowed securities are not recognised.

4.1.7.3 Tangible and intangible fixed assets

Fixed assets shown on the balance sheet include tangible and intangible operating assets, i.e. assets used for administrative purposes. The Group has no investment properties.

Fixed assets are recognised at their acquisition cost plus acquisition expenses that are directly related and required to put the assets in working order so that they can be used. Borrowing costs incurred during the construction or conversion of property assets are charged as incurred.

Following their initial recognition, fixed assets are valued at cost less accumulated depreciation and any potential loss in value.

The portion of a fixed asset that can be depreciated is determined after deducting its residual value net of disposal costs, if that value can be assessed and is significant.

Fixed assets are depreciated in accordance with the estimated consumption rate of their expected economic benefits, which usually corresponds to the life of the asset.

When a fixed asset includes several components that may be replaced at regular intervals, have different uses or provide economic benefits at different rates, each component is recognised separately from the outset and is depreciated according to a specific depreciation schedule.

Depending on their components, fixed assets are depreciated over periods ranging between 10 and 80 years:

- structural works: 80 years;
- roofs: 60 years;
- joinery and external works: 40 years;
- major equipment items: 20 years;
- small equipment and fixtures and fittings: 10 years.

When they meet the criteria for fixed assets, proprietary software packages are recognised at their development cost, including third-party expenses and the cost of the staff directly assigned to the project. They are usually amortised over three years.

Fixed assets that are depreciated are subject to impairment tests in cases where evidence of a loss in value is identified at year-end. Impairment tests are performed once a year on fixed assets that are not depreciated.

If evidence of a loss of value is recorded, the recoverable value of the asset is compared with its net book value. In the event of a loss in value, an impairment charge is recorded in the profit and loss statement. That impairment changes the depreciation schedule of the asset going forwards. The impairment is reversed in the event of a change in the estimated recoverable value or if the evidence of impairment disappears.

Depreciation, amortisation and impairments are recognised in *Depreciation, amortisation and provisions for impairment of tangible and intangible fixed assets* in the profit and loss statement.

Gains and losses on the disposal of operating fixed assets are recorded in the profit and loss statement on the *Net gains on other fixed assets line*.

4.1.7.4 Regulated savings products

Regulated home savings accounts (CEL) and regulated home savings plans (PEL) offered to retail customers under the provisions of the Law of July 10th 1965 include two stages: gathering funds in the form of remunerated savings and granting home loans.

They generate two kinds of commitments for the lending institution:

- an obligation to remunerate future savings at a rate fixed at the opening of the account for an indefinite period;
- an obligation to grant customers who make the request a home loan where the rate is fixed at the signing of the agreement.

These commitments have potentially unfavourable consequences for the Group and are the subject of *provisions* shown in the Provisions line in balance sheet liabilities. Movements in those provisions are recorded in the net banking income interest margin.

The 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 from the potentially unfavourable interest rate conditions attached to these products relative to rates offered to retail customers on similar products where remuneration is unregulated. The provisions only relate to the commitments for home loan savings accounts and plans that exist at the date the provision is calculated.

Provisions are calculated for each generation of home loan savings plans, without offsetting commitments for different generations of plans, and for all the home loan savings accounts representing one generation.

At the savings stage, the commitments to be provisioned are evaluated according to the difference between average forecast savings deposits and minimum forecast savings deposits, both of which are determined on a statistical basis by factoring in historical observations of actual customer behaviour.

At the lending stage, the commitments to be provisioned include loans that have already been granted but not yet released at the year-end date, as well as future loans that are viewed as statistically likely based on balance sheet deposits as at the calculation date and on historical observations of actual customer behaviour.

A provision is recorded when the net present value of future income is negative for a given generation of loans.

That income is assessed relative to the rates offered to retail customers on equivalent savings and lending products, which have the same term as the deposits and were agreed on the same day.

4.1.7.5 Provisions

Provisions recorded in balance sheet liabilities, other than those relating to credit risk or employees benefit obligation, are liabilities whose length or amount is uncertain. A provision is recorded when the Group has an obligation towards a third party and that obligation is likely or certain to cause an outflow of funds for the benefit of the third party with no expectation of a counter-payment that is at least equivalent.

The net present value of the expected outflow is calculated as soon as the impact of that net present value becomes material.

4.1.7.6 Distinction between debt and shareholders' equity: perpetual super-subordinated notes

In light of the conditions specified by IAS 32 for the analysis of the contractual substance of these instruments, and given their contractual characteristics, the perpetual super-subordinated notes issued by the Group are classified as "debt instruments".

4.1.7.7 Interest income and expense

Interest income and expense are recognised in the profit and loss statement for all financial instruments valued at amortised cost using the effective interest rate method.

The effective interest rate is the rate that discounts future cash outflows or inflows exactly over the expected life of the financial instrument so as to arrive at the net book value of the financial asset or liability. The calculation of this rate factors in commissions received or paid, which are by nature an integral part of the effective contract rate.

4.1.7.8 Commission income and expense

The Group recognises commissions in profit and loss depending on the service supplied and the way in which the financial instruments to which that service relates are recognised.

- Commissions paid for ongoing services are recognised in profit and loss over the length of the service (commissions on debit cards).
- commissions paid for one-off services or for a major transaction are recognised in profit and loss in full when the service is provided or the transaction performed (account management commissions, commissions on payment issues);
- commissions considered as additional interest form an integral part of the effective interest rate.

4.1.7.9 Income tax

4.1.7.9.1 Income Tax payable

The La Poste Group's scope of tax integration includes La Banque Postale and seven of its French subsidiary companies, in which it holds over 95% of the equity, either directly or indirectly: SF2, Sogesco, Efrimo, the CRSF DOM and CRSF Métropole limited property investment partnerships, La Banque Postale Asset Management and La Banque Postale Structured Asset Management.

4.1.7.9.2 Deferred tax

A deferred tax charge is recognised on all temporary differences between the book value of an asset or liability and its tax basis. The tax rates used for valuation purposes are the rates that are expected to be applied when the asset is realised or when the liability is extinguished, to the extent that those rates have been adopted or virtually adopted at year-end.

Net deferred tax assets are only taken into account if it is likely that the entity involved has a chance of recovering them within a determined time frame.

Deferred tax is recognised as tax income or expense in the profit and loss statement, except for tax relating to unrealised gains and losses on assets available for sale and to movements in the value of derivatives classified as cash flow hedges, for which deferred tax is charged directly to equity capital.

The corporate income tax rate retained as at December 31st 2009 was 34.43%.

4.1.7.10 Employee benefits

The La Banque Postale Group provides different types of benefits to its employees, civil servants and contract staff. Those benefits fall into four categories.

4.1.7.10.1 Short-term benefits

Short-term benefits primarily include salaries, annual paid leave, incentives, profit-sharing and bonuses that are paid within 12 months of the financial year-end and relate to that year.

They are recognised as expenses for the financial year in which they are incurred, including amounts still owing at year-end.

4.1.7.10.2 Long-term benefits

Long-term benefits are benefits that usually relate to length of service and are paid to working employees more than 12 months after the financial year end, like Working Hours Savings Accounts, for example.

A provision equivalent to the value of these commitments is recorded at year-end.

4.1.7.10.3 Termination benefits

These are benefits paid to employees when their work contract is terminated before retirement, whether as a result of termination or as part of a voluntary redundancy plan. A provision is recorded for termination benefits. The commitment is valued on the basis of the entitlements earned by all working employees, mainly according to employee turnover, the estimated future salary of beneficiaries at the time they leave the company, including social security contributions where applicable, and mortality tables (INSEE TH/TF00-02). A net present value is calculated for benefits payable more than 12 months after year-end.

4.1.7.10.4 Post-employment benefits

Post-employment benefits for employees include retirement benefits, pensions and benefits for pensioners.

The pension scheme for contracted staff is a scheme known as a “defined contribution scheme”. Such schemes are based on payments to independent bodies that are responsible for paying the amounts due to employees, thus releasing the employer from any subsequent obligation. Therefore, once the contributions have been paid, no liability or commitment is shown in the Group financial statements. Contributions paid to independent bodies are expensed in the period in which they occur.

A provision is recorded in balance sheet liabilities for Group employee commitments not covered by contributions that are expensed and paid to retirement or insurance funds, primarily for retirement benefits.

These commitments are valued according to the projected unit credit method, in accordance with IAS 19. Actuarial appraisals are performed every year.

The appraisal calculations involve taking external actuarial economic assumptions into account (discount rates, inflation rates, the rate of increase in pensions, etc.), together with assumptions that are specific to the Group (employee turnover rate, the rate of increase in benefits and salaries, etc.)

The provision recorded on the balance sheet for defined benefit post-employment schemes corresponds to the present value of the commitment at year-end, adjusted for actuarial differences and the cost of past services that have not been recognised. The present value of the commitment is calculated on an annual basis using the projected credit unit method. That value is determined by calculating the net present value of expected future outflows based on the market rate for top-tier corporate bonds, denominated in the currency in which the benefit will be paid. In addition, the term of the bonds selected is close to the average estimated length of the underlying commitment.

The actuarial assumptions used to value employment commitments to employees are reviewed and updated once a year at year-end.

The calculations factor in the following assumptions:

- the likelihood of working employees staying within the Group, life expectancy trends and estimated salary trends,
- retirement assumptions,
- discount rates that enable the present value of commitments to be determined. The discount rates used for the 2008 and 2009 actuarial valuations, based on top-tier corporate bonds, are the following:

Commitment length	5 years	10 years	15 years	20 years
2008 discount rates (euro zone)	5.5%	5.3%	4.9%	5.2%
2009 discount rates (euro zone)	3.2%	4.1%	4.5%	4.8%

4.1.7.11 Share-based payments (IFRS 2)

Share-based payments involve transactions where payment takes the form of shares issued by the Group, regardless of whether they are settled by the allocation of shares or paid in cash. The amount paid depends on changes in the value of the shares.

An expense equivalent to the fair value of the liability is recognised in the Group financial statements from the date the share plans are awarded to employees. The amount is spread over the length of the entitlement period and offset by a debt.

4.1.7.12 Use of estimates for the preparation of the financial statements

The preparation of the financial statements involves making assumptions and estimates which include uncertainties in the future. These estimates, which are based on the information available at year-end, call upon the judgment of managers and the parties involved in preparing the financial statements, particularly where assessing the fair value of financial instruments is concerned.

Future achievement depends on a number of factors: fluctuations in interest and exchange rates, the economic environment and changes to regulations or legislation, etc.

The following valuations require the use of assumptions and estimates:

- the valuation of financial instruments that are not quoted on organised markets involves the use of models based on observable market data for most over-the-counter instruments. Determining the value of certain complex instruments that are not traded on an active market is based on valuation techniques, which in some cases rely on parameters deemed to be non-observable;
- determining the market value of unlisted financial instruments that are classified as "Assets available for sale";
- valuing financial assets and liabilities recognised at cost and for which fair value information must be provided in the notes to the financial statements;

- credit risk valuations: provisions calculated on a portfolio basis make specific use of estimates regarding the likelihood of default and general use of expert judgements;
- calculations relating to expenses relating to future employee benefits are based on discount rate assumptions, and employee turnover and salary trend assumptions;
- the valuation of provisions other than those linked to credit risk is also, by its nature, subject to estimates, as it involves liabilities where the maturity or amount are not accurately fixed, and where it is likely or certain that there will be an outflow of funds for the benefit of a third party, with no counter-payment of an amount that is at least equivalent expected from that beneficiary;
- the valuation of the regulated home Savings products provision involves assumptions about customer behaviour trends based on historical observations that do not necessarily have a bearing on the future;
- impairment for goodwill tests involve a certain number of assumptions;
- assessing the effectiveness of hedges in place 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 Management Department (DDR) is the dedicated entity to ongoing risk management and control at La Banque Postale. The Executive Board, to which it reports, has authorised it to define and implement the Bank's policy for managing and monitoring financial and operating risk.

The risk management and monitoring guidelines are described in the Bank's *Risk Management Policy*. This document, drafted by the Risk Department, is reviewed at least once a year as part of a process that involves the approval of the Executive Board and the Risk Committee, and involves the Audit Committee and Supervisory Board for information purposes.

The main guidelines are then applied according to operating limits, which are reviewed periodically, primarily according to the business trend, the level of equity capital or the economic

environment. These limits are approved by the Bank's Risk Committee, which is chaired by a member of the Executive Board.

Operating risk limits are set in a way that guarantees compliance with the global guidelines and principles featured in the *Risk Management Policy*, as well as with those specified by the regulations (primarily major risks).

The Risk Department ensures that these operating limits are complied with and reports to the Executive Board, mainly through the Risk Committee, and to the Audit Committee, in accordance with Article 39 of CRBF Regulation 97.02 (amended) regarding internal control procedures for credit institutions and investment firms.

4.2.2 General organization of the Risk Department

The Risk Department, where the target headcount at the end of 2009 was 54 employees, consists of three units:

- the Market and Counterparty Risk Department (MCRD) covers all risk relating to trading on the financial markets and balance sheet management;
- the Credit Risk Department, which is dedicated to managing and monitoring the default risk on loans and overdraft facilities that the Bank grants its retail customers;
- the Operating Risk Department, which is responsible for the management and monitoring of operating risk. The depart-

ment also includes the functions specified by banking and financial regulations, which are dedicated to business continuity, information systems security and card payment security.

The risk Department's monitoring procedures covers the risks faced by La Banque Postale. The department may, however, be called upon to centralise and analyse specific risk indicators on behalf of the subsidiary companies.

4.2.3 Structural risk factors

Financial risk (excluding operating risk) included within the scope of the Risk Department's monitoring responsibilities includes credit, counterparty, market, liquidity and global interest rate risk.

4.2.3.1 Credit risk

For market trading activities, credit risk arises as a result of inter-bank cash transactions (deposits, loans, buybacks) and issuer risk on debt securities traded by the trading room.

Before any investment, third parties are systematically rated and assigned an individual limit aimed at limiting the overall commitment amount. Where applicable, these individual limits are supplemented by so-called group limits, which govern exposure to a group of third parties that are considered as a single beneficiary within the meaning of Article 3 of CRBF Regulation 93-05 (amended).

There were 246 rated and authorised third parties as at December 31st 2009. Given the limits in force, all third parties had an internal rating of at least BBB+ at the time the investment was made. However, one issuer's rating was downgraded

to BBB, two issuers' ratings were downgraded to BBB- and the rating of the final issuer was downgraded to BB+ during 2009. The issuers concerned were all from the car manufacturing sector and were mostly French.

Individual limits are supplemented by a series of limits intended to limit concentration risk for groups of counterparties classified according to their country of origin, their business area or their internal rating. These diversification limits are reviewable on a monthly basis at the Risk Committee meeting.

For retail banking activities, credit risk stems mainly from home loans and, to a lesser degree, from overdrafts and credit facilities granted on accounts opened by customers.

4.2.3.2 Counterparty risk

According to the terminology adopted by La Banque Postale, counterparty risk stems primarily from forward financial instruments.

These transactions, which are only performed with bank counterparties, are systematically performed as part of agreements that provide for the netting of exposure and the putting up of collateral with regular margin calls.

To date, the collateral accepted by La Banque Postale consists mainly of cash. The residual risk, which is subject to limits and is periodically monitored by the Market and Counterparty Risk Department, is not material.

4.2.3.3 Market risk

Even though La Banque Postale does not, strictly speaking, conduct any trading activities, it is exposed to market risk through its cash and balance sheet management activities (available-for-sale asset portfolio and hedging transactions).

The market portfolio, which includes all transactions that are subject to market risk, not only includes the transaction portfolio, as defined in Articles 298 and 299 of the French Ministerial Decree of February 20th 2007 regarding equity requirements for credit institutions and investment firms, but also includes bank portfolio transactions, including securities available for sale and certain lending and borrowing transactions.

The risk of fluctuations in this market portfolio, as defined in La Banque Postale's risk management policy, is assessed through sensitivity indicators, Value at Risk (99%, 1 day) and stress scenario simulations.

The market portfolio is primarily exposed to the risk of fluctuations in interest rates and credit spreads, and, to a lesser degree, to fluctuations in equity markets and exchange rates.

The VaR calculation method and the risk factors that it covers are adjusted on an ongoing basis, in order to take account of

business or traded product trends.

The relevance and the reliability of the VaR model are estimated using an ex-post analysis designed to compare daily fluctuations in the value of the portfolio with VaR.

This analysis is based on counting the number of overruns and on a series of three tests designed to check that certain underlying assumptions in the model have been adhered to.

The crisis simulation scenario portfolio, which included 43 scenarios as at the end of December 2009, factors in historical events (the September 11th attacks, the failure of LTCM, etc.) and hypothetical assumptions based on a statistical analysis of risk factor fluctuations, the aim of which is to simulate a worst-case scenario on a ten-year basis.

The simulations are run on a monthly basis, and the results are presented to the Risk Committee every month and to the Audit Committee every quarter.

4.2.3.4 Liquidity risk

As a result of the limits on approval issued by the CECEI (no corporate funding is allowed, and lending to consumers is restricted to home loans), La Banque Postale's retail banking balance sheet showed a large surplus as at December 31st 2009, due to the fact that home loans outstanding only amounted to 20% of customer deposits.

La Banque Postale is therefore not intrinsically dependent on the market to meet its commitments. It is nonetheless exposed to liquidity risk arising from putting its sources of funding, which consist mainly of instant-access deposits, to longer-term use, either in the form of home loans, or in the form of debt securities.

The amounts allocated to the held-to-maturity securities portfolio are calculated by applying a benchmark scenario, which models the outflow of liabilities under various stress scenarios. Those scenarios specifically factor in significant instant-access deposit withdrawals.

The securities available for sale portfolio consists of the portion of funding resources that is not allocated to securities held to maturity or to home loans. Those securities are immediately negotiable and can be sold rapidly if the need arises.

La Banque Postale's risk management policy identifies two types of liquidity risk, for which it adopts two different monitoring approaches:

- Tactical liquidity risk, relating to the institution's cash management.

There is an operating limit that enables the funding requirements of the cash management unit to be capped. The amount and length of time the cap applies are set by the ALM (Asset-Liability Management) Committee.

- Structural liquidity risk relating to the Bank's balance sheet

structure. The outflow agreements validated by the ALM Committee are taken into account.

Management of this risk is assigned to the ALM Committee in accordance with the guidelines and limits set out in the *Risk Management Policy*.

The risk is currently measured through the medium-to-long-term liquidity gap, which corresponds to a static outflow of liabilities (through outflow agreements) and assets. The Bank has a long-term guarantee that the liquidity represented by the gap will be made available to it, based on an almost certain confidence interval.

Both these risks are governed by two limits that are periodically reviewed by the ALM Committee.

Since early 2008, the methods for assessing liquidity risk have been amended in order to factor in the actual liquidity of liabilities and assets and the Bank's refinancing capacity. The aim of the amendment is to factor in the highly liquid nature of 50% of the sovereign debt securities portfolio (which is exchangeable with the French Central Bank, for example), although limits have been introduced in order to factor in a potential drying up of the securities buyback market.

The change in methods was reflected in a significant rise in surplus liquidity in the liquidity assessment indicator, a rise that was largely offset by a similar adjustment to the limits.

The outflow agreements selected to measure structural liquidity risk are based on modelling the outflow of liabilities with no fixed maturity and the outflow of off-balance sheet loans granted and on taking the realisation potential of the sovereign debt portfolio into account.

Standard outflow agreements for liabilities with no fixed maturity are reviewed at least once a year in order to reset them at the minimum levels required by changes in the deposit volatility trend (behavioural changes, etc.)

Off balance-sheet loans are tested through outflow assumptions based on a behavioural model that takes account of the rate of product changes, payment periods and the life-span of new loans.

Although the programme implemented by the ALM Committee and the Risk Committee provides for cautious liquidity risk management, La Banque Postale has diversified its sources of funding via:

- a €20 billion certificates of deposit programme, which was increased by €10 billion in 2009, where the amounts issued range between 15% and 20% of the programme. This pro-

gramme is designed to keep the La Banque Postale name alive on the short-term market;

- a €10 billion EMTN programme was set up at the end of 2006. A €500 million subordinated notes issue, callable as additional treasury stock, was made at the end of November 2006;
- access to the inter-bank market;
- the use of buybacks for securities held in the held-to-maturity financial assets portfolio. This portfolio consists mainly of high quality, rapidly-realizable government securities.

4.2.3.5 Global interest rate risk

Global interest rate risk is assessed through aggregating the Bank's retail banking balance sheet model (lending and deposits) and the available-for-sale asset and held-to-maturity financial asset portfolios.

Global interest rate risk is governed by a limit aimed at reducing the impact of a 200bp rate shock on the economic value of the balance sheet to 15% of prudential equity capital, in accordance with the Basel Committee recommendations on global interest rate risk.

This indicator is systematically presented to the Risk and ALM Committees, and presented to the Audit Committee once a quarter.

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

4.2.4 La Banque Postale's risk exposure

4.2.4.1 Credit risk on market transactions

~ FINANCIAL ASSETS HELD TO MATURITY ~

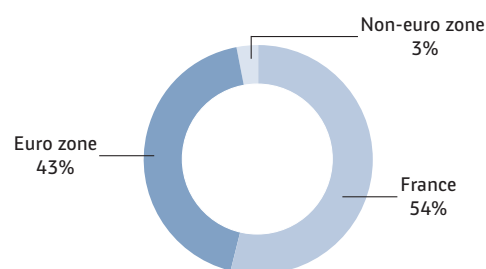
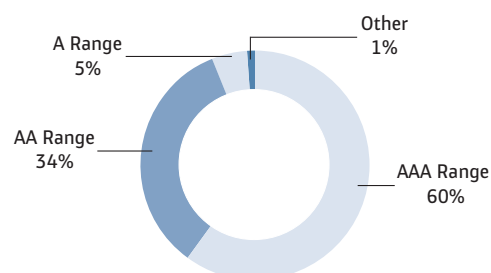
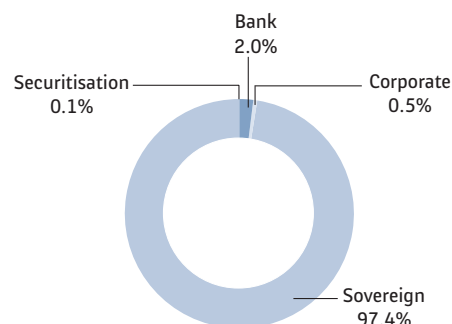
These are very high quality assets that consist mainly of credits issued or guaranteed by euro zone member states, as shown in the tables below (amounts are shown in millions of euros).

Category	12.31.09	12.31.08
Sovereign	33,550.0	36,267.1
Bank	692.6	965.0
Corporate	162.0	371.5
Securitisation	29.6	45.9
Total	34,434.1	37,649.5

Rating	12.31.09	12.31.08
AAA range	20,545.6	21,829.1
AA range	11,808.6	13,635.3
A range	1,643.7	2,185.1
Other	436.2	-
Total	34,434.1	37,649.5

Geographical area	12.31.09	12.31.08
France	18,570.0	19,572.8
Euro zone	14,974.4	17,283.7
Non-euro zone	889.7	793.0
Total	34,434.1	37,649.5

Distribution at 12.31.09



~ FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS ~

Financial assets at fair value through profit and loss include both securities and derivatives. The breakdown below refers only to securities (excluding UCITs), which represent the bulk of financial assets at fair value through profit and loss. In addition, financial assets at fair value through profit and

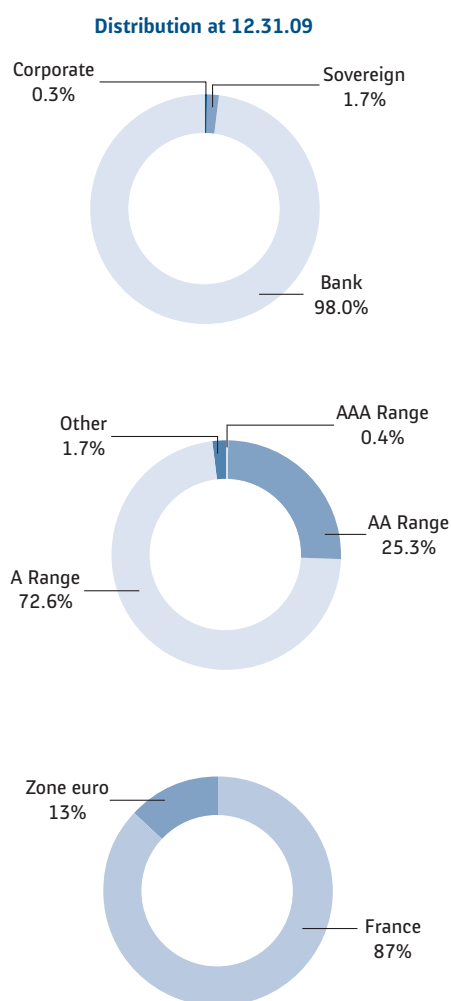
loss include €27.6 million invested in funds managed by third parties.

As shown in the three tables below, these are very high quality assets (amounts are shown in millions of euros).

Category	12.31.09	12.31.08
Sovereign	104.9	-
Bank	6,035.1	7,515.4
Corporate	15.6	286.4
Total	6,155.6	7,801.8

Rating	12.31.09	12.31.08
AAA range	26.0	-
AA range	1,557.2	4,870.6
A range	4,467.4	2,791.3
Other	104.9	139.9
Total	6,155.6	7,801.8

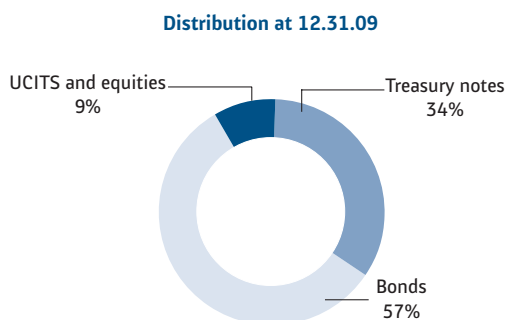
Geographical area	12.31.09	12.31.08
France	5,341.3	6,111.3
Euro zone	814.2	1,063.9
Non-euro zone	-	626.6
Total	6,155.6	7,801.8



Details on the presentation of risk on derivatives contracts are provided in Paragraph 4.2.4.3 regarding counterparty risk.

~ FINANCIAL ASSETS AVAILABLE FOR SALE ~

The breakdown of available-for-sale financial assets held by La Banque Postale is as follows:



Treasury notes break down as follows (amounts are shown in millions of euros):

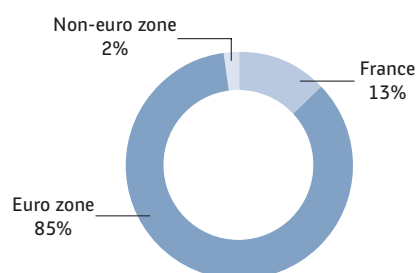
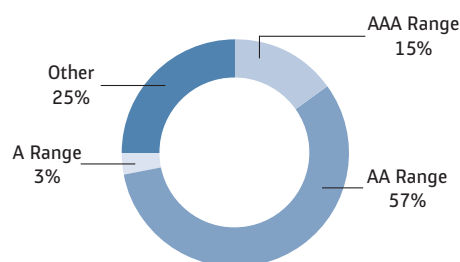
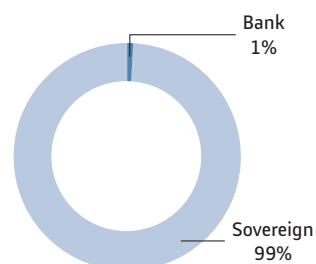
Category	12.31.09	12.31.08
Sovereign	3,600.6	5,162.7
Bank ⁽¹⁾	32.0	33.7
Total	3,632.6	5,196.4

(1) These are notes issued by the international Bank for Reconstruction and Development (IBRD)

Rating	12.31.09	12.31.08
AAA range	560.5	34.8
AA range	2,054.5	3,868.1
A range	116.2	1,293.5
Other	901.4	-
Total	3,632.6	5,196.4

Geographical area	12.31.09	12.31.08
France	487.4	1.1
Euro zone	3,076.5	5,155.3
Non-euro zone	68.7	40.0
Total	3,632.6	5,196.4

Distribution at 12.31.09

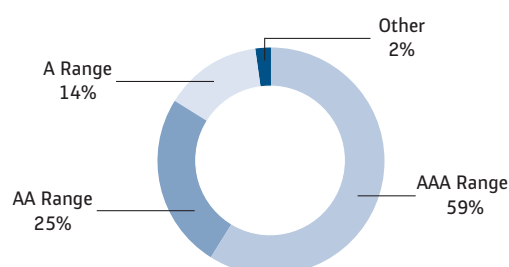
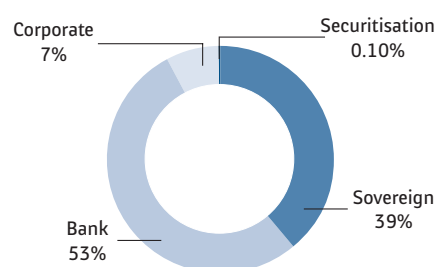


Bonds break down as follows (amounts are shown in millions of euros):

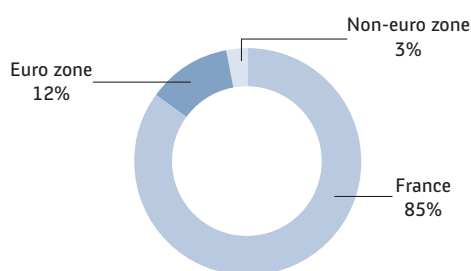
Category	12.31.09	12.31.08
Sovereign	2,332.2	616.5
Bank	3,181.7	1,394.3
Corporate	442.8	510.1
Securitisation	5.5	14.0
Total	5,962.2	2,534.9

Rating	12.31.09	12.31.08
AAA range	3,488.9	1,332.4
AA range	1,500.4	474.8
A range	845.7	528.8
Other	127.2	198.9
Total	5,962.2	2,534.9

Distribution at 12.31.09



Geographical area	12.31.09	12.31.08
France	5,093.9	1,055.7
Euro zone	709.9	1,013.1
Non-euro zone	158.4	466.1
Total	5,962.2	2,534.9



~ INTER-BANK DEPOSIT OR REPO TRANSACTIONS ~

La Banque Postale enters into inter-bank transactions, including depositing and lending or borrowing securities, as part of its day-to-day business.

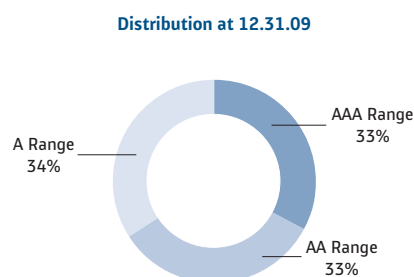
Deposits

The counterparty risk attached to inter-bank deposits is managed in the same way as issuer risk (the transactions are included in individual, group and diversification limits).

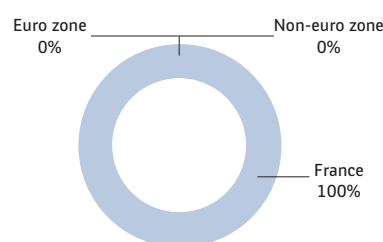
As at the end of December 2009, La Banque Postale' inter-bank deposits amounted to €2,150 million, including €25 million maturing in less than one year and €2,125 million with a maturity of between one and ten years. Inter-bank deposits with maturities beyond one year were invested solely with French banks that are rated A or higher.

These deposits, shown in millions of euros, break down as follows:

Rating	12.31.09	12.31.08
AAA range	720.7	1,675.8
AA range	703.4	1,925.9
A range	725.9	730.1
Total	2,150.0	4,331.8



Geographical area	12.31.09	12.31.08
France	2,150.0	3,821.1
Euro zone	-	407.0
Non-euro zone	-	103.7
Total	2,150.0	4,331.8



Repo

Counterparty risk on securities lending and buybacks is limited by the fact that La Banque Postale only deals with top-tier banks, with whom it has signed netting and collateral agreements.

Within this framework, securities lending and buybacks generated a counterparty risk of only €4.2 million as at December 31st 2009, which involved an A+ rated bank in the euro zone.

~ SPECIFIC DETAILS ON EXPOSURE TO BANKS~

La Banque Postale has exposure of €11.3 billion to banking institutions (excluding inter-bank deposit transactions).

A number of details deserve to be highlighted:

- almost 75% of the exposure is to banking institutions located in France;

- almost 95% of the exposure is to banking institutions in the euro zone;
- 99% of the exposure is to institutions rated A or higher;
- over 70% of the exposure to banks matures in less than a year;
- over 30% of the exposure to banks matures in less than three months.

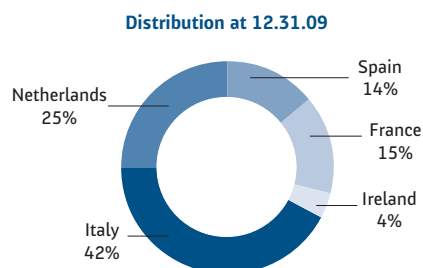
Specific update on securitisation

La Banque Postale's exposure to securitisation vehicles amounted to €128.4 million, down over 20% compared with 2008. La Banque Postale has not made any investments in this asset class; the securitisation items shown on its balance sheet as at December 31st 2009 were transferred to the Bank when it was founded. La Banque Postale has been winding down the securitisation portfolio since early 2006.

The tranches on which the Bank is exposed are all AAA rated. Only one €2.6 million tranche was rated BB by Standard & Poor's and A2 by Moody's as at December 31st 2009. These external ratings do not reflect any potential deterioration in the quality of the underlying asset and only take account of the fact that the securitisation is guaranteed by a monoliner whose rating was downgraded at regular intervals during 2009.

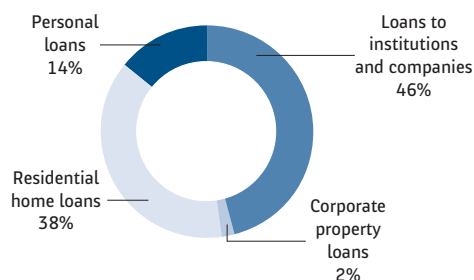
As at December 31st 2009, La Banque Postale was not aware of any potential material deterioration in the credit quality of the underlying assets of its securitisation portfolio.

The geographical breakdown of La Banque Postale's securitised assets is as follows:



La Banque Postale is not involved in asset securitisation in the United States, and is only involved in asset securitisation in the euro zone.

The breakdown of the securitisation portfolio by type of underlying asset is as follows:



The largest part of the portfolio is represented by home loans to private individuals.

4.2.4.2 Credit risk on customer transactions

4.2.4.2.1 Overview of risk

Credit risk is the risk incurred in the event of default by a counterparty or counterparties considered as one beneficiary according to the meaning of banking regulations.

The transactions involved at La Banque Postale are the following:

- **home loans to private individuals** that are intended to finance a main residence, a secondary residence and rental properties owned by Bank customers;
- **home loans to limited property investment partnerships**, regardless of whether they are family-owned, that are controlled by private individuals and where the main aim is to manage the private assets of those individuals;
- **overdrafts on instant-access accounts** for retail customers, including short-term corporate facilities for retail customers on a subsidiary basis;
- **consumer loans** that La Banque Postale grants to employees of La Poste and its subsidiary companies, and loans granted by La Banque Postale Financement (LBPF), a subsidiary company specialising in consumer loans, which has been marketing this type of loans since December 2009;
- **social micro-loans**. These loans are strictly reserved for private individuals who are unable to obtain a loan at market conditions within the banking system: people affected by job insecurity, people on low incomes, jobseekers, people on benefits, people who receive minimum social security payments, students, apprentices, etc.

Home loans outstanding, which represent the bulk of La Banque Postale's retail banking lending activity, increased by 16% during the past year and amounted to €32 billion as at December 31st 2009.

The Bank's comprehensive coverage of mainland France enables a very broad spread of risk, both by geographical region and transaction amount.

4.2.4.2.2 Procedures implemented at La Banque Postale

La Banque Postale's Risk Management Department is responsible for the La Banque Postale Group's credit risk division and ensures that risk management procedures at Group level are consistent.

~ LA BANQUE POSTALE RISK MANAGEMENT POLICY ~

La Banque Postale's Risk Department draws up guidelines governing the assumption of risk at a national level and modifies those guidelines, especially the guidelines for taking on new customers and for granting loans. To this end, it works with the Marketing Department, the Sales Department and the Transactions Department as the need arises.

Where management of inherent risk is concerned, the Risk Department is responsible for the rules on recovery, working together with the Legal Department and the Transactions Department, and with the Accounting Department for the rules governing provisions for accounts receivable.

The Risk Department defines and implements tools (score-cards and expert systems) for granting and managing loans and overdrafts; it makes sure that they work properly, assumes responsibility for any adjustments necessary and carries out regular back-testing.

The Department defines and implements credit risk assessment indicators, together with action plans in the event of a deterioration in these indicators.

Beyond the scope of its own capacities, which are assigned by the Executive Board, it has the credit risk "game plan" validated by the Risk Committee or the Executive Board if requested to do so by the Chairman of the Risk Committee.

Once the rules have been validated, the Risk Department ensures that they are implemented and monitors their proper application throughout the credit process.

Its procedures rely on a network of Risk Officers in the Financial Centres.

~ LA BANQUE POSTALE FINANCEMENT RISK MANAGEMENT POLICY ~

Where the distribution of consumer credit by La Banque Postale Financement is concerned, the definition of risk guidelines (for the granting, agreeing and recovery of loans) is the responsibility of La Banque Postale Financement's Risk Department, which keeps La Banque Postale's Risk Department informed, primarily through a cross-functional La Banque Postale-La Banque Postale Financement Risk Committee.

4.2.4.2.3 Risk exposure for the 2008 and 2009 financial years

2009 financial year (€ '000s)	Gross balance sheet as at 12.31.09		Gross off-balance sheet as at 12.31.09		Total exposure as at 12.31.09	
	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of Total
Home loans	31,960,537	93%	2,308,714	7%	34,269,251	83%
Consumer loans	76,971	100%		0%	76,971	0%
LBPF loans	836	100%	-	0%	836	0%
Accrued interests	84,345	100%	-	0%	84,345	0%
Social home loans	349	100%	-	0%	349	0%
Overdrafts & short-term facilities	278,583	5%	5,753,858	95%	6,032,441	15%
Card payments	563,634	100%	-	0%	563,634	1%
Postal orders	27,832	100%	-	0%	27,832	0%
Stock market savings	232	100%	-	0%	232	12%
Total	32,993,320	80%	8,062,572	20%	41,055,892	100%

2008 financial year (€ '000s)	Gross balance sheet total as at 12.31.08		Gross off-balance sheet total as at 12.31.08		Total exposure as at 12.31.08	
	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of Total
Home loans	27,510,797	93%	2,109,021	7%	29,619,818	81%
Consumer loans	73,732	94%	4,519	6%	78,250	0%
Accrued interests	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%
Card payments	547,096	100%	-	0%	547,096	2%
Postal orders	28,072	100%	-	0%	28,072	0%
Stock market savings	1,371	100%	-	0%	1,371	0%
Total	28,646,145	79%	7,813,382	21%	36,458,157	100%

Note: the items shown in respect of credit risk on customer transactions, which are supplied from management data, do not include transaction costs that are directly related to loan issuance. From an accounting standpoint, those costs are considered as an integral part of loan income.

Home loans outstanding represented 83% of total exposure as at the end of 2009 (against 81% as at the end of 2008). This trend is explained by the continued increase in home loans outstanding, which rose from €27.5 billion as at the end of 2008 to €32 billion as at the end of 2009.

Off-balance sheet exposure consists primarily of approved overdrafts on instant-access deposits. Off-balance sheet exposure on home loans was €2.3 billion, which amounted to 7% of total home loan exposure.

Total consumer loans outstanding include loans to La Poste employees, consumer loans granted by La Banque Postale Financement and subsidised micro-loans.

4.2.4.2.4 Exposure to credit risk

~ MAXIMUM EXPOSURE TO CREDIT RISK AS AT YEAR-END ~

2009	Performing loans outstanding		Gross doubtful performing loans outstanding		Gross doubtful non-performing loans outstanding		Gross balance sheet amounts as at 12.31.09		Gross off-balance sheet amounts as at 12.31.09	
	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of OBS total
(€ '000s)										
Home loans	31,878,629	99.74%	52,064	0.16%	29,844	0.09%	31,960,537	97%	2,308,714	29%
Consumer loans	76,601	99.52%	152	0.20%	218	0.28%	76,971	0%	-	0%
LBPF loans	836	100.00%		0.00%		0.00%	836	0%	-	0%
Accrued interests	84,226	99.86%	120	0.14%		0.00%	84,345	0%	-	0%
Social home loans	222	63.68%	104	29.89%	22	6.43%	349	0%	-	0%
Overdrafts and short-term credit facilities	225,976	81.42%	16,520	5.95%	35,042	12.63%	277,538	1%	5,753,858	71%
Card payments	563,634	100.00%	-	0.00%	-	0.00%	563,634	2%	-	0%
Postal orders	-	0.00%	-	0.00%	27,832	100.00%	27,832	0%	-	0%
Stock market savings	-	0.00%	232	100.00%	-	0.00%	232	0%	-	0%
Total	32,830,124	99.50%	69,193	0.21%	92,958	0.29%	32,992,274	100%	8,062,572	100%

2008	Performing loans outstanding		Gross doubtful performing loans outstanding		Gross doubtful non-performing loans outstanding		Gross balance sheet amounts as at 31.12.08		Gross off-balance sheet amounts as at 12.31.08	
	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of OBS total
(€ '000s)										
Home loans	27,448,107	99.77%	38,756	0.14%	23,934	0.09%	27,510,797	96%	2,109,021	27%
Consumer loans	73,416	99.57%	114	0.15%	203	0.27%	73,732	0%	4,519	0%
Accrued interests	71,469	99.88%	87	0.12%	-	0.00%	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%
Card payments	547,096	100.00%	-	0.00%	-	0.00%	547,096	2%	-	0%
Postal orders	-	0.00%	-	0.00%	28,072	100.00%	28,072	0%	-	0%
Stock market savings	-	0.00%	1,371	100.00%	-	0.00%	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%

As at December 31st 2009, home loans outstanding amounted to €32 billion, of which 0.26% were doubtful (0.23% as at the

end of 2008), while consumer loans amounted to €77.8 million, of which 0.48% were doubtful (0.43% as at the end of 2008).

~ GUARANTEES RECEIVED~

2009 financial year (€ '000s)	Guaranteed by an asset		Guaranteed by a corporate		Guaranteed by a private individual		No guarantee		Gross total as at 12.31.09	
	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total
Home loans										
Performing loans	7,887,319	24.74%	22,260,592	69.83%	211,910	0.66%	1,518,808	4.76%	31,878,629	99.74%
Doubtful performing loans	25,374	48.74%	22,324	42.88%	1,645	3.16%	2,721	5.23%	52,064	0.16%
Doubtful non-performing loans	25,126	84.19%	916	3.07%	330	1.11%	3,471	11.63%	29,844	0.09%
Total	7,937,819	24.84%	22,283,833	69.72%	213,885	0.67%	1,525,000	4.77%	31,960,537	100.00%
Consumer loans										
Performing loans	-	-	-	-	-	-	77,437	100.00%	77,437	99.52%
Doubtful performing loans	-	-	-	-	-	-	152	100.00%	152	0.20%
Doubtful non-performing loans	-	-	-	-	-	-	218	100.00%	218	0.28%
Total	-	-	-	-	-	-	77,807	100.00%	77,807	100.00%

2008 financial year (€ '000s)	Guaranteed by an asset		Guaranteed by a corporate		Guaranteed by a private individual		No guarantee		Gross total as at 12.31.08	
	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total	Amounts outstanding	As a % of total
Home loans										
Performing loans	7,273,409	26.50%	18,587,127	67.72%	172,381	0.63%	1,415,190	5.16%	27,448,107	99.77%
Doubtful performing loans	19,613	50.61%	16,043	41.40%	848	2.19%	2,251	5.81%	38,756	0.14%
Doubtful non-performing loans	19,014	79.44%	810	3.39%	317	1.32%	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	100.00%
Consumer loans										
Performing loans	-	-	-	-	-	-	73,416	99.57%	73,416	99.57%
Doubtful performing loans	-	-	-	-	-	-	114	0.15%	114	0.15%
Doubtful non-performing loans	-	-	-	-	-	-	203	0.27%	203	0.27%
Total	-	-	-	-	-	-	73,732	100.00 %	73,732	100.00 %

Loans outstanding guaranteed by corporates registered a 2% increase, in line with a strong rise in this type of guarantee for new lending agreements (75% in 2009 compared with 68% in 2008).

For consumer loans, the entire amount outstanding is deemed to be unguaranteed.

~ CREDIT QUALITY OF ASSETS THAT ARE NEITHER IN ARREARS NOR IMPAIRED ON AN INDIVIDUAL BASIS ~

2009 (€ '000s)	Breakdown of performing loans	Performing loans outstanding		As a % of performing loans	2008 (€ '000s)	Breakdown of performing loans	Performing loans outstanding		As a % of performing loans
Home loans	Performing loans not in arrears		31,732,235	99.54%	Home loans	Performing loans not in arrears		27,322,089	99.54%
	Performing loans in arrears		146,394	0.46%		Performing loans in arrears		126,018	0.46%
	Total performing loans		31,878,629	100.00%		Total performing loans		27,448,107	100.00%
Consumer loans	Performing loans not in arrears		77,007	99.45%	Consumer loans	Performing loans not in arrears		73,125	99.60%
	Performing loans in arrears		429	0.55%		Performing loans in arrears		290	0.40%
	Total performing loans		77,437	100.00%		Total Performing Loans		73,416	100.00%

The stability of the level of performing loans outstanding that were not in arrears compared with 2008 (99.54% of all performing loans) should be noted.

2009 financial year	Length of loan	As a % of total
Home loans	between 0 and 5 years	2.66%
	between 5 and 10 years	12.15%
	between 10 and 15 years	28.87%
	between 15 and 20 years	32.06%
	between 20 and 25 years	24.25%
	Total	100.00%

Lengths shown correspond to the initial length of loans. The maximum length of the loans granted by La Banque Postale is always 25 years.

2008 financial year	Length of loan	As a % of Total
Home loans	between 0 and 5 years	3.70%
	between 5 and 10 years	12.23%
	between 10 and 15 years	30.77%
	between 15 and 20 years	35.15%
	between 20 and 25 years	20.14%
	Total	100.00%

The proportion of loans with a shorter length (up to 15 years) was 43% of the total as at the end of 2009 against 46% as at the end of 2008.

~ FINANCIAL ASSETS IN ARREARS BUT NOT IMPAIRED ON AN INDIVIDUAL BASIS ~

2009 financial year (€ '000s)	Length of arrears	Outstanding loans in arrears	As a % of total loans in arrears
Home loans	less than 30 days in arrears	81,326	55.55%
	between 30 and 60 days in arrears	30,586	20.89%
	between 60 and 180 days in arrears	34,482	23.55%
	Total performing loans in arrears	146,394	100.00%
Consumer loans	Less than 30 days in arrears	192	44.73%
	between 30 and 60 days in arrears	170	39.58%
	between 60 and 90 days in arrears	67	15.69%
	Total loans in arrears	429	100.00%

The balance of home loans in arrears was up 15% as at December 31st 2009 compared with the previous year-end.

The breakdown of guarantees held on performing home loans in arrears is as follows:

2009 financial year (€ '000s)	Type of guarantee	Loans	As a % of total
Performing home loans in arrears	Guaranteed by an asset	58,605	40%
	Guaranteed by a company	79,330	54%
	Guaranteed by a private individual	3,368	2%
	No guarantee	5,091	3%
	Total	146,394	100%

The level of guarantees in place for performing credits in arrears remained very stable compared with December 31st 2008.

2008 financial year (€ '000s)	Length of arrears	Outstanding loans in arrears	As a % of total loans in arrears
Home loans	less than 30 days in arrears ⁽¹⁾	70,722	52.92%
	between 30 and 60 days in arrears ⁽¹⁾	24,994	18.70%
	between 60 and 90 days in arrears ⁽¹⁾	14 635	10.95%
	between 90 and 180 days in arrears ⁽¹⁾	23,292	17.43%
	Total loans in arrears⁽¹⁾	133,642	100.00%
	Including loans classified as doubtful according to the contagion principle	7,624	5.70%
	Total performing loans in arrears	126,018	
Consumer loans	less than 30 days in arrears	123	42.27%
	between 30 and 60 days in arrears	152	52.30%
	between 60 and 90 days in arrears	16	5.43%
	Total loans in arrears	290	100.00%

(1) These figures (taken from account monitoring statements) include loans in arrears classified as doubtful according to the contagion principle. These loans amounted to 5.5% of loans in arrears.

No major movements were observed in the breakdown of loans by length of arrears.

2009 financial year (€ '000s)	Type of guarantee	Loans	As a % of total
Performing home loans in arrears	Guaranteed by an asset	52,505	42%
	Guaranteed by a company	67,095	53%
	Guaranteed by a private individual	529	0%
	No guarantee	5,889	5%
	Total	126,018	100%

A provision of €12.4 million (an increase of 17% compared with the previous year) was recorded as at December 31st 2009. An estimate of the fair value of the guarantees was not available as at December 31st 2009.

~ ANALYSIS OF INDIVIDUALLY IMPAIRED FINANCIAL ASSETS ~

Loans

2009 financial year	Type of guarantee	Receivables		Of which interest	Value of the guarantee held	Amount to be provisioned excluding discount rate	Provision rate excluding discounting	Net present value of provisions	Provision rate including discounting
(€ '000s)		(a)	as a % of total		(b)	(c)=(a)-(b)	(c)/(a)	(d)=(c) discounted	(d)/(a)
Home loans									
Doubtful performing loans	Guaranteed by an asset	17,484	34%	348	15,902	1,582	9%	4,911	28%
	Guaranteed by a corporate	12,446	24%	173	12,300	146	1%	547	4%
	Guaranteed by a private individual	984	2%	15	-	984	100%	984	100%
	No guarantee	1,631	3%	30	-	1,631	100%	1,631	100%
	Loans classified as doubtful according to the contagion principle, but not in arrears	19,519	37%	-	16,583	2,936	15%	4,805	25%
	Total	52,064	100%			7,173	14%	12,788	25%
Doubtful non-per- forming loans	Guaranteed by an asset	25,126	84%	508	22,109	3,017	12%	5,356	21%
	Guaranteed by a corporate	916	3%	22	896	21	2%	102	11%
	Guaranteed by a private individual	330	1%	11	-	330	100%	330	100%
	No guarantee	3,471	12%	96	-	3,471	100%	3,471	100%
	Total	29,844	100%			6,839	23%	9,260	31%
Consumer loans									
	Doubtful	127	34%	1	-	127	100%	127	100%
	Loans classified as doubtful accor- ding to the conta- gion principle, but not in arrears	26	7%	-	ns	-	0%	-	0%
	Doubtful non- performing loans	218	59%	5	-	218	100%	218	100%
	Total	370	100%			345	93%	345	93%

The pre-and post-discount impairment rate did not change much from one year to another. This is explained by the way

these loans break down by guarantee and by the ongoing provisioning methods applied.

Customer accounts

(€ '000s)	12.31.08	12.31.09
Doubtful loan balances and non-performing doubtful loan balances	36,348	51,562
Provisions	22,845	34,848
Ratio of provisions to doubtful and non-performing loan balances	63%	68%

The provision ratio on doubtful customer accounts increased slightly, from 63% to 68% compared with the previous year.

2008 financial year (€ '000s)	Type of guarantee	Loans		Of which interest	Value of gua- rantee held	Balance to be provi- sioned (ex. discounting)	Provision rate (ex. discounting)	Net present value of provision	Provision rate including discounting
		(a)	as a % of total		(b)	(c) = (a) - (b)	(c) / (a)	(d) = (c) discounted	(d) / (a)
Home loans									
Doubtful performing loans	Guaranteed by an asset	13,969	36%	215	13,216	753	5%	3,668	26%
	Guaranteed by a corporate	8,186	21%	105	8,098	88	1%	368	4%
	Guaranteed by a private individual	396	1%	5	-	396	100%	396	100%
	No guarantee	1,132	3%	21	-	1,132	100%	1,132	100%
	Loans classified as doubtful according to the contagion principle, but not in arrears	15,072	39%	-	12,714	2,359	16%	3,809	25%
	Total	38,756	100%			4,727	12%	9,373	24%
Doubtful non-perfor- ming loans	Guaranteed by an asset	19,014	79%	359	17,847	1,167	6%	3,163	17%
	Guaranteed by a corporate	810	3%	22	789	21	3%	102	13%
	Guaranteed by a private individual	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%
Consumer loans									
	Doubtful	39	12%	0	-	39	100%	39	100%
	Loans classified as doubtful according to the contagion principle, but not in arrears	75	24%	-	ns	-	0%	-	0%
	Doubtful non- performing loans	203	64%	5	-	203	100%	203	100%
	Total	316	100%			241	76%	241	76%

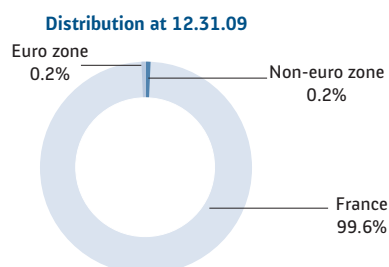
4.2.4.3 Exposure to counterparty risk

La Banque Postale is primarily exposed to counterparty risk through its transactions in the derivative market.

The risk is limited by the fact that La Banque Postale only deals with top-tier institutions with whom it has signed netting and collateral agreements. Furthermore, most of the instruments involved are “plain vanilla”.

As at the end of 2009, net exposure to those counterparties, after taking any collateral in place into account, was €25.9 million. All counterparties are at least A-rated.

Geographical area	12.31.09	12.31.08
France	25.8	68.2
Euro zone	0.1	15.3
Non-euro zone	0.0	32.2
Total	25.9	115.7



4.2.4.4 Exposure to liquidity risk

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

The assumptions included in the medium to long-term liquidity gap are as follows.

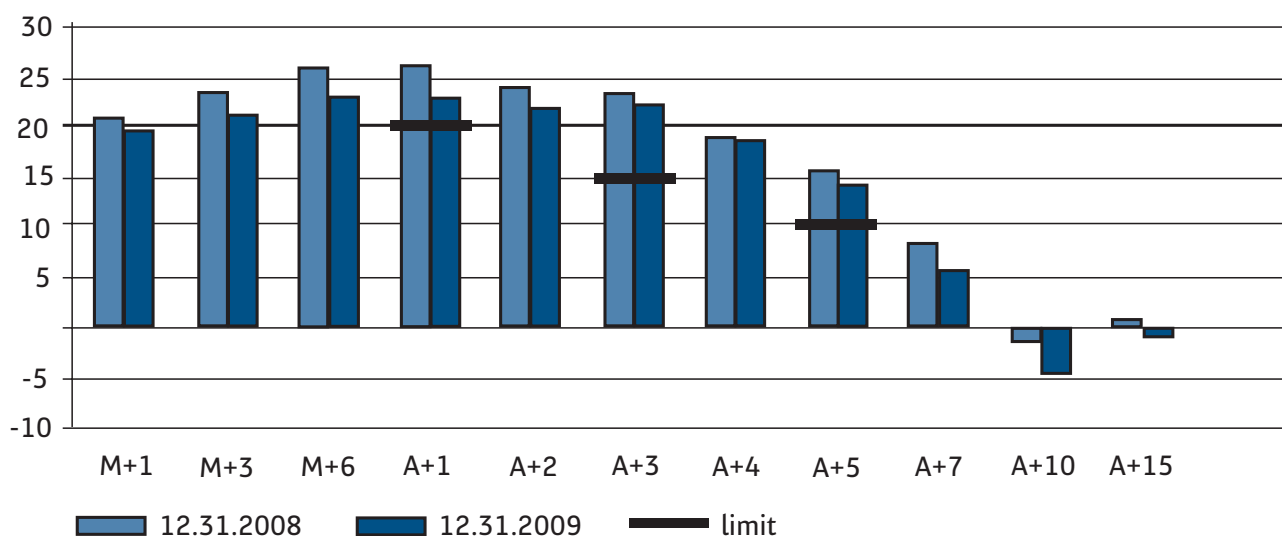
Equity capital net of fixed assets	Final
Debt	Contractual date or call date
Instant-access deposits/savings accounts/CEL accounts and long-term savings accounts	Outflow agreement
Home regulated savings plans	Certain outflow (see provision for regulated savings products)
Term deposits	Outflow agreement
Home loans	Contractual payment schedule + structural anticipated repayments
Home loan savings option	Likely production over average recorded maturity
Bonds and deposits	Contractual payment schedule net of the buyback limit set by the cash management unit
Off-balance sheet commitments	Outflow agreement

The calculation is based on the following intervals:
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 gap is measured every month and presented to the Risk and ALM Committees.

~ LIQUIDITY GAP, AS MEASURED AT DECEMBER 31ST 2009 AND DECEMBER 31ST 2008 ~

(€ '000s)	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	7 years	10 years	15 years
12.31.09	19,472	20,882	22,735	22,783	21,497	22,220	18,427	14,186	5,495	- 4,713	- 683
12.31.08	20,455	23,127	25,640	25,997	23,883	23,163	18,792	15,530	8,098	- 1,660	242

~ LA BANQUE POSTALE'S OVERALL BALANCE SHEET LIQUIDITY GAP (€ BILLIONS) ~



A positive gap for a given interval means that the Bank has more inflows than outflows with a maturity date longer than the interval.

The positive liquidity gap for intervals under 10 years reflects La Banque Postale's excess liquidity.

This high level of liquidity is further reinforced by the quality of the financial assets held by the Bank and their accounting classification, which is taken into account for the purpose of managing its structural liquidity.

The increase in home loan volumes and the decrease in home savings plans inflows in 2009 explain the fall in the liquidity surplus for intervals below 10 years and the increase in the gap at the 10-year interval.

The liquidity limit system is supplemented through stress scenarios that include a drying up of the securities buyback market.

4.2.4.5 Market risk

The Bank has decided to apply Value at Risk (99%, 1 day) to all its marked-to-market positions. The VaR limit is reviewed by the Risk Committee on a monthly basis. La Banque Postale's VaR not only covers the transaction portfolio (impact on fair value profit and loss), but also covers positions recognised as assets available for sale (impact on shareholders' equity).

The VaR used by La Banque Postale is a parametric VaR, calculated using a variance-covariance matrix that includes 2,764 risk factors, including interest rate risk, spreads, exchange rate risk, volatility and the risk of fluctuations in the stock market indices to which the Bank is exposed. This matrix is calculated using a scaling factor designed to give a higher weighting to recent fluctuations than to more distant ones.

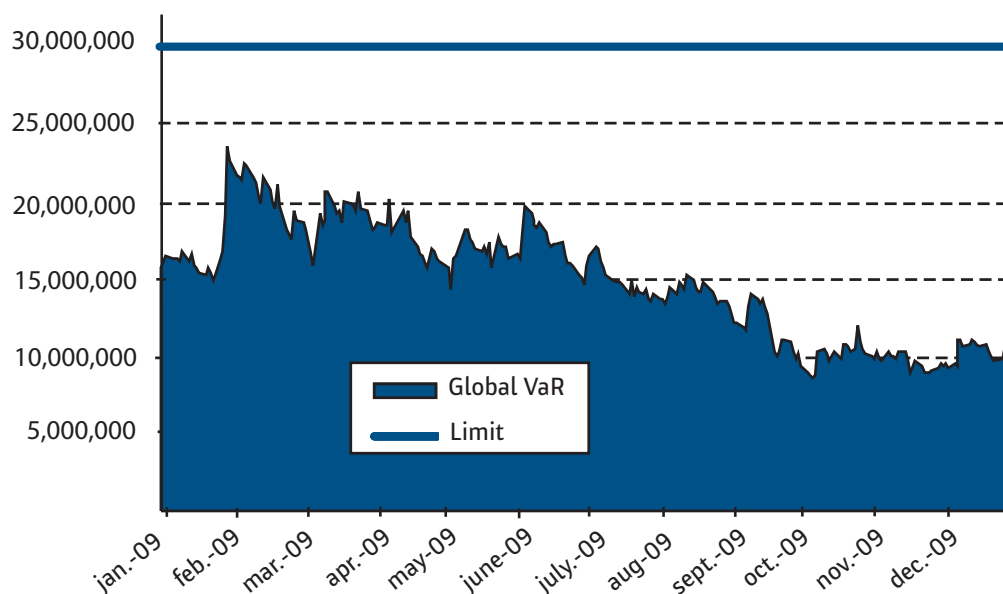
The resulting VaR partly covers option-related risk, although Level 2 risks are not taken into account.

Although they are not currently material, the building of option positions could lead the Risk Department to adopt more appropriate methods.

The Risk Department back-tests the results of the model used to calculate VaR, in order to assess its quality. This testing consists in measuring compliance with certain assumptions (including normality and Markovian distribution), in addition to counting the number of overshoots.

VaR assessments are supplemented by stress scenarios, which are run on a monthly basis in order to assess the Bank's exposure to market situations that exceed the confidence interval selected for calculating VaR.

~ VAR (99%; 1D) TREND ~



(data in € millions)

	12.31.07	12.31.08	12.31.09
Global VaR	9.3	15.8	10.2
VaR of trading portfolio transactions	2.1	1.8	4.5

Risk factor contribution to global VaR

(data in € millions)

	12.31.07	12.31.08	12.31.09
Interest rates	6.5	8.8	7.3
Credit spreads	3.2	3.3	0.3
Exchange rates	0.0	0.3	(0.1)
Equity markets	(0.5)	3.3	2.7
Volatility	0.0	0.1	0.0
Total	9.3	15.8	10.2

Statistics for the 2008 financial year

(data in € millions)

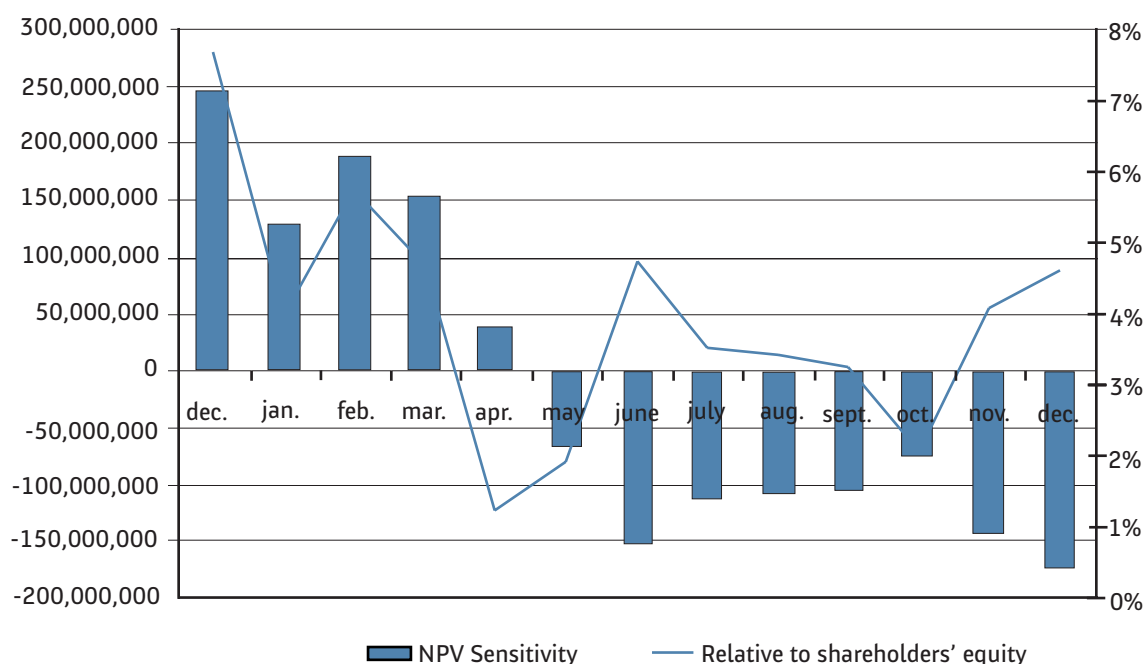
	Average	Minimum	Maximum
Global VaR	14.9	8.6	23.7

The VaR of the market portfolio gradually decreased throughout 2009, due to lower volatility levels in the financial markets, which gradually returned to normal as the financial crisis abated.

Increased use of the transaction portfolio as a hedge for other Bank portfolios led to a rise in VaR in this area compared with the previous financial year.

4.2.4.6 Global interest rate risk

~ NPV SENSITIVITY ~



In accordance with the Basel Committee's recommendations, the impact applied for calculating the sensitivity of economic balance sheet value is 200bp. This indicator is calculated on the basis of a static balance sheet, without factoring in any new income.

Assets and liabilities with no contractual maturity date are liquidated in accordance with the 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 risk

As at 31st December 2009, 90.7% of the bonds in the CNP Assurances Group's bond portfolio were rated A to AAA, with 37% of the bonds attracting the top (AAA) rating.

As at 31st December 2008, 94.2% of the bonds in the CNP Assurances Group's bond portfolio were rated A to AAA by the main rating agencies, and 47.5% received the top (AAA) rating.

4.2.5.2 Exchange rate risk

Asset portfolios are mainly invested in euro zone equities.

The investment portfolios' foreign exchange risk exposure is therefore very limited: less than 1% of the investments held by the Group's French companies are denominated in a currency other than the euro.

In terms of exchange rate risk, CNP Assurances analyses the impact on profit and shareholders' equity of a 10% increase in the euro exchange rate against the US dollar, sterling and the Brazilian real. Although the impact of movements in the US dollar or sterling on profit and shareholder's equity is due to holding financial assets denominated in those currencies, the Group's exposure to the Brazilian real is explained by the full consolidation of Caixa, its Brazilian subsidiary.

~ SENSITIVITY ANALYSIS AS AT DECEMBER 31ST 2009 ~

(€ millions)	+10% change in €/\$ exchange rate	+10% change in €/£ exchange rate	+10% change in €/BRL exchange rate
Impact on profit	(19.9)	(4.1)	(13.8)
Impact on shareholders' equity	(16)	(8)	(60.4)

~ SENSITIVITY ANALYSIS AS AT DECEMBER 31ST 2008 ~

(€ millions)	+10% change in €/\$ exchange rate	+10% change in €/£ exchange rate	+10% change in €/BRL exchange rate
Impact on profit	(20.1)	(3.5)	(12)
Impact on shareholders' equity	(31.7)	(6.0)	(40)

4.2.5.3 Market risk

The CNP Assurances Group runs sensitivity tests to understand and manage profit and shareholders' equity volatility effectively. Management primarily analyses MCEV (Market Consistent European Embedded Value) sensitivity to market and insurance-related risks.

CNP Assurances publishes its embedded value data according to the MCEV principles established by the CFO Forum (a forum for the finance directors of major European insurance companies, which was set up in 2002). However, it builds a liquidity premium into the liability discount rate and continues to use traditional valuation methods for Caixa, its Brazilian subsidiary. Finally, the Group uses deterministic models for its less significant subsidiaries.

CNP Assurances has adopted market consistent methods to value financial options. This approach involves drawing up objective financial assumptions based on market conditions as at December 31st 2009.

MCEV is the sum of:

- revalued net assets, which correspond to the market value of assets representing shareholders' equity, after deducting intangible assets, subordinated liabilities and other items valued elsewhere in value of In-Force business;
- the value of In-Force portfolio, which corresponds to the net present value of future profits net of tax generated by policies in the portfolio as at the valuation date. This value is calculated based on market consistent methods, except for Caixa Seguros, where traditional methods have been retained.

According to these methods, no risk premium is included in the returns and the discount rates used. The benchmark curve is the swap rate curve. This value includes the intrinsic value of the options and guarantees in the portfolio, but not the time-value of those options.

MCEV sensitivity to market risk assesses the impact of a movement in interest rates and share prices on MCEV. In addition to CNP Assurances SA, the area covered by these analyses includes the Group's largest subsidiaries in France and its Brazilian and Italian subsidiaries.

- yield curve +/- 100bp: this sensitivity corresponds to an immediate 100 bp upward or downward shift in the yield curve. It implies a change in the market value of fixed-income products and risk discount rates;
- a 10% fall in equity and property markets: this sensitivity corresponds to an immediate 10% fall in share and property prices.

All these sensitivities are calculated net of tax and minority interests, and net of policyholder participation, where applicable.

~ ANALYSIS OF MCEV SENSITIVITY TO INTEREST RATE AND EQUITY MARKET RISK AS AT DECEMBER 31ST 2009 ~

(€ millions)	Interest rates +100bp	Interest rates -100bp	Equities -10%
Impact MCEV	-72%	(235)	(383)

~ ANALYSIS OF MCEV SENSITIVITY TO INTEREST RATE AND EQUITY MARKET RISK AS AT DECEMBER 31ST 2008 ~

(€ millions)	Interest rates +100bp	Interest rates -100bp	Equities -10%
Impact MCEV	(101)	(54)	(354)

4.2.5.4 Liquidity risk

~ PROJECTED PAYMENT SCHEDULE AS AT DECEMBER 31ST 2009 ~

(€ millions)	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Over 15 years
Liabilities attached to insurance and investment contracts (including unit-linked contracts)	16,481.2	70,623.1	61,239.2	45,392.4	158,919.1

The amount of liabilities available for immediate buyback as at December 31st 2009 was €235 billion.

~ PROJECTED PAYMENT SCHEDULE AS AT DECEMBER 31ST 2008 ~

(€ millions)	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Over 15 years
Liabilities attached to insurance and investment contracts (including unit-linked contracts)	13,473.1	69,584.4	57,366.5	46,096.5	137,638.7

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

4.2.5.5 Interest rate risk on financial liabilities

The tables below show the breakdown of underwriting reserves by guaranteed yield.

~ AS AT DECEMBER 31ST 2009 ~

(€ millions) Minimum guaranteed yield	Underwriting reserves	%
0% ⁽¹⁾	121,694.0	46.0
]0% - 2%]	8,856.1	3.3
]2% - 3%]	52,096.1	19.7
]3% - 4%]	2,874.0	1.1
]4% - 4,5%]	4,975.8	1.9
> 4,5% ⁽²⁾	1,782.2	0.7
Unit-linked contracts	36,591.2	13.8
Other ⁽³⁾	35,837.4	13.5
Total	264,706.8	100%

~ AS AT DECEMBER 31ST 2008 ~

(€ millions) Minimum guaranteed yield	Underwriting provisions	%
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
Unit-linked contracts	33,772.7	14.0
Other ⁽³⁾	29,140	12.1
Total	241,513	100%

(1) Life insurance technical reserves for contracts with no guaranteed yield

(2) Reserves with a guaranteed yield of over 4.5% are mainly due to a subsidiary in Brazil, where bond rates are above 10%.

(3) Includes all reserves except for actuarial reserves and liabilities relating to unit-linked policies, i.e. non-life insurance underwriting reserves, provisions for profit-sharing and provisions for claims.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: NOTES ON THE BALANCE SHEET, PROFIT AND LOSS STATEMENT AND OTHER INFORMATION

4.3.1 Note 1: Cash and central banks

(€ '000s)	12.31.09	12.31.08
Cash	261,227	211,963
Central banks	3,438,433	1,926,591
Cash and central banks	3,699,660	2,138,554

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

4.3.2.1 Financial assets and liabilities at fair value through profit and loss

	12.31.09			12.31.08		
(€ '000s)	Transaction	Fair value option	TOTAL	Transaction	Fair value option	TOTAL
Treasury notes and similar securities	104,903		104,903		354,278	354,278
Bonds and other fixed-income securities	6,054,191		6,054,191	7,805,370		7,805,370
Equities and other variable-rate securities	38,044	15,852	53,896	22,072	22,492	44,564
Financial assets at fair value through profit and loss	6,197,138	15,852	6,212,990	7,827,442	376,770	8,204,212
Securitised debt		5,489	5,489			
Financial liabilities at fair value through profit and loss		5,489	5,489			

4.3.2.2 Trading derivatives

	12.31.09		12.31.08	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	337,753	346,590	246,719	226,998
Exchange rate derivatives	5,886	346		28,587
Other derivative instruments	23,958	35,803	17,318	14,965
Trading derivatives	367,597	382,739	264,037	270,550

	12.31.09		12.31.08	
(€ '000s)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Conditional transactions	23,958	35,803	17,318	14,965
Interest rate options	23,958	35,803	17,318	14,965
Other derivatives	343,639	346,936	246,719	255,585
Exchange rate contracts	5,886	346		28,587
Interest rate swaps	337,753	346,590	246,719	226,998

4.3.3 Note 3: Hedging derivatives

4.3.3.1 Fair value hedge derivatives

	12.31.09		12.31.08	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	268,345	218,095	206,498	174,448
Fair value hedge derivatives	268,345	218,095	206,498	174,448

	12.31.09		
(€ '000s)	Notional value	Positive fair value	Negative fair value
Interest rate swaps	7,976,899	268,345	218,095

4.3.3.2 Cash flow hedge derivatives

	12.31.09		12.31.08	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	94,909		65,902	220
Cash flow hedge derivatives	94,909		65,902	220

	31.12.09		
(€ '000s)	Notional value	Positive fair value	Negative fair value
Interest rate swaps	1, 200, 000	94, 909	

4.3.4 Note 4: Financial assets available for sale

(€ '000s)	12.31.09	12.31.08
Treasury notes and similar securities	3,632,587	5,196,389
Bonds and other fixed-income securities	6,337,900	2,824,492
Equities and other variable-rate securities	1,118,865	669,238
Non-consolidated equity investments	151,616	131,782
Financial assets available for sale	11,240,968	8,821,901
Including net unrealised gains and losses on fixed-income securities	28,672	(103,643)
Including net unrealised gains and losses on variable rate securities	243,174	(38,575)

Details of non-consolidated equity investments

(€ '000s)	12.31.09					12.31.08
	Book value of securities	Related advances and receivables	Impairment	Net value	% Interest held	Net value of securities
Housing Found Crédit Logement	95,555			95,555	6.00 %	97,282
Visa Inc.	17,853			17,853		11,082
EasyBourse	12,960			12,960	100.00%	4,960
Thiriet Gestion	4,259			4,259	33.40%	4,259
AMLab	2,896	300		3,196	100.00%	779
Ciloger	3,054			3,054	45.00%	3,053
Transactis	2,474			2,474	50.00%	2,474
Société Financière de Paiements	2,404			2,404	49.00%	2,404
Titres Cadeaux	2,200			2,200	50.00%	0
Europay	1,339			1,339	6.00%	1,339
XAnge Private Equity	1,237			1,237	90.00%	1,237
Europost Management Cie	1,164			1,164	100.00%	1,163
Tocqueville Finance Europe	676			676	69.85%	
Vernier Roosevelt	550			550	90.00%	81
Auxiliaire de Transaction Immobilière	500			500	100.00%	0
SCPI Atout Pierre Habitation	420			420	1.23%	420
SCPI Atout Pierre Habitation 2	420			420	1.68%	420
SIFA	315			315	0.63%	300
LBP Consultants	150			150	100.00%	0
Stelphia Asset Management	144			144	14.37%	144
SG FGAS	140			140	14.29%	
Eurogiro Holding A/S	119			119	8.64%	65
TIP Gestion	105			105	48.89%	
Tocqueville Finance Conseil Assurance	92			92	64.61%	
Debory	71			71	3.49%	
Swift	62			62		3
Issy La Banque Postale	40			40	100.00%	40
Gallieni SF 2	40			40	100.00%	0
Gallieni SF 2-2	40			40	100.00%	0
GIE Cesu	25			25	16.66%	25
SAS Carte Bleue	12			12	7.73%	185
Fédération SF 2 ⁽¹⁾					-	40
EF Primo ⁽¹⁾					-	27
BMS Exploitation	9,387	0	(9,387)	0	14.22%	0
BMS Développement	2,023		(2,023)	0	9.60%	0
SFPMEI	1,001		(1,001)	0	9.58%	0
Total equity investments and advances	163,727	300	(12,411)	151,616		131,782

(1) EF Primo and La Banque Postale Assurances IARD (formerly-Fédération SF2) were consolidated as at December 31st 2009.

Non-consolidated equity investments that are not listed on an active market and for which fair value cannot be assessed on a

reliable basis are valued at cost. These investments amounted to €38.208 million as at December 31st 2009.

4.3.5 Note 5: Loans & receivables - credit institutions

(€ '000s)	12.31.09	12.31.08
Current accounts	173,056	92,361
Instant-access accounts and loans	331	902,895
Repurchase agreements		553,456
Doubtful receivables	40	
Amount due from credit institutions - repayable on demand	173,427	1,548,712
Term accounts and loans	71,690,398	14,692,675
Securities received under buyback agreements	337,416	
Subordinated and participating loans	205,743	188,854
Amount due from credit institutions - repayable at agreed maturity date	72,233,557	14,881,529
Securities classified as loans and receivables	1,559,553	2,458,783
Securities classified as loans and receivables	1,559,553	2,458,783
Loans & receivables - credit institutions	73,966,537	18,889,024

Securities classified as loans and receivables are fixed or determinable-rate non-derivative financial assets that are not traded on an active market. Following the reclassifications carried out on July 1st 2008 under the October 2008 amendment to IAS 39, most of these securities are held in Assets available for sale.

Livret A funds deposits re-assigned to the Caisse des dépôts et Consignations and shown on the Overdrafts line since January 1st 2009 amounted to €55,583 million as at December 31st 2009. Sustainable development savings account funds were re-assigned to the Caisse des dépôts et Consignations in 2009. These funds amounted to €4,124 million as at December 31st 2009.

4.3.6 Note 6: Loans & receivables - customers

(€ '000s)	12.31.09	12.31.08
Current accounts	210,480	316,566
Other customer loans	50,634	54,525
Doubtful receivables	52,439	36,348
Impairments	(35,291)	(22,846)
Amount due from customers - repayable on demand	278,262	384,593
Short-term credit facilities	641,285	620,828
Home loans	31,999,480	27,548,982
Repurchase agreements		37,233
Doubtful receivables	112,098	92,386
Impairments	(64,105)	(56,474)
Amount due from customers - repayable at agreed maturity date	32,688,758	28,242,955
Securities classified as loans and receivables	107,785	168,355
Securities classified as loans and receivables	107,785	168,355
Loans & receivables - customers	33,074,805	28,795,903

Securities classified as loans and receivables are fixed or determinable-rate non-derivative financial assets that are not traded on an active market. Following the reclassifications

carried out on July 1st 2008 under the October 2008 amendment to IAS 39, these securities are held in *Assets available for sale*.

4.3.7 Note 7: Impairment of assets

(€ '000s)	12.31.08	Provisions	Reversals	Reversals not used	Other	12.31.09
Loans & receivables - customers	(79,320)	(48,386)	6,363	21,561	386	(99,396)
Of which portfolio provisions	(10,625)	(3,108)		1,370		(12,363)
Assets available for sale	(144,336)	(808)	53,551		(4,105)	(95,698)
Including equity investments	(13,473)		1,062			(12,411)
Other provisions	(471)	(3,379)	68		(428)	(4,210)
Impairment of assets	(224,127)	(52,573)	59,982	21,561	(4,147)	(199,304)

4.3.8 Note 8: Revaluation differences on interest rate risk hedged portfolios

(€ '000s)	12.31.09	12.31.08
Revaluation differences on interest rate risk hedged portfolios	94,944	147,548
Revaluation differences on interest rate risk hedged portfolios	94,944	147,548

4.3.9 Note 9: Financial assets held to maturity

(€ '000s)	12.31.09	12.31.08
Treasury notes and similar securities	32,160,553	34,476,230
Bonds and other fixed-income securities	2,466,069	3,173,308
Financial assets held to maturity	34,626,622	37,649,538

4.3.10 Note 10: Tax assets

(€ '000s)	12.31.09	12.31.08
Deferred tax assets	51,082	65,188
Other tax receivables	5,281	67,247
Tax assets	56,363	132,435

Deferred tax assets are mainly related to the regulated savings accounts provision.

4.3.11 Note 11: Accruals and other assets

(€ '000s)	12.31.09	12.31.08
Prepaid expenses and accrued income	563,300	519,152
Collection accounts	200,836	411,795
Other accruals	2,595,233	2,696,965
Accruals	3,359,369	3,627,912
Sundry receivables	1,534,985	777,404
Securities transaction settlement accounts	10,903	6,383
Impairment	(4,210)	(471)
Other assets	1,541,678	783,316
Other insurance assets	52,060	
Other insurance assets and underwriters' share in technical reserves	52,060	
Accruals and other assets	4,953,107	4,411,228

4.3.12 Note 12: Investments in associates

	12.31.09		12.31.08	
(€ '000s)	Equity value	including profit of	Equity value	including profit of
CNP Assurances Group	1,864,045	185,792	1,565,966	130,580
Interests in associates	1,864,045	185,792	1,565,966	130,580

4.3.13 Note 13: Tangible and intangible fixed assets

(€ '000s)	12.31.09							12.31.08
	Gross value as at 01.01.09	Acq.	Disposals and retirements	Other movements	Gross value as at 12.31.09	Depreciation and provisions	Net	Net
Software and development costs	350,702	13,610	(2,394)	59,287	421,205	(285,330)	135,875	121,485
Intangible fixed assets in development	67,105	74,072		(59,083)	82,094		82,094	67,105
Other intangible fixed assets	32,929	7,143			40,072	(121)	39,951	32,929
Intangible fixed assets	450,736	94,825	(2,394)	204	543,371	(285,451)	257,920	221,519
Land	73,369				73,369		73,369	73,369
Buildings	241,265	3,566	(23)	(4,290)	240,518	(42,720)	197,798	207,559
Plant, equipment and tools	45,146	1,539	(2,338)	17,597	61,944	(34,874)	27,070	11,069
IT hardware	1,913	1,146	(714)		2,345	(1,332)	1,013	179
Tangible fixed assets in development	29,690	72,874		(66,743)	35,821		35,821	29,690
Other tangible fixed assets	351,667	3,004	(43,729)	54,510	365,452	(279,283)	86,169	81,012
Tangible fixed assets	743,050	82,129	(46,804)	1,074	779,449	(358,209)	421,240	402,878
Tangible and intangible fixed assets	1,193,786	176,954	(49,198)	1,278	1,322,820	(643,660)	679,160	624,397

(€ '000s)	12.31.09					12.31.08
	Cumulative depreciation as at 01.01.09	Charges	Reversals	Other movements	Cumulative depreciation as at 12.31.09	Depreciation and provisions
Software and development costs	(229,217)	(58,176)	2,169	(106)	(285,330)	(229,217)
Other intangible fixed assets		(120)		(1)	(121)	
Intangible fixed assets	(229,217)	(58,296)	2,169	(107)	(285,451)	(229,217)
Buildings	(33,706)	(12,339)	4	3,321	(42,720)	(15,185)
Plant, equipment and tools	(34,076)	(2,501)	1,703	-	(34,874)	(52,597)
IT hardware	(1,734)	(312)	714	-	(1,332)	(1,734)
Other tangible fixed assets	(270,656)	(46,690)	42,081	(4,019)	(279,284)	(270,656)
Tangible fixed assets	(340,172)	(61,842)	44,503	(698)	(358,209)	(340,172)

4.3.14 Note 14: Goodwill

(€ '000s)	12.31.09	12.31.08
Gross value of goodwill as at January 1 st	26,157	26,157
Goodwill arising on equity investments and changes in the Group structure	24,821	0
Other movements		
Gross value of goodwill	50,978	26,157
Impairments as at January 1 st	0	0
Net loss in value for the period	0	0
Other movements	0	0
Total impairment of goodwill	0	0
Total net value of goodwill - Assets	50,978	26,157

Goodwill relates to Tocqueville Finance (€24,821 million), La Banque Postale Asset Management (€24,810 million) and La Banque Postale Prévoyance (€1,347 million). The Group will recognise any potential adjustments to goodwill relating

to the Tocqueville Finance Group within a period of 12 months from the date of acquisition. The value entered above is therefore likely to be revised.

4.3.15 Note 15: Payables - credit institutions

(€ '000s)	12.31.09	12.31.08
Current accounts	264,421	85,377
Overnight accounts and loans	207,001	
Amounts due to credit institutions - payable on demand	1,338	10,278
Payables - credit institutions	472,760	95,655
Term accounts and loans	1,183,151	362,284
Repo	3,962,917	6,446,826
Amount due to credit institutions - payable at agreed maturity debt	5,146,068	6,809,110
Inter-bank transactions and similar: Payables - credit institutions	5,618,828	6,904,765

4.3.16 Note 16: Payables - customers

(€ '000s)	12.31.09	12.31.08
Regulated Livret A accounts	55,583,480	
Regulated savings plans (PEL)	18,417,436	18,057,282
Regulated savings accounts (CEL)	6,383,020	6,098,766
National savings accounts (PEP)	727,613	799,421
Savings accounts (LEP)	11,360,375	13,307,881
Sustainable development savings accounts (LDD)	4,124,559	3,953,190
Savings accounts for young people (Livret jeune)	1,095,989	1,190,437
Livret B accounts	2,677,950	2,835,557
Equity savings plan accounts	281,919	249,523
Other special savings accounts	1,929,774	1,478,775
Regulated savings accounts	102,582,115	47,970,832
Current accounts	43,301,103	40,557,004
Repo		1,447,007
Other amounts payable	463,787	267,829
Due to customers - payable on demand	43,764,890	42,271,840
Term deposits	961,991	1,669,257
Customer borrowings		390,195
Repo	2,521,950	
Due to customers - payable at agreed maturity debt	3,483,941	2,059,452
Customer transactions	149,830,946	92,302,124

4.3.17 Note 17: Debt securities

(€ '000s)	12.31.09	12.31.08
Certificates of deposits and Treasury notes	3,806,899	2,620,113
Debt securities	3,806,899	2,620,113

4.3.18 Note 18: Tax liabilities

(€ '000s)	12.31.09	12.31.08
Deferred tax liabilities	4,195	2,578
Current taxes	151,794	2,367
Tax liabilities	155,989	4,945

4.3.19 Note 19: Accruals and other liabilities

(€ '000s)	12.31.09	12.31.08
Expenses payable and deferred income	244,565	394,198
Other accruals	3,815,462	3,555,790
Accruals	4,060,027	3,949,988
Securities-related payables	458,361	35,566
Guarantees received	473,238	328,768
Other payables	554,403	551,495
Securities transaction settlement accounts	12,051	26,639
Other liabilities	1,498,053	942,468
Other insurance liabilities	16,483	
Other insurance liabilities	16,483	
Accruals and sundry liabilities	5,574,563	4,892,456

4.3.20 Note 20: Underwriting reserves of insurance companies

(€ '000s)	12.31.08	Provisions	Reversals	Other	12.31.09
Life insurance technical reserves	189,789	197,686	(171,371)	(18,420)	197,684
Non-life insurance technical reserves	110,828	60,164	(35,175)	(75,653)	60,164
Equalisation reserves	6,630	1,057			7,687
Other reserves	443	95,007	(80,186)	94,073	109,337
Technical reserves	307,690	353,914	(286,732)	0	374,872

(€ '000s)	12.31.09	12.31.08
"Shadow accounting" insurance accounts	8,471	
Shadow	8,471	

These are reserves built up by La Banque Postale Prévoyance.

As at December 31st 2008, a provision for net deferred profit-sharing was recognised in balance sheet assets (€ 1.88 million).

4.3.21 Note 21: Provisions

(€ '000s)	12.31.08	Provisions	Reversals	Reversals not used	Other	12.31.09
Provisions for employee benefits	4,687	1,167	(82)		140	5,912
Provisions for risk on regulated savings accounts	246,000	18,000		(43,000)		221,000
Provisions for employee litigation and expenses	2,013	2,879	(28)	(1,892)	1,168	4,140
Other provisions	136,612	62,369	(99,514)	(6,143)	1,417	94,741
Provisions	389,312	84,415	(99,624)	(51,035)	2,725	325,793

Regulated savings accounts information (€ millions)

Years in place	Deposits collected	Loans granted in respect of regulated savings accounts and plans	2009 Provisions	2008 Provisions	Net movements
Over 10 years	6,271		56	98	(42)
Between 4 and 10 years	8,648		10	21	(11)
Less than 4 years	3,498		10	26	(16)
Total regulated savings plans	18,417	421	76	145	(69)
Total regulated savings accounts	6,383	1,377	145	101	44
Total	24,800	1,798	221	246	(25)

4.3.22 Note 22: Subordinated debt

(€ '000s)	12.31.09	12.31.08
Subordinated debt	502,232	500,993
Subordinated debt	502,232	500,993

(€ '000s)	Date of issue	Maturity date	Rate	Currency of origin	12.31.09
Long-term subordinated debt	12.12.06	12.12.16 ⁽¹⁾	⁽²⁾	Euro	500,000
	11.16.09	11.18.11	1.40%	Euro	2,000
Total					502,000

(1) Total anticipated repayment is possible from December 12th 2011 at the request of La Banque Postale.

(2) Benchmarked on 3-month EURIBOR

4.3.23 Note 23: Detailed information on gains and losses recognised directly in equity

4.3.23.1 Information on the recycling of gains and losses recognised directly in equity

(€ '000s)	Movements for the 2009 financial year	Movements for the 2008 financial year
Translation differences		
Reclassification in net profit		
Other movements		
Reassessment of financial assets available for sale	230,740	(120,376)
Reclassification in net profit	71,597	(17,565)
Other movements	159,143	(102,811)
Revaluation of derivative hedging instruments	20,921	71,530
Reclassification in net profit		
Other movements	20,921	71,530
Share in gains and losses recognised directly in equity for associates	297,997	(466,733)
Income tax	(184,035)	180,968
Total	365,623	(334,611)

4.3.23.2 Information on tax relating to the breakdown of gains and losses recognised directly in equity

(€ '000s)	12.31.09			12.31.08		
	Gross	Tax	Net	Gross	Tax	Net
Translation differences						
Reassessment of financial assets available for sale	230,740	(79,440)	151,300	(120,376)	52,996	(67,380)
Reassessment of derivative hedging instruments	20,921	(7,202)	13,719	71,530	(24,599)	46,931
Share of gains and losses recognized directly in equity for associates	297,997	(97,393)	200,604	(466,733)	152,571	(314,162)
Total	549,658	(184,035)	365,623	(515,579)	180,968	(334,611)

4.3.24 Note 24: Interest income and expense and similar items

(€ '000s)	Notes	12.31.09	12.31.08
Interest and similar income on cash and inter-bank transactions	25	2,346,828	1,738,147
Interest and similar income on customer transactions	26	1,348,384	1,154,400
Interest income on hedging transactions	28	123,625	105,308
Interest income on assets available for sale and held to maturity	27	1,699,781	2,073,433
INTEREST AND SIMILAR INCOME		5,518,618	5,071,288
Interest and similar expense on cash and inter-bank transactions	25	(85,719)	(687,766)
Interest and similar expense on customer transactions	26	(2,327,106)	(1,770,489)
Interest expense on hedging transactions	28	(138,988)	(104,910)
Interest expense on securities debt	27	(55,561)	(184,855)
INTEREST AND SIMILAR EXPENSE		(2,607,374)	(2,748,020)

4.3.25 Note 25: Cash and inter-bank transactions

(€ '000s)	12.31.09	12.31.08
Current accounts	32,036	75,785
Inter-bank loans	2,236,125	1,575,390
Repo	16,027	17,680
Other income	62,640	69,292
Transactions income	2,346,828	1,738,147
Demand accounts	(2,033)	(4,982)
Inter-bank loans	(14,967)	(45,626)
Repo	(68,712)	(630,699)
Other expense	(7)	(6,459)
Transaction expenses credit institution	(85,719)	(687,766)
Interest expense and similar on cash and inter-bank transactions	2,261,109	1,050,381

4.3.26 Note 26: Customer transactions

(€ '000s)	12.31.09	12.31.08
Current accounts	18,573	18,409
Interest on commercial loans and other customer loans	1,279,574	1,080,042
Collective management of sustainable savings accounts		22,662
Reversal of provisions and impairment charges	43,000	25,000
Other income	7,237	8,287
Income on customer transactions	1,348,384	1,154,400
Demand accounts	(19,605)	(37,689)
Regulated savings accounts	(2,227,184)	(1,675,243)
Provisions and impairment charges	(18,000)	
Other expenses	(62,317)	(57,557)
Expenses on customer transactions	(2,327,106)	(1,770,489)
Interest expense and similar on customer transactions	(978,722)	(616,089)

The amount of interest accrued or received on doubtful loans amounted to €4.485 millions.

4.3.27 Note 27: Interest income on assets available for sale, financial assets held to maturity and on securitised debt

(€ '000s)	12.31.09	12.31.08
Interest income on financial assets available for sale	223,014	373,021
Interest income on financial assets held to maturity	1,476,767	1,700,412
Interest income on financial instrument transactions	1,699,781	2,073,433
Expense on debt securities	(55,561)	(184,855)
Interest expense on financial instrument transactions	(55,561)	(184,855)
Interest income and expense on assets available for sale, financial assets held to maturity and on debt securities	1,644,220	1,888,578

4.3.28 Note 28: Hedge transactions

(€ '000s)	12.31.09	12.31.08
Interest income on fair value hedge transactions for customer	99,506	85,844
Interest income on cash flow hedge transactions	8,306	287
Interest income on fair value hedge transactions for financial instruments	15,813	19,177
Interest income on hedge transactions	123,625	105,308
Interest expense on fair value hedge transactions for customer		(88,966)
Interest expense on cash flow hedge transactions		(1,425)
Interest expense on fair value hedge transactions for financial instruments	(138,988)	(14,519)
Interest expense on hedge transactions	(138,988)	(104,910)
Interest income, income and similar expense on hedge instruments	(15,363)	398

4.3.29 Note 29: Commissions

(€ '000s)	12.31.09		12.31.08	
	Income	Expense	Income	Expense
Commissions on cash and inter-bank transactions	306	(63)	395	(42)
Commissions on customer transactions	1,113,976	(63,075)	1,039,188	(61,362)
Commissions on financial services	546,193	(145,320)	546,916	(136,461)
Commissions on securities transactions	229,802	(3,736)	228,260	(4,106)
Commissions on insurance services	31,051	(2,379)	31,040	
Commissions on financial instruments	50	(476)		(1,109)
Other commissions	10,818		9,992	
Commission income and expense	1,932,196	(215,049)	1,855,791	(203,080)
Net commissions	1,717,147		1,652,711	

4.3.30 Note 30: Net gains and losses on financial instruments at fair value through profit and loss

(€ '000s)	12.31.09	12.31.08
Net income from financial instrument held for trading (excluding derivatives)	115,420	744,764
Net income from trading derivatives	51,762	(54,020)
Net income from the revaluation of hedged items and hedge derivatives	(12,306)	4,213
Net income from financial assets designated at fair value through profit and loss	5,468	2,552
Net income from financial liabilities designated at fair value through profit and loss	(489)	
Net gains and losses on financial instruments at fair value through profit and loss	159,855	697,509

4.3.31 Note 31: Net gains and losses on assets available for sale

(€ '000s)	12.31.09	12.31.08
Gains on disposals of fixed-income securities	203,142	27,622
Losses on disposals of fixed-income securities	(110,217)	(3,231)
Dividends and similar income	30,716	71,555
Gains on disposals of variable-rate securities	45,839	2,364
Losses on disposals of variable-rate securities and loss of value	(4,588)	(50,010)
Net gains and losses on break clauses for loans and receivables	(2,843)	
Net gains and losses on assets available for sale	162,049	48,300

4.3.32 Note 32: Income and expenses on other activities

(€ '000s)	12.31.09	12.31.08
Re-invoiced expenses and transfer of expenses	31,694	47,260
Other operating income	260,477	434,583
Insurance income	171,754	145,867
Provision reversals and other operating expense	16,062	15,975
Income on other activities	479,987	643,685
Income repaid		
Other operating expenses	(283,753)	(449,937)
Insurance expenses	(117,986)	(87,869)
Provisions and other operating expenses	(9,629)	(12,258)
Expenses on other activities	(411,368)	(550,064)

Other operating income and expenses included a €5.078 million foreign exchange profit.

4.3.33 Note 33: General operating expenses

(€ '000s)	12.31.09	12.31.08
Salaries and benefits	(129,239)	(112,100)
Retirement expenses (including provisions)	(16,276)	(13,314)
Other post-employment benefits and other employee-related asset transactions	(4,374)	(4,509)
Other social security expenses	(48,588)	(45,201)
Statutory and optional performance-related pay	(14,463)	(4,979)
Compensation-related taxes and similar expenses	(24,426)	(23,147)
Provisions and reversals	(966)	(862)
Transfer of employee expense	13,426	10,127
Personnel expense	(224,906)	(193,985)
Taxes and levies	(101,661)	(34,842)
Lease purchase commitments	(4)	(1)
Rent and rental expenses	(66,673)	(58,775)
Compensation for intermediaries	(88,004)	(73,324)
Transport	(785)	(722)
General sub-contracting	(3,357,585)	(3,403,526)
Other third-party expenses	(404,771)	(460,425)
Business travel	(12,190)	(11,196)
Studies and research	(5,504)	(10,298)
Provisions and reversals	37,445	(58,485)
Other general operating expenses	(3,999,732)	(4,111,594)
General operating expenses	(4,224,638)	(4,305,579)

General sub-contracting expenses consist mainly of a €3,197 million charge relating to the service agreements between La Poste and La Banque Postale.

4.3.34 Note 34: Net depreciation and impairment of tangible and intangible fixed assets

(€ '000s)	12.31.09	12.31.08
Depreciation of operating fixed assets	(118,060)	(109,833)
Impairment of operating fixed assets	(37)	
Depreciation, amortisation and impairment of tangible and intangible fixed assets	(118,097)	(109,833)

4.3.35 Note 35: Cost of risk

(€ '000s)	12.31.09	12.31.08
Impairment of customer transactions	(48,386)	(28,628)
Reversal of impairment on customer account	27,924	21,509
Losses on unrecoverable impaired receivables	(24,048)	(16,787)
Losses on unrecoverable unimpaired receivables	(15,888)	(11,845)
Recovery of amortised receivables	4,248	4,740
Impairment of assets available for sale and other assets	(808)	(81,333)
Reversal of impairment of assets available for sale and other assets	9,889	16
Other impairments and reversals	(4,501)	
Cost of risk	(51,570)	(112,328)

4.3.36 Note 36: Gains and losses on other assets

(€ '000s)	12.31.09	12.31.08
Gains and losses on disposals of tangible and intangible fixed assets	(3,190)	(391)
Gains and losses on disposals of consolidated investments	1,395	(340)
Gains and losses on other assets	(1,795)	(731)

4.3.37 Note 37: Income tax and deferred taxes

(€ '000s)	12.31.09	12.31.08
Income tax	(227,687)	(93,189)
Deferred tax	6,779	(21,662)
Income Tax	(220,908)	(114,851)

~ CHANGE IN DEFERRED TAX - ASSETS AND LIABILITIES ~

(€ '000s)	12.31.08	Change	Impact on profit	Impact on reserves	12.31.09
Net deferred tax	62,610	(15,723)	6,779	(22,502)	46,887
Reclassification of profit and/or reserves				84,845	
Deferred tax assets	65,188	(14,106)			51,082
Deferred tax liabilities	2,578	1,617			4,195

~ ANALYSIS OF DEFERRED TAXES BY TYPE ~

(€ '000s)	12.31.09	12.31.08
Regulated savings accounts provision	76,090	84,698
Pension provisions	2,034	1,569
Other non-deductible provisions	15,493	14,926
Other sources of temporary differences	10,534	(586)
Deferred tax arising from temporary differences	104,151	100,607
Fair value of financial instruments	(44,711)	(27,985)
Other IFRS restatements	(12,553)	(10,012)
Deferred tax arising from IFRS valuation methods	(57,264)	(37,997)
Net deferred tax	46,887	62,610

~ ANALYSIS OF THE TAX CHARGE ~

(€ '000s)	12.31.09	
Net profit, attributable to equity holders of parent	587,593	
Minority interests	105	
Share in profits of associates	(185,792)	
Tax charge	220,908	
Accounting profit before tax	622,814	
Theoretical tax expense	(214,435)	-34.43%
Impact of permanent differences	(5,782)	-0.93%
Impact of tax rates (reduced tax rate transactions)	453	0.07%
Impact of dividend taxation	746	0.12%
Other impact	(1,890)	-0.30%
Recognised tax expense	(220,908)	-35.47%

4.3.38 Note 38: Commitments given and received

~ CONTRACTUAL VALUE OF COMMITMENTS GIVEN AND RECEIVED ~

(€ '000s)	12.31.09	12.31.08
FINANCING COMMITMENTS, GUARANTEES AND COMMITMENTS GIVEN ON SECURITIES		
Financing commitments		
- to credit institutions ⁽¹⁾	9,805	1,128,098
- to customers	8,065,078	7,813,382
Guarantees		
- to credit institutions ⁽¹⁾	265,230	218,893
- to customers		454,649
Commitments on securities		
- Securities/to be delivered	4,573	146,650
FINANCING COMMITMENTS, GUARANTEES AND COMMITMENTS RECEIVED ON SECURITIES		
Financing commitments		
- from credit institutions	4,138,304	3,400,216
- from of customers		
Guarantees		
- from credit institutions	16,122,377	
Commitments on securities		
- Securities/to be received	64,573	113,336
OTHER COMMITMENTS GIVEN AND RECEIVED		
Other commitments given	4,221,118	3,446,287
COMMITMENTS GIVEN AND RECEIVED		

(1) The amount has been restated compared with the presentation in the 2008 annual report.

Housing Fund (Crédit Logement) commitment

Following the transfer of assets, La Banque Postale, like La Poste before it, committed to maintain the Crédit Logement basic equity capital at a level equivalent to its holding in the company, i.e. 6%, so that the Fund could maintain its solvency ratio. This commitment led La Banque Postale to subscribe to B share capital commitments through its SF2 subsidiary.

Furthermore, La Banque Postale, like La Poste before it, undertook to replenish the Crédit Logement mutual guarantee funds, which underwrite borrower defaults on loans secured by the company. This commitment, which is equivalent to the portion of loans granted by La Banque Postale, amounted to €265.230 million as at December 31st 2009.

4.3.39 Note 39: Fair value of balance sheet items

4.3.39.1 Fair value of balance sheet items recognised at amortised cost

The table below shows the fair value of balance sheet items recognised at amortised cost.

(€ '000s)	12.31.09		12.31.08	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Loans and receivables - credit institutions				
Credit institutions - payable on demand	173,427	173,427	1,548,712	1,548,712
Credit institutions - payable at agreed maturity debt	72,233,557	72,273,169	14,881,529	14,914,658
Securities classified as loans and receivables - credit institutions	1,559,553	1,651,068	2,458,783	2,403,885
Loans and receivables - customers				
Customers - payable on demand	278,262	263,383	384,593	384,593
Customers - payable at agreed maturity debt	32,688,758	34,224,054	28,242,955	29,301,955
Securities classified as loans and receivables - customers	107,785	144,084	168,355	156,645
Financial assets held to maturity	34,626,622	35,981,860	37,649,538	38,565,620
LIABILITIES				
Payables - credit institutions				
Overnight payables - credit institutions	472,760	472,760	95,655	95,655
Term payables - credit institutions	5,146,068	5,162,467	6,809,110	6,881,699
Payables - customers	149,830,946	149,736,002	92,302,124	92,302,124
Securitised debt	3,806,899	3,806,530	2,620,113	2,607,402
Subordinated debt	502,232	447,459	500,993	356,040

Fair value of loans

The scope selected includes all loans drawn on La Banque Postale and shown on its balance sheet. Loans that have been granted but not yet released are not taken into account, as it is assumed that, since their rate has just been fixed, their value will not be different from the amount advanced.

The main underlying assumptions for the calculation of the three types of loan marketed by the Bank are the following:

- overdrafts on instant-access accounts: *fair value = outstanding amount* is a conservative assumption given the interest rate charged to customers (12%) and the very short length of the loans (less than a month);
- loans to La Poste employees: the net present value of these loans is calculated without making any early repayment assumptions (no established track record);

- home loans to retail customers: the net present value is calculated and structural anticipated repayments are taken into account.

Fair value of deposits

The main underlying assumptions for the calculation are as follows:

- regulated return deposits: *fair value = outstanding amount*;
- Livret B accounts/Young people's accounts/PEP accounts/term savings accounts: *fair value = outstanding amount*;
- instant-access deposits: *fair value = outstanding amount - minus cost value of the instant-access account hedge swap coupon (through the carve-out option)*.

4.3.39.2 Ranking of fair value items recognised on the balance sheet

Financial assets

(€ '000s)	12.31.09		
	Value determined using listed prices on an active market	Valuation technique using observable data	Valuation technique using non-observable data
Treasury notes and similar securities	104,903		
Bonds and other fixed-income securities	155,650	5,898,541	
Equities and other variable-rate securities	11,699	26,345	
Financial assets at fair value through profit and loss	272,252	5,924,886	
Equities and other variable-rate securities	15,852		
Financial assets at fair value option through profit and loss	15,852		
Interest rate derivatives		337,753	
Exchange rate derivatives		5,886	
Equity and equity-index derivatives		23,958	
Transaction derivatives		367,597	
Interest rate derivatives		268,345	
Fair value hedge derivatives		268,345	
Interest rate derivatives		94,909	
Cash flow hedge derivatives		94,909	
Treasury notes and similar securities	3,602,696	29,891	
Bonds and other fixed-income securities	5,396,767	941,133	
Equities and other variable-rate securities	1,069,833	49,032	
Non-consolidated equity investments	17,853	95,555	38,208
Financial assets available for sale	10,087,149	1,115,611	38,208

Financial liabilities

(€ '000s)	12.31.09		
	Value determined using listed prices on an active market	Valuation technique using observable data	Valuation technique using non-observable data
Securitised debt		5,489	
Financial assets at fair value option through profit and loss		5,489	
Interest rate derivatives		346,590	
Exchange rate derivatives		346	
Other derivative instruments		13,375	
Equity and equity-index derivatives		22,428	
Derivative hedge instruments		382,739	
Interest rate derivatives		218,095	
Fair value hedge derivatives		218,095	

Level 3 fair value valuations: reconciliation of opening and closing balances

(€ '000s)	12.31.09					
	Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss fair value option	Trading derivatives	Hedge derivatives	Financial assets available for sale	Total
Opening balance					23,418	23,418
Total gains and losses recorded in profit and loss						
Total gains and losses recorded in equity capital						
Purchases					3,100	3,100
Sales						
Issuance					10,984	10,984
Repayments					(173)	(173)
Other movements					879	879
Transfers to or from the Level 3 category						
Closing balance					38,208	38,208
Total gains and losses recorded in profit and loss for asset held as at 12.31.09						

Level 3 fair value valuations: gains and losses for the period recorded in profit and loss

Nil

4.3.40 Note 40: Amendments to IAS 39 and IFRS 7: reclassification of financial assets

The Group has made use of the option provided by the October 13th 2008 amendment to IAS 39 and IFRS 7 to reclassify certain financial assets available for sale in *Loans and receivables*. The transfer of a portion of the securities held in the assets available for sale portfolio that no longer displayed the expected

liquidity to the loans and receivables portfolio enables the perception of the way the Bank allocates its resources in the financial statements to be improved.

These reclassifications were carried out at fair value on July 1st 2008.

4.3.40.1 Amounts reclassified

	12.31.09		12.31.08	
(€ '000s)	Carrying amount	Fair value	Carrying amount ⁽¹⁾	Fair value ⁽¹⁾
ASSETS				
Assets available for sale reclassified in <i>Loans and receivables</i>	1,513,683	1,628,155	2,473,482	2,395,764

(1) The amount has been restated compared with the presentation in the 2008 annual report to take account of related receivables.

4.3.40.2 Amounts recorded in profit and loss and equity in respect of reclassified assets (before tax)

(€ '000s)	12.31.09		12.31.08	
	Profit and loss	Equity	Profit and loss ⁽¹⁾	Equity ⁽²⁾
Assets available for sale reclassified in <i>Loans and receivables</i>				
Interest expense and similar on cash and inter-bank transactions	42,243		63,399	
Impairment				
Unrealised gains and losses on assets available for sale				(41,628)

(1) The amount has been restated compared with the presentation in the 2008 annual report to take account of premium spreads.

(2) Up until July 1st 2008.

4.3.40.3 Amounts that would have been recorded in profit and loss and equity if the assets had not been reclassified (before tax)

(€ '000s)	12.31.09		12.31.08	
	Profit and loss	Equity	Profit and loss	Equity
Assets available for sale reclassified in <i>Loans and receivables</i>				
Impairment				
Unrealised gains and losses on assets available for sale		(25,902)		(113,629)

The amount of recoverable cash flows is estimated at €1,628 million.

4.3.41 Note 41: Segment information

The La Banque Postale Group is structured around the following three divisions:

- **Retail Banking, which includes** La Banque Postale's business activities, the SCI CRSF Métropole and CRSF Dom limited property investment partnerships, which own the Bank's business premises, La Banque Postale Financement and the SF2 holding company;
- **Insurance, which includes** the CNP Assurances Group, La Banque Postale Prévoyance (formerly Assurposte), Efrimo, La Banque Postale Assurances IARD and Sogerco;

- **Asset management, which includes** the La Banque Postale Asset Management Group, La Banque Postale Structured Asset Management, OFC Finance, Tocqueville Finance Holding, Tocqueville Finance SA and La Banque Postale Gestion Privée.

Except for CNP Assurances' foreign subsidiaries, the Group conducts its business activities in France.

Inter-segment and intra-segment transactions are performed under commercial market conditions.

4.3.41.1 Breakdown of results by business segment

Net banking income by business segment as at December 31st 2009

(€ '000s)	Retail banking		Insurance		Asset management	
	External activities	Inter-segment activities	External activities	Inter-segment activities	External activities	Inter-segment activities
Interest and similar income	5,517,239	(41)	1,379			84
Interest and similar expense	(2,606,685)	(19)	(184)	(1)	(505)	(23)
Commissions (income)	1,679,740	149,674	31,034	5,399	221,422	5,146
Commissions (expense)	(196,649)	(8,430)	(2,816)	(32,602)	(15,584)	(119,187)
Net gains and losses on financial instruments at fair value through profit and loss	158,202		1,651		2	
Gains and losses on assets available for sale	145,734		14,677		1,638	
Income and expense from other activities	14,456	368	53,777	170	386	(538)
INTERNAL & EXTERNAL NET BANKING INCOME	4,712,037	141,552	99,518	(27,034)	207,359	(114,518)
Net banking income by segment	4,853,589		72,484		92,841	
Net banking income	5,018,914					

Net banking income by business segment as at December 31st 2008

(€ '000s)	Retail banking		Insurance		Asset management	
	External activities	Inter-segment activities	External activities	Inter-segment activities	External activities	Inter-segment activities
Interest and similar income	5,068,843		2,225		220	169
Interest and similar expense	(2,748,020)	(169)				
Commissions (income)	1,605,508	177,197	31,881	3,256	207,433	1,952
Commissions (expense)	(189,822)	(6,970)	(2,289)	(39,950)		(135,485)
Net gains and losses on financial instruments at fair value through profit and loss	697,371		138			
Gains and losses on assets available for sale	36,010		10,543		1,747	
Income and expense from other activities	32,276	637	61,054	(41)	292	(597)
INTERNAL & EXTERNAL NET BANKING INCOME	4,502,166	170,695	103,552	(36,735)	209,692	(133,961)
Net banking income by segment	4,672,861		66,817		75,731	
Net banking income	4,815,409					

Net profit by business segment as at December 31st 2009

(€ '000s)	Retail banking	Insurance	Asset Management	Inter-segment and not broken down	Consolidated net profit
Net banking income	4,853,589	72,484	92,841		5,018,914
General operating expenses	(4,148,026)	(20,631)	(55,981)		(4,224,638)
Net depreciation, amortisation and impairments to tangible and intangible fixed assets	(119,271)	(83)	1,257		(118,097)
Gross operating profit	586,292	51,770	38,117		676,179
Cost of risk	(51,059)	(701)	190		(51,570)
Operating profit	535,233	51,069	38,307		624,609
Share in profits in associates		185,792			185,792
Gains and losses on other assets	642	(2)	(2,435)		(1,795)
Profit before non-recurring items and tax	535,875	236,859	35,872		808,606
Income tax				(220,908)	(220,908)
Group net profit					587,698
Minority interests				105	105
Net profit, attributable to equity holders of parent					587,593

Net profit by business segment as at December 31st 2008

(€ '000s)	Retail banking	Insurance	Asset Management	Inter-segment and not broken down	Consolidated net profit
Net banking income	4,672,861	66,817	75,731		4,815,409
General operating expenses	(4,240,448)	(20,967)	(44,164)		(4,305,579)
Net depreciation, amortisation and impairments to tangible and intangible fixed 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
Share in net profits in associates		130,580			130,580
Gains and losses on other assets	(737)		6		(731)
Profit before non-recurring items and tax	213,615	173,518	30,385		417,518
Income tax				(114,851)	(114,851)
Group net profit					302,667
Minority interests				85	85
Net profit, attributable to equity holders of parent					302,582

4.3.41.2 Balance sheet items by business segment

Balance sheet items by business segment as at December 31st 2009

(€ '000s)	Retail banking	Insurance	Asset Management	Intra-Group and Intra-segment	TOTAL
Cash and central banks	3,699,660				3,699,660
Financial assets at fair value through profit and loss	6,550,710	29,370	507		6,580,587
Hedging derivative	363,254				363,254
Financial assets available for sale	12,085,879	434,247	60,942	(1,340,100)	11,240,968
Loans and receivables	107,056,738	7,157	7,420	(29,973)	107,041,342
Investments in associates		1,864,045			1,864,045
Segment assets					
Financial liabilities at fair value through profit and loss	388,228				388,228
Hedging derivative	218,095				218,095
Inter-bank transactions and similar: payables - credit institutions	5,618,830	112,021	1	(112,024)	5,618,828
Customer transactions	149,836,194	1,751	19,720	(26,719)	149,830,946
Debt securities	3,806,899				3,806,899
Segment liabilities					

Balance sheet items by business segment as at December 31st 2008

(€ '000s)	Retail banking	Insurance	Asset Management	Intra-Group and Intra-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 derivative	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
Investments in associates		1,565,966			1,565,966
Segment assets					
Financial liabilities at fair value through profit and loss	270,550				270,550
Hedging derivative	174,668				174,668
Inter-bank transactions and similar: payables - credit institutions	6,904,719	67,205	28	(67,187)	6,904,765
Customer transactions	92,382,498	6,591		(86,965)	92,302,124
Debt securities	2,620,113				2,620,113
Segment liabilities					

4.3.42 Note 42: Breakdown of balance sheet items by residual maturity

The tables below show the maturity of the Group's financial assets and liabilities according to their contractual maturity date. Fixed-income securities, loans and debt are broken down according to their contractual maturity dates. Equity investments and UCITS are shown in the *Open-ended* column.

Instant-access receivables and debt are shown in the *Less than one month* column.

Breakdown of balance sheet items by residual maturity as at December 31st 2009

(€ '000s)	Less than one month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Open-ended	TOTAL
ASSETS								
Cash and central banks	3,699,660							3,699,660
Financial assets at fair value through profit and loss	1,587,109	1,783,382	2,841,265	24,473	188,321	127,978	28,059	6,580,587
Hedging derivative				89,858	165,624	107,772		363,254
Financial assets available for sale	67,343	78,223	1,020,118	3,867,406	4,159,128	822,008	1,226,742	11,240,968
Loans and receivables - credit institutions	10,828,763	59,023,550	643,325	718,086	1,804,238	742,832	205,743	73,966,537
Loans and receivables - customers	1,134,935	421,685	1,826,373	2,234,050	6,272,940	21,184,822		33,074,805
Revaluation differences on interest rate risk hedged portfolios							94,944	94,944
Financial assets held to maturity	277,377	489,275	3,761,169	6,007,094	10,566,212	13,525,495		34,626,622
	17,595,187	61,796,115	10,092,250	12,940,967	23,156,463	36,510,907	1,555,488	
LIABILITIES								
Financial liabilities at fair value through profit and loss	3,514	664	27,035	27,208	200,187	129,620		388,228
Hedging derivative				178,471	39,624			218,095
Payables - credit institutions	2,291,563	1,611,861	1,409,974		100,037		205,393	5,618,828
Payables - customers	145,056,190	258,800	1,025,263	1,068,046	2,096,544	326,103		149,830,946
Debt securities	3,217,791	372,264	216,844					3,806,899
Subordinated debt		229	3	2,000		500,000		502,232
	150,569,058	2,243,818	2,679,119	1,275,725	2,436,392	955,723	205,393	

Breakdown of balance sheet items by residual maturity as at December 31st 2008

(€ '000s)	Less than one month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 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 derivative					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 - credit institutions	1,545,558	11,837,205	1,696,031	1,012,152	1,600,529	1,197,549		18,889,024
Loans and receivables - customers	1,225,403	348,286	1,453,755	17,236,146	1,899,353	6,632,960		28,795,903
Revaluation differences on interest rate risk 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 derivative	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
Payables - customers	88,374,177	428,253	1,346,952	668,532	1,484,210			92,302,124
Debt 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 disclosures and directors' compensation

Related parties to La Banque Postale Group include the Company's main directors and the companies consolidated by the

La Post Group. La Banque Postale is controlled by La Poste.

4.3.43.1 Relationships between consolidated entities

As transactions between La Banque Postale's fully consolidated entities are eliminated on consolidation, the data provided below refers only to reciprocal transactions with companies over

which the Group exercises joint control in respect of those activities not eliminated on consolidation and to those companies over which it exercises a material influence.

(€ '000s)	With La Poste Group entities	With La Banque Postale Group entities	
		Proportional (non-eliminated portion)	Equity method
Interest income and expense	131		
Commissions	10,267	32,585	445,683
Profit on financial transactions			
Income from other activities	14,225	6	
NBI items with related entities	24,623	32,591	445,683
Loans	23,637		
Other financial assets			
Other assets	93,328	11,850	319,744
Total assets with related entities	116,965	11,850	319,744
Debt	22,594	5	25,984
Other financial liabilities			
Other liabilities	216,568		
Total liabilities with related entities	239,162	5	25,984
Commitments given	500,000		
Commitments received			
Total commitments with related entities	500,000	-	-

(1) These are almost entirely transactions with La Poste

4.3.43.2 Directors' compensation

The Group treats members of the Executive Board and the members of the Executive Committee as related parties according to the meaning of IAS 24.

Members of the Executive Board receive fixed annual compensation, which may be supplemented by a capped variable annual bonus depending on whether the targets set in the business plan have been achieved, and by a long-term variable bonus paid over three years if the targets in the business plan roadmap are exceeded.

In addition, they also benefit from membership of a healthcare and personal insurance plan and from severance payments in

the event that their position on the Executive Board is terminated. That amount is limited to twice the average compensation received during the previous three full financial years.

Total compensation paid to members of the Executive Board amounted to €89,000 as at December 31st 2009 and to €885,000 for the 2008 financial year. A breakdown of the compensation paid is shown in paragraph 1.3.2.2 of the financial report.

Compensation paid to members of the Executive Committee other than members of the Executive Board, is detailed below:

(€ '000s)	2009	2008
Compensation and benefits in kind	3,488	2,888
Post-employment benefits	450	426
Total	3,938	3,314

The difference between both periods is explained by the appointment of four new Committee members in 2008. The information provided regarding their 2008 compensation was therefore shown on a pro-rata basis, whereas it is shown for a full year for 2009.

These items may be supplemented by severance payments in the event that their appointments at La Banque Postale are terminated.

4.3.44 Note 44: Equity and regulatory ratio management

La Banque Postale's equity is managed in a way that enables the Bank to comply with regulatory ratios and guarantee its solvency, while paying La Poste, its shareholder, a level of dividends that is in line with its expectations and its Group policy.

The quality of La Banque Postale's assets has enabled it to report extremely comfortable prudential ratios in 2009, as was the case in 2008. Although there was a significant increase in the customer loan portfolio, the risk quality and the level of guarantees attached enabled the Bank to benefit from favourable weightings. Other assets consist mainly of a very high-quality securities portfolio, which is mainly invested in sovereign debt or similar securities.

Furthermore, La Banque Postale is pursuing its aim of bringing its equity capital structure closer to the structure that exists in other credit institutions: it has issued bonds and will issue more bonds in order to make use of the different categories

of equity capital, whether basic (Tier 1) or additional (Tier 2) equity capital, as long as market conditions allow the Bank to issue these bonds at a reasonable cost.

As a result, La Banque Postale, which applies CRBF Regulation 2000-03 on financial conglomerates, reported a 2009 solvency ratio of 13.4%, which was significantly higher than the minimum 8% regulatory requirement and a Tier1/core Tier 1 ratio of 11.3%.

Finally, La Banque Postale pursued its cautious liquidity management policy in 2009. That policy resulted in excess liquidity throughout the year, boosted by the quality of the financial assets held by the Bank. La Banque Postale's liquidity ratio therefore remained at a level that is significantly higher than the minimum regulatory requirement of 100%.

4.3.45 Note 45: Scope of consolidation

Company	Nationality	METH ⁽¹⁾	% control 2009	% held 2009	% control 2008	% held 2008
Retail banking						
La Banque Postale	France	PARENT	100.00	100.00	100.00	100.00
SCI CRSF DOM ⁽²⁾	France	FULL	99.94	99.94	99.94	99.94
SCI CRSF Métropole ⁽²⁾	France	FULL	100.00	100.00	100.00	100.00
SF2	France	FULL	100.00	100.00	100.00	100.00
La Banque Postale Financement (formerly Issy SF2-4)	France	FULL	65.00	65.00	100.00	100.00
Insurance						
CNP Assurances Group	France	EQ. METH.	35.48	19.71	35.48	19.71
La Banque Postale Prévoyance	France	PROP.	50.00	50.00	50.00	50.00
Sogerco	France	FULL	100.00	100.00	100.00	100.00
Sopassure	France	PROP.	50.02	50.02	50.02	50.02
La Banque Postale Assurances IARD	France	FULL	68.68	68.68	-	-
Efprimo	France	FULL	100.00	100.00	-	-
Asset management						
La Banque Postale Gestion Privée	France	FULL	51.00	51.00	51.00	51.00
La Banque Postale Asset Management	France	FULL	100.00	100.00	100.00	100.00
La Banque Postale Structured Asset Management	France	FULL	100.00	100.00	100.00	100.00
OFC Finance	France	FULL	100.00	100.00	-	-
Tocqueville Finance Holding	France	FULL	70.00	70.00	-	-
Tocqueville Finance SA	France	FULL	99.78	69.85	-	-

(1) Consolidation methods:

FULL: Full consolidation

PROP.: Proportional consolidation

EQ. METH.: Equity method

(2) Limited property investment partnerships that own the Bank's business premises.

4.4 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ending December 31st 2009

To the Shareholders

In accordance with the terms of the assignment entrusted to by your General Meeting, we hereby submit our report on the financial year ending December 31st 2009, regarding:

- 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 have been prepared by your Executive Board. Our role is to issue an opinion on those financial statements, based on our audit.

4.4.1 Opinion on the consolidated financial statements

We have conducted our audit in accordance with the professional standards applicable in France. These standards require that we implement procedures to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit involves examining, by means of spot checks and other selection methods, the evidence supporting the amounts and disclosures shown in the consolidated financial statements. It also involves assessing the accounting principles used, the significant estimates made and the overall presentation of the financial statements. We believe that the evidence we have collected in order to form our opinion is sufficient and relevant.

We hereby certify that the consolidated financial statements present a true and fair view of the net assets, financial position and profit of the entity formed by the consolidated companies, in accordance with IFRS guidelines, as adopted by the European Union.

4.4.2 Justification of assessments

The deterioration in market conditions and in the economic environment invariably had many effects on credit institutions in general, and especially on their business activities, their profit and their risks. Once again, the situation created special conditions for the preparation of the financial statements, especially where accounting estimates are concerned. It is against this background that we draw your attention to the following issues, pursuant to Article L. 823-9 of the French Commercial Code regarding the justification of our assessments:

Impairment of financial assets available for sale

Your company recognises the impairment of assets available for sale (notes 1.7.2.4, 3.4, 3.7 and 3.31 in the notes to the financial statements):

- for equity instruments when there is objective evidence of a sustained or significant fall in the value of these assets,
- and for debt instruments when there is a proven counterparty risk.

We have examined the control procedures implemented to identify evidence of loss in value, the valuation of the most significant accounting items and the estimates used for using impairment charges to cover losses in value.

Provisions for credit risk

Your company recognises an impairment charge to cover the credit and counterparty risks that are inherent to its activities (notes 1.7.2.1, 2.4, 3.7 and 3.35 of the notes to the financial statements). We have examined impairment methods, control procedures implemented to monitor credit and counterparty risk, the way in which the risk of non-recovery is assessed and covered by individual and collective impairment charges.

Provision for home loan savings products

Your company records a provision to cover the risk of unfavourable outcomes in respect of commitments relating to Home Loan Savings contracts (notes 1.7.4 and 3.21 of the notes to the financial statements). We have examined control procedures implemented for checking the models and determining the parameters used.

Provisions

Based on the evidence available to date, our assessment of provisions (notes 1.7.5 and 3.21 of the notes to the financial statements) relies on our analysis of the processes implemented by your company to identify and assess risk.

Our assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore assisted us in reaching our opinion as expressed in the first part of this report.

Specific verification

In accordance with the professional standards applicable in France, we have also specifically verified the information provided in the Group management report, in accordance with French law.

We have no observation to make regarding the fair presentation of that information and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, on March 23rd 2010
The Statutory Auditors

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine
Gérard Hautefeuille

Mazars

61, rue Henri Regnault
92400 Courbevoie
Guy Isimat-Mirin



5. INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS

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5.1 PROFIT AND LOSS STATEMENT AS AT DECEMBER 31ST 2009

(€ '000s)	12.31.09	12.31.08
Interest and similar income:		
- Cash and inter-bank transactions	2,327,013	1,679,322
- Customer transactions	1,352,891	1,131,223
- Bonds and other fixed-income securities	1,770,023	2,188,663
- Other interest and similar income	99,990	19,650
Interest and similar expense:		
- Cash and inter-bank transactions	(94,971)	(689,439)
- Customer transactions	(2,308,036)	(1,772,126)
- Bonds and other fixed-income securities	(54,025)	(178,382)
- Other interest and similar expense	(153,230)	(37,199)
Income from variable-rate securities	125,601	144,925
Commissions (income)	1,857,624	1,804,098
Commissions (expense)	(227,733)	(219,221)
Gains and losses on trading portfolio transactions	165,909	683,243
Gains and losses on investment portfolio transactions and similar	351,931	(214,089)
Other bank operating income	61,350	81,997
Other bank operating expense	(63,513)	(62,107)
NET BANKING INCOME	5,210,823	4,560,557
General operating expenses:		
- Personnel expense	(208,395)	(179,739)
- Other general operating expenses	(3,983,082)	(4,104,867)
- Re-invoicing	15,685	10,250
Depreciation, amortisation and impairment of tangible and intangible fixed assets	(109,690)	(100,028)
GROSS OPERATING PROFIT	925,342	186,172
Cost of risk	(49,794)	(108,559)
OPERATING PROFIT	875,548	77,613
Gains and losses on fixed assets	96	15,773
CURRENT PROFIT BEFORE TAX	875,644	93,385
Net exceptional income/(expense)		
Income tax	(277,412)	(11,539)
Allocations to General Banking Risk Funds and regulated provisions	(24)	
NET PARENT COMPANY PROFIT	598,208	81,846
Net parent company earnings per share (in euros)	29.37	4.02

5.2 BALANCE SHEET

AS AT DECEMBER 31ST 2009

(€ '000s)	12.31.09	12.31.08
ASSETS		
Cash and central banks	3,699,661	2,138,555
Treasury notes and similar securities	35,735,955	40,059,511
Receivables - credit institutions	72,192,253	16,414,740
Customer transactions	32,929,318	28,671,819
Bonds and other fixed-income securities	15,993,811	15,963,383
Equities and other variable-rate securities	973,782	584,711
Equity investments and other long-term holdings in securities	13,654	13,913
Investments in related companies	1,144,310	1,144,297
Intangible fixed assets	247,367	221,399
Tangible fixed assets	405,348	395,438
Other assets	831,869	526,947
Accruals	4,142,788	3,986,519
TOTAL	168,310,117	110,121,231

(€ '000s)	12.31.09	12.31.08
LIABILITIES		
Central banks		
Payables - credit institutions	5,630,623	6,904,645
Customer transactions	149,541,637	92,065,569
Securitised debt	3,812,105	2,620,112
Other liabilities	1,237,348	1,153,458
Accruals	3,929,166	3,680,451
Provisions	348,187	389,272
Subordinated debt	502,232	500,993
General Banking Risk Funds (GBRF)	22,000	22,000
Parent company shareholders' equity (excluding GRBF)		
- SHARE CAPITAL	2,342,454	2,342,454
- SHARE ISSUE AND TRANSFER PREMIUMS		
- RESERVES	346,065	359,418
- REVALUATION DIFFERENCES		
- REGULATED PROVISIONS AND INVESTMENT SUBSIDIES	85	117
- PROFIT/(LOSS) CARRIED FORWARD	7	895
- NET PROFIT/(LOSS) FOR THE PERIOD	598,208	81,846
TOTAL	168,310,117	110,121,231

5.3 OFF-BALANCE SHEET ITEMS AS AT DECEMBER 31ST 2009

(€ '000s)	12.31.09	12.31.08
FINANCING COMMITMENTS, GUARANTEES AND COMMITMENTS GIVEN ON SECURITIES		
Financing commitments:		
- to credit institutions	195	1,346,991
- to customers	8,065,024	7,813,382
Guarantees:		
- to credit institutions	265,230	
- to customers	1,745,322	454,649
Commitments on securities:		
- deliverable securities	443	146,650
Commitments given by insurance companies		
FINANCING COMMITMENTS, GUARANTEES AND COMMITMENTS GIVEN ON SECURITIES		
Financing commitments:		
- from credit institutions	4,138,304	3,400,216
- from customers		
Guarantees:		
- from credit institutions		
- from customers		
Commitments on securities:		
- securities receivable	65,016	113,336

Off balance-sheet commitments for cash foreign-exchange transactions and forward transactions on lending and borrowing in foreign currencies are detailed in note 14.

Off-balance sheet commitments for options are detailed in note 15.

Housing Fund (Crédit Logement) commitment: Following the transfer of assets, La Banque Postale, like La Poste before it, has committed to maintain the Housing Fund's basic equity capital at a level equivalent to its holding in the company, i.e. 6%,

so that the Crédit Logement could maintain its solvency ratio. This commitment has led La Banque Postale to subscribe to B share capital commitments through its SF2 subsidiary.

Furthermore, La Banque Postale, like La Poste before it, has undertaken to replenish the Housing Fund's mutual guarantee funds, which underwrite borrower defaults on loans secured by the company. This commitment, which is equivalent to the portion of loans granted by La Banque Postale, amounted to €265.230 million as at December 31st 2009.

5.4 DISTRIBUTION OF PROFIT FOR 2009

Proposed distribution of profit submitted to the General Meeting.

(in euros)		(in euros)	
Distributable profit		Allocation	
Previous balance carried forward	6,972.29	to dividends (i.e. €12.98 per share)	264,391,774.68
Profit for the period	598,207,566.64	to profit carried forward	303,912,385.92
Allocation to the legal reserve	(29,910,378.33)	TOTAL	568,304,160.60
TOTAL	568,304,160.60		
DISTRIBUTABLE TOTAL	568,304,160.60		

The General Meeting has therefore fixed the dividend at €12.98 per share for each of the 20,369,166 shares that make up the company's equity capital.

The dividend, which is eligible for the tax rebate scheduled in Article 158-3 of the French General Tax Code, will be paid by June 30th 2010 at the latest.

The General Meeting notes that the dividends or other income distributed in respect of the 2006, 2007 and 2008 financial years, all of which were eligible for the tax rebate scheduled in Article 158-3 of the French General Tax Code, were as follows:

Financial year	Number of shares	Amount distributed ⁽¹⁾	Per share ⁽¹⁾
2006	20,369,166	161,934,869	7.95
2007	20,369,166	109,382,421	5.37
2008	20,369,166	96,142,463	4.72

(1) Amounts are shown in euros.

5.5 FIVE-YEAR FINANCIAL SUMMARY

(in euros)	2005	2006	2007	2008	2009
FINANCIAL POSITION					
Equity capital	2,342,454,090	2,342,454,090	2,342,454,090	2,342,454,090	2,342,454,090
Number of shares	1,018,458,300	20,369,166	20,369,166	20,369,166	20,369,166
TOTAL PROFIT					
Revenues ⁽¹⁾	2,394,860,208	7,747,368,226	8,255,396,044	7,519,031,417	8,112,332,556
Profit before corporate income tax, depreciation, amortisation and provisions	68,827,014	486,077,343	618,806,196	573,575,958	699,563,397
Income tax	(20,412,458)	(30,631,279)	(93,195,747)	(11,539,082)	(277,412,282)
Profit after income tax, depreciation, amortisation and provisions	47,058,853	324,858,319	364,139,821	81,846,298	598,207,567
Proposed profit for distribution	30,553,749	161,934,870	109,382,421	96,142,464	264,391,775
PROFIT PER SHARE					
Profit after income tax, and before depreciation, amortisation and provisions	0.05	22.36	25.80	25.02	20.75
Profit after income tax, depreciation, amortisation and provisions	0.05	15.95	17.88	4.02	29.37
Proposed profit for distribution	0.03	7.95	5.37	4.72	12.98
EMPLOYEES					
Average headcount	92	1,120	1,249	1,690	1,897
Payroll expenses	6,282,844	60,817,996	67,160,632	104,503,764	106,643,511
Amounts paid for employee benefits (Social Security, social welfare organizations, etc.)	2,977,080	35,804,599	34,643,556	41,233,187	42,698,513

(1) This figure includes all operating banking income (income from financial transactions is recognised at the net amount).

5.6 SUBSIDIARIES AND AFFILIATES AS AT DECEMBER 31ST 2009

	SUBSIDIARIES (INTEREST OF OVER 50%)					
	LA BANQUE POSTALE GESTION PRIVÉE ¹	SF2 ²	SCI CRSF MÉTROPOLE ³	SCI CRSF DOM ⁴	ISSY LBP ⁵	TRANSACTIS ⁶
SIREN number	428,767,941	424,176,238	445,061,369	445,047,442	509,105,979	479,874,257
Equity capital	1,000,000.00	1,053,573,881.10	256,411,996.00	2,333,111.00	40,000.00	4,948,120.00
Reserve and balance carried forward before allocation of profit	4,622,500.94	137,774,727.58	13,619.00	(3,794.00)	0.00	(1,988.00)
Interest held (%)	51.00%	100.00%	99.99%	99.94%	99.99%	50.00%
Book value of securities held						
- Gross	388,620.08	1,143,908,525.78	256,391,996.00	2,331,611.00	40,000.00	2,474,062.00
- Net	388,620.08	1,143,908,525.78	256,391,996.00	2,331,611.00	40,000.00	2,474,062.00
Loans and advances granted by the company and not yet repaid	0.00	0.00	0.00	0.00	0.00	
Amount of sureties and guarantees given by the company	-	-	-	-	-	-
Revenues for the previous financial year (excluding tax)	3,852,831.92	187,511.11	31,339,823.00	750,507.00	0.00	15,629,226.00
Profit or loss for the previous financial year	338,672.26	128,467,362.48	8,854,498.00	205,094.00	(5,862.36)	
Dividends received by the company in the previous financial year	0.00	107,655,654.90	10,153,123.04		0.00	0.00
Comments	Portfolio management company	Holding company	Property leasing company	Property leasing company	Financial advisory company	Financial ser- vices/Holding company

SUBSIDIARIES (10% TO 50% INTEREST)		
GIE CR CESU ⁷	SGFGAS ⁸	EFPRIMO ⁹
487,708,455	390,818,235	440,165,041
150,000.00	825,015.00	37,500.00
		0.00
16.67%	14.29%	-32.00%
25,000.00	140,483.16	12,781.00
25,000.00	140,483.16	12,781.00
		0.00
-		-
-		0.00
		(8,364.58)
		0.00
General service employment cheque (CESU)	Guarantee fund management company	Financial advisory company

(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 07.

(5) 115, rue de Sèvres - 75275 Paris Cedex 07.

(6) 33, places des Corolles - Tour Europe La Défense II - 92400 Courbevoie.

(7) 155, avenue Gallieni - 93170 Bagnolet.

(8) 13, rue Auber - 75009 Paris.

(9) 115, rue de Sèvres - 75275 Paris Cedex 09.



6. SOCIAL AND SUSTAINABLE DEVELOPMENT POLICY

6.1 INTRODUCTION

6.1.1 Social indicators

6.1.2 Environmental indicators

6.1.3 Additional information

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6.1 INTRODUCTION

2009 was the second year for which La Banque Postale decided to provide information regarding its environmental and social performance according to the criteria established by the French New Economic Regulations Act, or NRE Act.

This second NRE report saw the emergence of three major trends compared with 2008:

- the presentation of the changes recorded between 2008 and 2009,
- the extension of the assessment scope of the social indicators used, which aims to include all the staff of La Banque Postale and its subsidiary companies. The Bank's model includes both employees of La Banque Postale and La Poste employees working in the name and on behalf of La Banque Postale. La Banque Postale's staff therefore includes: La Banque Postale employees (1,938 people, including La Banque Postale em-

ployees seconded to the Bank's subsidiaries) and La Poste financial services employees (19,286 people), together with the Banking Advisory Team staff (10,577 people).

- the extension of the assessment scope of the environmental indicators used: the impact measurement rate has increased significantly where La Banque Postale's direct carbon footprint is concerned.

The scope of the data presented takes La Banque Postale employees and financial services employees into account. Meanwhile, the environmental impact of the Bank's commercial banking employees is included in the overall impact of the post offices and is published in the La Poste Group's annual report.

6.1.1 Social indicators

Social criteria	2009 NRE responses	Scope									
Total headcount	A total of 32,289 people worked for La Banque Postale on permanent or fixed-term ⁽¹⁾ contracts as at December 31 st 2009, including 488 employees seconded to majority-owned subsidiaries of La Banque Postale. (1) Including training and work/study contracts	Employees of La Banque Postale and its subsidiaries									
<ul style="list-style-type: none"> • Permanent and temporary hires • Potential hiring difficulties 	<p>In 2009, 979 people were hired by La Banque Postale and its subsidiaries. La Banque Postale also pays particular attention to enabling young people to enter the workforce (a quarter of new hires in 2009 were made following a work-study contract that was turned into a permanent position), as well as recruiting and retaining older employees (unanimous agreement on diversity, job equality and the employment of older people). Moreover, La Banque Postale has undertaken to ensure that at least one application from a male and female candidate is considered at the final selection stage for each position to be filled.</p> <p>The new hires detailed here include: permanent hires following a work-study or part-time cover contract or an increase in business levels, and external permanent hires.</p>	Employees of La Banque Postale and its subsidiaries									
Dismissals and reasons for dismissal	<table> <tr> <th></th><th>2009</th><th>2008</th></tr> <tr> <td>Dismissals and sundry terminations</td><td>140</td><td>229</td></tr> <tr> <td>As a % of the workforce</td><td>0.44%</td><td>0.70%</td></tr> </table> <p>The data provided here include dismissals, terminations during trial periods instigated by the employer, terminations of temporary contracts instigated by the employer and people no longer included on the employment roll or whose job has been withdrawn.</p> <p>The number of dismissals remained very low in 2009.</p>		2009	2008	Dismissals and sundry terminations	140	229	As a % of the workforce	0.44%	0.70%	La Banque Postale employees
	2009	2008									
Dismissals and sundry terminations	140	229									
As a % of the workforce	0.44%	0.70%									
Overtime	Overtime worked in 2009 amounted to 3.3 hours per employee and was even lower than in 2008 (4.3 hours per employee).	La Banque Postale employees									
<ul style="list-style-type: none"> • Headcount reduction plan • Safeguarding jobs • Reclassifications 	This item does not apply to La Banque Postale, which has not carried out any operations of this nature.	La Banque Postale employees									

Social criteria	2009 NRE responses	Scope						
Length of working hours and part-time working hours	3,624 people chose to work part-time in 2009, compared with 3,379 in 2008. Women account for 88% of part-time workers.	La Banque Postale employees						
Absenteeism and reasons for absence	The average number of paid sick leave days per employee was 11.76 days in 2009, compared with 11.21 days in 2008.	La Banque Postale and Financial Services employees						
• Compensation and compensation trends Application of the provisions in Chapter IV, Book IV of the French Employment Code	La Banque Postale and trade union organizations signed a unanimous agreement in June 2009 as well as a majority-approved agreement on profit-sharing for employees of La Banque Postale. These agreements are valid for the 2009, 2010 and 2011 financial years. The introduction of a quality criterion to the system reinforces the importance of the customer relationship and customer satisfaction, which is core to La Banque Postale's business activities. A unanimous agreement on salaries and employer contributions to employee savings plans was also signed on February 12 th 2009.	La Banque Postale						
Equal job opportunity for men and women	<p>The compulsory annual negotiation round provides for setting aside a sum of €100,000 in order to remedy potential compensation differences that cannot be objectively explained. At the end of 2009, the agreement on diversity, equal opportunity and the employment of older people defined the fundamental principles and the quantified commitments given by La Banque Postale on equal recruitment, job equality between men and women and the employment of older people.</p> <p>Finally, the report comparing the positions occupied by men and women in 2008, and was presented and approved by La Banque Postale's representative bodies in 2009, does not record any significant differences between the compensation of male and female employees on an equal job basis.</p> <table><tr><td></td><td>2009</td></tr><tr><td>Percentage of women on the Executive Committee</td><td>23.5%</td></tr><tr><td>Percentage of women in management</td><td>44.3%</td></tr></table> <p>In 2008, 7.6% of the members of decision-making bodies at the 300 largest French companies were women (Report on Equal Opportunity for Men and Women in the Workplace - July 2009). The percentage of women in management positions in CAC 40 companies was 25.7% in 2009 (CapitalCom 2009 report on equal opportunity).</p>		2009	Percentage of women on the Executive Committee	23.5%	Percentage of women in management	44.3%	La Banque Postale
	2009							
Percentage of women on the Executive Committee	23.5%							
Percentage of women in management	44.3%							
	An agreement on equal job opportunity in the Financial Services division was signed in November 2008. Its aims include making it easier for women to be appointed to operating management positions and boosting gender diversity at senior management levels. In 2009, the operating implementation of this agreement was monitored by an committee.	La Banque Postale and Financial Services employees						
Social security contributions	La Banque Postale respects all its social security contribution obligations. No reassessment has been reported.	La Banque Postale employees						
• Employee relations • Review of collective agreements	In 2009, La Banque Postale signed five agreements on the following issues: diversity, equal opportunity and the employment of older people (unanimous agreement), employee relations and the exercise of trade union rights (unanimous), profit-sharing for La Banque Postale employees (majority), incentives for La Banque Postale employees (unanimous), compensation and employer contributions to employee savings plans (unanimous). 77 employee relations sessions were held in 2009. In addition, five local agreements were signed by the Financial Services division in 2009: • professional development for disabled persons at the Nancy Financial Centre (unanimous); • support practices and measures following job reassignments and transfers, implemented at: Lille (unanimous), Rennes (majority), Paris (majority), Grenoble (majority). These agreements reflect La Banque Postale's commitment to employee relations and the importance it places on the issue.	La Banque Postale and Financial Services employees						

Social criteria	2009 NRE responses	Scope																																	
<ul style="list-style-type: none">• Health at work• Hygiene and safety conditions	<p>In 2009, as in 2008, La Banque Postale held four health and safety at work committee meetings, while three were held in the Financial Services division.</p> <p>La Banque Postale emphasises preventive health measures for its employees. The main themes in 2009 were:</p> <ul style="list-style-type: none">• the implementation of Government measures for combating and detecting cancer, or measures against the H1N1 flu pandemic;• training first-aid officers in the workplace, the training of safety wardens and safety officers in the event that buildings are evacuated, and road safety training;• setting up a service agreement in 2009 that guaranteed the implementation of health and safety at work measures for employees in the Financial Services division. <p>In 2009, La Banque Postale also focused on preventing psycho-social risks and on safety, while providing more support to local employees.</p> <p>Three main guidelines were therefore implemented:</p> <ul style="list-style-type: none">• Assessing working conditions;• Developing stress-at-work training programmes;• Implementing procedures for assessing and monitoring stress at work.	La Banque Postale and Financial Services employees																																	
Training	<p>The number of training days provided by La Banque Postale was 4.3 days per employee per year, i.e. 136,173 training days in 2009 (4.5 days in 2008).</p> <p>258 people were enrolled in continuing education undergraduate programmes, including:</p> <ul style="list-style-type: none">• three La Banque Postale employees who received a degree from the French Institute of Banking Studies (CESB), including the degrees that were awarded the highest and second-highest marks;• two graduates from the CESB Asset Management programme;• five graduates from the French Technical Banking Institute, or ITB;• 24 employees who received a professional banking diploma.	La Banque Postale employees																																	
Employment and integration of the disabled	<table><tr><td colspan="6">Direct employment</td></tr><tr><td></td><td>Disabled persons hired in 2009 (2008)</td><td>Number of disabled persons in the workforce</td><td>2008-2009 results</td><td>2008-2009-2010 Triennial agreement targets</td><td>Employment rate</td></tr><tr><td>La Banque Postale</td><td>4 ⁽⁶⁾</td><td>12.79</td><td>10</td><td>14</td><td>1.74%</td></tr><tr><td>Financial Services</td><td>11 ⁽¹³⁾</td><td>1,087</td><td>24</td><td>35</td><td>5.79%</td></tr></table> <table><tr><td colspan="3">Indirect employment</td></tr><tr><td></td><td>Equivalent jobs in Government-sponsored disabled work schemes in 2009 (2008)</td><td>Three-year agreement targets 2008-2009-2010</td></tr><tr><td>La Banque Postale</td><td>19.60 (18.85)</td><td>+20% in 2010 compared with 2007: the target was already met in 2009</td></tr></table> <p>In 2009, the Diversity, Disability and Equality of Opportunity team attended six forums and participated in <i>Handichat</i> sessions: the Departmental Integration Plan for Disabled Employees in May, the <i>Pass Emploi</i> forum in June, the French Disabled Persons Employment Week in November and two <i>Handichat</i> web-TV sessions in June and November.</p>	Direct employment							Disabled persons hired in 2009 (2008)	Number of disabled persons in the workforce	2008-2009 results	2008-2009-2010 Triennial agreement targets	Employment rate	La Banque Postale	4 ⁽⁶⁾	12.79	10	14	1.74%	Financial Services	11 ⁽¹³⁾	1,087	24	35	5.79%	Indirect employment				Equivalent jobs in Government-sponsored disabled work schemes in 2009 (2008)	Three-year agreement targets 2008-2009-2010	La Banque Postale	19.60 (18.85)	+20% in 2010 compared with 2007: the target was already met in 2009	La Banque Postale and Financial Services employees
Direct employment																																			
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Charitable volunteering and partnerships	<p>Volunteering leave</p> <p>La Banque Postale encourages its employees to volunteer for development projects carried out by the French <i>Planète Urgence</i> and <i>France Volontaires</i>(1) charities.</p> <p>These projects focus on three areas: combating exclusion from education, educating the public about sustainable development, and preserving the environment.</p> <p>La Banque Postale has therefore supported 82 volunteer employees over the past three years. That support represents 5,740 hours of volunteer work on projects of social and environmental benefit.</p> <p>These projects were entirely funded by La Banque Postale, which donated €100,000 in 2009.</p> <p>La Banque Postale also funds 20% of the leave taken by employees who volunteer for these projects.</p> <p>(1) in Mali, Benin, Madagascar, Cameroon, India, Indonesia and French Polynesia</p> <table><tr><th>2007 (trial year)</th><th>6 volunteers</th></tr><tr><td>2008</td><td>38 volunteers</td></tr><tr><td>2009</td><td>38 volunteers</td></tr></table>	2007 (trial year)	6 volunteers	2008	38 volunteers	2009	38 volunteers	La Banque Postale employees																											
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Social criteria	2009 NRE responses	Scope
Charitable volunteering and partnerships	<p>Employee working conditions</p> <p>La Banque Postale's Employee Council enabled 521 employees to benefit from subsidised employment vouchers (French General-Purpose Employment Cheques, or CESU) in 2009. The average cost paid by employees was 37% of the value of those vouchers.</p> <p>In total, €2 million were spent by the Employee Council in 2009, answering requests from over 90% of employees.</p> <p>Partnerships with voluntary organizations</p> <p>La Banque Postale supports the voluntary sector through three organizations: Unicef, which it supports through donating vaccines, the French <i>Greffe de Vie</i> (Transplant for Life) Foundation for organ donation and the French AIDS Solidarity (<i>Solidarité SIDA</i>) organization, which has been involved in AIDS Solidarity Days in France for over 10 years.</p> <p>Access to basic financial services</p> <p>The partnership that La Banque Postale signed three years ago with the French National Union of Social Action Community Centres, or UNCCAS, is reflected in two types of programmes:</p> <ul style="list-style-type: none"> • Better co-ordination of local programmes designed to promote access to banking services for the most vulnerable members of society (who have learning or severe financial difficulties); • Supporting the prize that the UNCCAS awards every year for the best social initiatives designed to help vulnerable people on a local scale. 	La Banque Postale
Outside services/ Importance of sub-contracting	<p>La Banque Postale pays the utmost attention to its job - contractors working conditions and is gradually including environmental, social and governance (ESG) criteria in its tenders. All these issues are included in the <i>Responsible Purchasing Charter</i> (for example, complying with ILO standards, REACH regulations, promoting diversity, employing the disabled, making purchases from disabled work schemes), which has been signed by 178 of La Banque Postale's service providers (i.e. almost 15% of all suppliers), who are equally committed to disseminating those rules among their own sub-contractors.</p> <p>La Banque Postale would like all its suppliers to comply with the Charter in 2010.</p>	La Banque Postale employees

6.1.2 Environmental indicators

The scope of the data presented below takes La Banque Postale employees and Financial Services employees into account.

Environmental criteria	2009 NRE responses											
Water consumption and waste	<p>In 2009, La Banque Postale’s water consumption amounted to 38 litres per employee per day. This data covers 85% of the total surface area occupied by the Bank.</p> <p>Tap replacement programmes (at three sites in 2009) resulted in a 5.4% water saving rate in 2009 compared with 2008.</p> <table><tr><td></td><td>2008</td><td>2009</td></tr><tr><td>Water consumption in litres per employee</td><td>40</td><td>38</td></tr></table>				2008	2009	Water consumption in litres per employee	40	38			
	2008	2009										
Water consumption in litres per employee	40	38										
<ul style="list-style-type: none">Energy efficiencyRenewable energy sources	<p>The report covered 98% of the energy consumed on the Bank’s premises.</p> <table><tr><td></td><td>2009 ⁽¹⁾</td><td>Évolution (2009-2007) ⁽²⁾</td></tr><tr><td>Energy consumption in kWh per employee</td><td>3,748</td><td>-7%</td></tr><tr><td>Consumption covered⁽³⁾</td><td>98 %</td><td>+13 points</td></tr></table> <p>(1) Ratio of surface area covered by the measure in relation to the total surface area occupied by La Banque Postale.</p> <p>The decrease in energy consumption per employee (-7%) is lower than the decrease in CO₂ emissions per employee (see below) due to a mechanical effect: between 2007 and 2009, La Banque Postale primarily reduced its consumption of heating oil (-43%), which emits high quantities of CO₂, but represented a small portion (2.4%) of total 2009 energy consumption, while increasing its consumption of natural gas.</p>				2009 ⁽¹⁾	Évolution (2009-2007) ⁽²⁾	Energy consumption in kWh per employee	3,748	-7%	Consumption covered ⁽³⁾	98 %	+13 points
	2009 ⁽¹⁾	Évolution (2009-2007) ⁽²⁾										
Energy consumption in kWh per employee	3,748	-7%										
Consumption covered ⁽³⁾	98 %	+13 points										
Atmospheric emissions	<p>La Banque Postale’s 2009 carbon footprint was 489kg of CO₂ per year for CO₂ emissions relating to buildings (i.e. down 14% compared with 2007) and 2.5 tonnes of CO₂ by vehicle for emissions relating to the La Banque Postale car pool (a number which has been stable over the last three years).</p> <p>La Banque Postale has set itself a target of reducing its CO₂ emissions per employee by 9% for CO₂ emissions relating to buildings and reducing emissions by 5% per vehicle for emissions relating to employee business travel. Given the results achieved in 2009, the target for buildings ought to be met in 2010.</p> <table><tr><td>Buildings</td><td>2009 data⁽²⁾</td><td>Change compared with 2008 ⁽³⁾</td><td>Change compared with 2007 ⁽³⁾</td></tr><tr><td>CO₂ emissions per employee in kg</td><td>489</td><td>- 10 %</td><td>- 14 %</td></tr></table> <p>(2) The estimated level of error for the measurements taken is 10%.</p> <p>(3) ISO 2009 scope. In accordance with GHG Protocol, the ISO scope calculation is performed retrospectively.</p>			Buildings	2009 data ⁽²⁾	Change compared with 2008 ⁽³⁾	Change compared with 2007 ⁽³⁾	CO ₂ emissions per employee in kg	489	- 10 %	- 14 %	
Buildings	2009 data ⁽²⁾	Change compared with 2008 ⁽³⁾	Change compared with 2007 ⁽³⁾									
CO ₂ emissions per employee in kg	489	- 10 %	- 14 %									

Environmental criteria

2009 NRE responses

Atmospheric emissions

In 2009, La Banque Postale's atmospheric emissions coverage ratio increased by 13 points, which brings total coverage up to 98%. The change recorded is explained by four factors:

- the impact of consumption reduction measures implemented by La Banque Postale:
 - measures that involve an environmentally-friendly commitment from employees (challenges to reduce energy consumption, environmentally-friendly gestures, etc.),
 - measures to renovate and maintain sites: installing solar panels in Corsica, insulating rafters at Châlons-en-Champagne and replacing the cooling units at Dijon and Fort-de-France. In addition, a plan to replace building frames and joinery was implemented in 2009 (at Dijon, Lille, Marseille, Rennes, Clermont-Ferrand and Châlons-en-Champagne) and will continue until 2011;
- a change in the type of site included in the reports: despite the relatively small change in the total number of square metres occupied by La Banque Postale (-2%), certain sites which emitted high levels of CO₂ are no longer part of the property portfolio, while lower-emission sites have been included.
- the optimisation of production tools in the Financial Centres;
- the work carried out enabled the Bank to reduce its central heating consumption, and therefore its consumption of domestic gas and heating oil, which are CO₂-emitting sources of energy and account for 77% of central heating energy consumption.

Travel-to-work

- Environmentally-friendly driving: in 2009, 1,087 Bank employees received environmentally-friendly driving training. 1,900 vehicle users will have been trained by the end of 2010. The reduction in fuel consumption recorded ranged between 4% and 20% depending on the driving habits of the participants.
- Travel-to-work review: since 2004, company travel-to-work plans have been implemented by the Financial Services division; those plans encourage Bank employees to choose alternative transport methods to driving. The emission of 1,828 tonnes of CO₂ has thus been prevented since La Banque Postale was founded in 2006.

	Number of employees whose public transport expenses are reimbursed (outside the Paris area)	Estimate of the tonnes of CO ₂ emissions "prevented" per year ⁽¹⁾
2006	1,453	265
2007	1,855	339
2008	2,953	539
2009	3,753	685
Total	3,753	1,828

Decree 2008-1501 of December 30th 2008, which requires companies to pay for 50% of their employees' public transport expenses, made standard part of the existing measures included in the travel-to-work plans agreed by La Banque Postale.

Consumption of raw materials

La Banque Postale has chosen to supply its customers and employees with paper produced from sustainably-managed forests or recycled paper. The aim of reaching the 100% responsibly-sourced paper level was achieved in 2009 for all the paper used by La Banque Postale (bank statements, envelopes, promotional printed materials, A4/A3 plain paper, etc.).

	2007	2008	2009	Évolution (2009/2008)
Paper consumption (tonnes)	9,493	10,483	9,226	- 12%
% of responsibly-sourced paper (checked)	68%	85%	94%	+ 9 points
Number of active customers ('000s)	9.304	9.530	9.905	+ 6,5%

The 6% of paper that is unspecified consists of paper whose sources have not yet been checked by La Banque Postale.

Most of the paper used by La Banque Postale was intended for its customers (over 80%). The paper consumption recorded between 2007 and 2009 was stable, given the growth in the Bank's business activities over the period.

Land use conditions and soil discharges

This criterion does not apply to La Banque Postale

(1) Based on the average travel-to-work distance covered (7.55 km) and on the number of people who have actually «switched» from personal vehicles to public transport among the total number of people whose expenses are reimbursed.

Environmental criteria	2009 NRE responses
Waste management	<p>La Banque Postale has had a waste management policy in place across the French national territory (including the French overseas territories) since 2006. To date, 100% of the Bank's area of operations is covered by this policy.</p> <p>Systems for collecting and recycling hazardous WEEE (Waste Electrical and Electronic Equipment) have also been put in place and therefore comply with the Group's legal WEEE management obligations. 42 tonnes of WEEE were collected in 2009, at a cost of €17,000.</p>
Noise and odour nuisance	This criterion does not apply to La Banque Postale
Measures taken to limit the impact on the natural biological balance	<p>La Banque Postale is careful to preserve biological balance through responsible management of available resources and factors in good management principles through:</p> <ul style="list-style-type: none"> • a Responsible Purchasing charter, signed by La Banque Postale's suppliers. The charter encourages every stakeholder to improve their products and services in terms of human rights and the environment; • building criteria into its tender specifications, in order to select best market practices, i.e. those that will have a lower impact on the biological balance. <p>For example, La Banque Postale's 100% responsibly-sourced paper policy consists in choosing paper that has a lower impact on forests (paper from sustainably managed forests) and generates less polluting waste (recycled paper).</p> <p>Finally, La Banque Postale is involved in raising young people's environmental awareness, through its partnership with <i>GoodPlanet</i>, Yann Arthus-Bertrand's foundation, for which it finances school learning kits.</p>
Measures taken to ensure compliance with legal requirements	<p>In view of its business activities and its culture of a leading public benefit company, La Banque Postale has implemented particularly thorough procedures to control its business activities, which involve the Risk Department (in a regulatory oversight role) and the Compliance Department.</p> <p>La Banque Postale meets its obligations in respect of caring for the environment, particularly in terms of collecting and sorting its waste and of the renovation work performed on its buildings.</p>
Evaluation or training and organization certification initiatives	A network of 40 identified officers has been responsible for monitoring environmental indicators and ensuring their reliability since 2006. The initiatives taken by these officers go from generalising waste sorting processes to making people aware of environmentally-friendly behaviour, including reducing consumption (paper and energy).
Expenditure on preventing the company's activities from having a negative impact on the environment	Expenditure on implementing the measures detailed in these notes has not been broken down to date.
Total indemnities paid during the financial year	This criterion does not apply to La Banque Postale.
Total provisions and guarantees for environmental risk	The nature of La Banque Postale's business activities does not require provisions and guarantees for environmental risk.
Foreign subsidiaries	This criterion does not apply to La Banque Postale.

6.1.3 Additional information

Supplementary information to the notes

Socially responsible investing

In 2009, socially responsible investments (SRI) assets under management by La Banque Postale Asset Management amounted to €626.05 million, i.e. an increase of 79.5% compared with 2008.

This increase is explained by:

- net inflows of €97.8 million, which are primarily related to the launch of two new funds (one equity fund and one guaranteed fund);
- the conversion of two bond funds to SRI funds;
- a good financial performance across the SRI range.

	2007	2008	2009
SRI assets under management (€ millions)	456	349	626

In 2009, La Banque Postale was involved in promoting socially responsible investing to other economic parties:

- by contributing to the *SRI Investment Guide* issued by financial institutions that are members of the French Observatory for Corporate Social Responsibility, or ORSE;
- by participating in the *Novethic* forum on ESG Strategies for responsible investors;
- by obtaining *Novethic* SRI certification for three of its retail funds (LBPAM Responsable Actions Euro, LBPAM Responsable Actions Monde and LBPAM Responsable Actions Environnement);
- by obtaining *Finansol* certification for the Décisiel Actions 70 Solidaire employee savings fund.