



2012 REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

LA BANQUE



POSTALE

BANQUE ET CITOYENNE

La Banque Postale

Limited Company with Executive Board and Supervisory Board, capitalised at €3,185,734,830.

Registered Office and postal address: 115 rue de Sèvres – 75275 Paris Cedex 06 – RCS Paris 421 100 645
APE code 6419Z, insurance intermediary at ORIAS under no. 07 023 424.

Registration Document and annual financial report La Banque Postale Group 2012 financial year



The English version of this Registration Document (Document de Référence) is a free translation from the original, which was prepared in French. Only the Registration Document issued in French was filed with the Autorité des marchés financiers (French Securities Regulator) and registered under number R.13 - 010 on March 28th 2012, in accordance with article 212-13 of its General Regulation. The French version is therefore the only version that is binding in law.

This document includes all elements of the annual financial report specified by Section I of article L.451-1-2 of the French Monetary and Financial Code and article 222-3 of the AMF's General Regulation. Tables allowing crossreferencing between the documents specified in article 222-3 of the AMF's General Regulation and the corresponding sections of this document are provided on page 251. The French version of this document is available at the Company's head offices at 115 rue de Sèvres, 75275 Paris Cedex 06, as well as on its website at www.labanquepostale.fr.

Pursuant to Article 28 of EC Regulation 809/2004 of April 29th 2004, the following documents have been included in this Registration Document for reference purposes:

- the consolidated and annual financial statements for the 2011 financial year, together with the Statutory Auditors' report on the consolidated and annual financial statements, which are shown on pages 162-163 and 202-203 respectively of the 2011 Registration Document, as filed with the AMF on May 3rd 2012 under No. R. 12-018;
- the consolidated and annual financial statements for the 2011 financial year, together with the Statutory Auditors' report on the consolidated and annual financial statements, which are shown on pages 90 and 160 respectively of the 2010 Registration Document, as filed with the AMF on November 11th 2011 under No. R. 11-605.

Contents

1. Overview of La Banque Postale Group	7
1.1. Key data	9
1.2. Organisational structure of the Group	10
1.3. The Group's business lines	12
1.4. Strategy and outlook	21
1.5. The Group's shareholders	23
2. Corporate governance and internal control procedures	25
2.1. Report of the Chairman of the Supervisory Board on the conditions under which the work of the Board was prepared and organised and on the internal control procedures	26
2.2. Statutory Auditors' report, prepared pursuant to Article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of La Banque Postale's Supervisory Board	46
2.3. Information on the members of the Supervisory and Executive Boards	47
3. Activities and results of La Banque Postale Group	61
3.1. Business environment and highlight	62
3.2. Activities and consolidated results of La Banque Postale	64
3.3. Activities and results by business line	65
3.4. Analysis of the consolidated Balance sheet	69
3.5. Other accounting information	70
3.6. Post-balance sheet events	71
3.7. Recent changes and outlook for 2013	71
3.8. Information on the Statutory Auditors	72
4. Risk management	73
4.1. General procedures	74
4.2. Financial management risk	77
4.3. Legal risk	97
4.4. Insurance cover and policies	98
4.5. Prudential ratios	99
5. Financial statements as at December 31st 2012	101
5.1. Consolidated statement of financial position as at December 31 st 2012	102
5.2. Notes to the consolidated financial statements	107
5.3. Statutory Auditors' report on the consolidated financial statements as at December 31 st 2012	162
5.4. Separate financial statements as at December 31 st 2012	164
5.5. Statutory Auditors' report on the separate financial statements	203

6. Responsible Development	205
6.1. Governance of responsible development at La Banque Postale	206
6.2. La Banque Postale's responsible development policy	207
6.3. Responsible development indicators	220
6.4. Statutory Auditors' Report	229
7. General information	231
7.1. Documents on display	232
7.2. Significant changes	232
7.3. Material contracts	232
7.4. Off-balance sheet commitments	232
7.5. Dependency situation	233
7.6. Regulations	233
8. Deeds of incorporation and articles of association	235
9. Supervisory Board Charter	247
10. Statutory Auditor's special report on related-party agreements and commitments	251
11. Person responsible for the registration document	259
12. Correlation tables	261
12.1. Registration Document correlation table	262
12.2. Financial report correlation table	264

Company name and trading name

The Company's name is "La Banque Postale", which is referred to as La Banque Postale in this document.

Legal form – applicable legislation

Limited company with Executive and Supervisory Boards

The Company is governed by current laws and regulations, and specifically by:

- the provisions of the French Commercial Code regarding commercial companies;
- the provisions of the French Monetary and Financial Code regarding credit institutions;
- the provisions of Law No. 2005-516 of May 20th 2005 regarding the regulation of the post office business;
- the provisions of Law No 83-675 of July 26th 1983 regarding the democratisation of the public sector.

Place of registration and registration number – date of incorporation – country of origin

The Company was registered with the Paris Trade and Companies Registry under number 421 100 645 on December 10th 1998.

Country of origin: France

Registered capital amount

The registered capital is set at three billion one hundred and eighty-five million, seven hundred and thirty-four thousand, eight hundred and thirty (3,185,734,830) euros. It is divided into twenty-seven million seven hundred and two thousand and forty-two (27,702,042) fully paid-up shares of a single class.

Duration of the Company

The duration of the Company is 99 years from the date of its registration with the Trade and Companies Registry (*i.e.* December 10th 1998), except in the event of dissolution, or of an extension decided by the Extraordinary General Meeting.

Registered offices

The Company's registered offices are at 115 rue de Sèvres – 75275 Paris Cedex 06.

The telephone number for the registered offices is +33 (0)1 57 75 60 00.

Overview of La Banque Postale Group

1

1.1. Key data	9
1.2. Organisational structure of the Group	10
1.2.1. Functional organisational structure	10
1.2.2. Capital structure	10
1.2.3. Partnerships	10
1.3. The Group's business lines	12
1.3.1. Organisational chart	12
1.3.2. The Group's business lines	13
1.4. Strategy and outlook	21
1.5. The Group's shareholders	23
1.5.1. Shareholders	23
1.5.2. Changes in the share capital	23
1.5.3. Dividend policy	23
1.5.4. Shareholder relations	23

Overview of the Bank

La Poste's Financial Services, which were historically active in the deposits and home loans markets, have continued to be an integral part of the Group's development, since the first milestones marking the transition of the French Post Office and Telecommunications company towards two independent operators, namely France Telecom and La Poste.

Following its separation from the French Government's ancillary budget, La Poste became legally autonomous on January 1st 1991. It continued its deposits and home loans activities (the latter for customers with prior savings) through its Financial Services division, although it did not yet have the status of credit institution. The overnight deposits gathered from these activities were transferred to the Public Treasury on a daily basis. A similar system also applied to regulated savings deposits, *i.e.* PEL (home loan savings plans), CEL (home loan savings) and Livret A accounts, for which the deposit balances were transferred to centralised savings funds managed by the Caisse des dépôts et Consignations. Lastly, home loans were granted by Financial Services, subject to the existence of prior savings, but were recorded on the balance sheet of the savings funds' Home Loan Savings segment.

La Poste subsequently suggested retaining overnight deposit balances and ensuring their financial management itself. For that, it applied to the Committee for credit institutions and investment companies (CECEI) for approval to create, in February 2000, an investment company (Efiposte) whose objective was to provide for the financial management for these resources.

In 2005, the La Poste Group proposed, as part of its Programme Contract, to set up a banking subsidiary with the capacity to carry in its statement of financial position all customer deposits and loans.

La Banque Postale was founded on December 31st 2005, via the legal transformation of Efiposte, which was authorised by Law No. 2005-516 of May 20th 2005 on the regulation of postal activities. This law allowed for La Poste to set up a subsidiary into which all assets, rights and obligations relating to its Financial Services would be transferred, including assets relating to deposit and savings accounts, and more generally, any kind of agreement opened or entered into with La Poste in this context.

The law regulating postal activities invested La Poste with a public service mission in the banking, financial and insurance sectors by requiring it to offer products and services to the public at large, in particular with the Livret A. As such, La Banque Postale is required to open a Livret A account free of charge for any person who so requests. An essential part of its public service mission is to authorise payment transactions on Livret A relating to social security benefits and to civil servants' pensions, as well as direct debits relating to the payment of taxes and duties, of water, gas, and electricity bills, and of subsidised housing rents. Finally, La Banque Postale is the only bank which authorises withdrawals from and deposits to Livret A accounts starting at 1.5 euros.

Since its foundation, La Banque Postale has been allowed to extend its product range to all types of home loans. Indeed,

La Poste could only offer home loans to customers who had already built up savings, via a PEL or CEL account.

The CECEI had already authorised Efiposte to take over the rights and obligations of La Poste's Financial Services, in order to become La Banque Postale, on November 30th 2005.

Likewise, the European Commission had taken the view that the founding of La Banque Postale did not damage competition in the banking sector on December 21st 2005.

Following the European Commission's decision ordering France to stop reserving the distribution of Livret A accounts to traditional operators, the French Economic Modernisation Act of August 4th 2008 broadened the distribution of Livret A accounts to all banking institutions, on condition that they sign an agreement with the Government. Meanwhile, La Banque Postale saw its access-to-banking remit in respect of Livret A accounts recognised and defined in law.

La Banque Postale received the Government's authorisation to extend its range of products to consumer credit in 2007, and then to casualty insurance in 2009. These extensions were approved by the competent authorities.

In August 2010, La Banque Postale also obtained authorisation from the Minister of the Economy, Industry and Employment to draw up a range of financial products and services for corporations.

La Banque Postale received the French Prudential Authority's approval to offer financing to corporations (SMCs, VSCs, and social housing landlords, etc.) on September 5th 2011. With corporate and institutional financing, La Banque Postale has entered a new stage and now offers all the products and services of a retail bank.

Approved by the French Prudential Control Authority (ACP) since May 25th 2012 to provide financing to the local public sector, La Banque Postale has offered local governments short-term loans since June 2012 and medium- and long-term loans at fixed and variable rates, for periods up to 15 years, since November 2012.

In the future, La Banque Postale will broaden its range of financing to all players in the local public services sector (semi-public companies, local public companies and public health institutions) and will offer debt and service management solutions.

La Banque Postale strengthened its positioning with respect to social access to property ownership and in 2012 entered into several partnerships with entities involved in social housing (national federation of low-income housing cooperatives, Maison France Confort). These partnerships aim to increase financing security by implementing borrower protection systems.

Lastly, the Board of Directors of the La Poste Group, which met on August 26th 2011 under the chairmanship of Jean-Paul-Bailly, authorised La Poste to subscribe to La Banque Postale's first capital increase, which amounted to €860 million and was

performed on September 9th 2011. The principle of such a contribution was decided at the July 7th 2011 meeting of the Board of Directors of La Poste Group. It is also an integral part of the La Poste Group's strategic "Ambition 2015" plan. The primary aim of this capital increase is to support loan development (home

loans, consumer loans, and loans to companies). This decision also enables a more diversified management of the Bank's balance sheet, by taking advantage of its strong liquidity position. Lastly, it enables the Bank to comply with its regulatory obligations, and contributes to its strength and solvency.

1.1. Key data

La Banque Postale, a Limited Company with Executive and Supervisory Boards, is the Parent Company of the La Banque Postale Group.

As the successor to La Poste's Financial Services, it has assumed the Group's values of trust, accessibility and local presence in this respect, which have endowed it with an unusual and unique positioning on the French market since the beginning. This policy is driven by an unchanging strategy based on low service rates, access for all customers and a simple product range that focuses on the basics.

La Banque Postale Group employs 3,000 staff directly, spread throughout France. Moreover, the 18,300 employees working in La Poste's Financial Services and Financial Centers are placed under the responsibility of the Chairman of La Banque Postale's Executive Board, in his capacity as the Deputy CEO of La Poste responsible for Financial Services. This organisational structure primarily relies on 23 Financial Centers, 19 Financial Centers in Metropolitan France, 4 Financial Centers in the French overseas departments, and six national Financial Centers that have specific expertise and a dedicated IT Department. It is also based on 35 subsidiaries and strategic investments and on the distribution capacity of the La Poste network.

The La Banque Postale Group's business is focused on the retail banking business in France, and specifically on retail customers. It is organised around three business segments:

- Retail banking in France, its core business, mainly focused on individual customers, and was extended to companies in 2011 and to local authorities in 2012;
- Insurance (life, contingency, general and health);
- Asset management (asset management and private wealth management companies).

As at December 31st 2012, the La Banque Postale Group represented:

- 10.6 million active customers;
- 11.6 million deposit accounts;
- 9,700 Advisors and customer service managers;
- 720 Specialist Property Advisors, 810 Specialist Private Wealth Advisors, and 67 Private Wealth Management Advisors;
- 7 million bank cards, and 6,700 ATM;
- A balance sheet total of €196 billion.

At December 31st 2012, La Banque Postale had good credit ratings, reflecting its financial solidity and its rigorous risk management:

	Standard & Poor's	Fitch
Long-term rating	A+	AA-
Outlook	Negative	Negative
Date updated	October 25 th 2012	August 31 st 2012
Short-term rating	A-1	F1+

1.2. Organisational structure of the Group

1.2.1. Functional organisational structure

Wholly-owned by La Poste, La Banque Postale is both a customer of (for Mail services) and supplier to (as its principal bank) the Group. La Poste acts as a service provider, supplying staff, who act on behalf of La Banque Postale.

The relationship between La Banque Postale and La Poste falls within a framework governed by service agreements specified by the Law of May 20th 2005. These agreements cover various aspects, such as commercial relations, through a framework agreement, marketing charter, inspection and control systems, procedures to counter money laundering and terrorism, grievance procedures and various service agreements.

The La Poste staff used by La Banque Postale implement the Bank's policies on its behalf. These employees have been authorised to act on the Bank's behalf, in accordance with specific rules necessary for conducting banking business, and primarily cover

the back and middle-office functions, IT support, and the financial product sales force.

Over-the-counter services are performed by La Poste Retail Brand's Post Office network and are governed by agreements concerning the type of work to be carried out, its unit tariff, in accordance with an economic model, the way it is carried out and quantitative and qualitative service criteria.

La Banque Postale's organisational structure includes an Executive Board and a Supervisory Board with independent members.

The Supervisory Board has set up three Committees to assist it:

- the Audit Committee;
- the Strategy Committee;
- the Appointments & Remuneration Committee.

1.2.2. Capital structure

La Banque Postale's structure is based on the Financial Services organisational chart. This structure includes:

- La Banque Postale, the Group's Parent Company (formerly Efi-poste), to which the Financial Services' activities were transferred. This Company is also at the heart of the retail banking business;
- SF2, the holding company that groups together the many subsidiaries and equity investments of the La Poste Group,

excluding certain entities held directly by La Banque Postale. SF2 was transferred to La Banque Postale when the Bank was founded, as it existed prior to La Poste's Financial Services and already included the Insurance and Asset Management businesses at the time of the transfer.

1.2.3. Partnerships

In order to broaden its business and skills portfolio, and in order to improve its coverage of customers' requirements, La Banque Postale has implemented a very active partnership policy that focuses primarily on the effective sharing of know-how, and on cost control, in accordance with the values that it embodies.

La Banque Postale's multi-partner policy is based on the pooling of expertise, technology, and tools, and on access to the customer base. Thanks to these partnerships, La Banque Postale is able to develop new business lines rapidly, by relying on the know-how of standard-setters in the field, which enables it to offer its customers a more extensive and innovative product range.

This strategy was initiated with CNP Assurances in the life insurance sector, since Financial Services already distributed a range of life insurance policies. In 1998, CNP Assurances and La Poste Financial Services decided to create a joint venture in which both companies had an equal interest and that was renamed La Banque Postale Prévoyance in 2007, in order to provide a range of contingency insurance products covering the requirements of La Banque Postale's customers.

La Banque Postale and Natixis founded the Titres Cadeaux (Gift Vouchers) subsidiary in 2006, in which both parties also had an equal interest, in order to market multi-retailer gift vouchers and cards to private individuals, professionals, companies, and works councils.

To improve the service aimed at its high-net worth customers, La Banque Postale founded La Banque Postale Gestion Privée with Oddo & Cie in 2007. La Banque Postale holds a majority interest in the company, in order to develop a discretionary management service. In compliance with the memorandum of understanding, it was decided in 2012 not to extend the agreement joining La Banque Postale and Oddo & Cie with La Banque Postale Gestion Privée. This procedure is set to expire in the first half of 2013.

In 2008, La Banque Postale and Société Générale created Transactis, a joint venture to pool the resources of the two partners to develop and operate electronic money systems. Transactis now handles all transactions of La Banque Postale and Société Générale with retailers, as well as all customer cash flows for both institutions (La Banque Postale and Société Générale). At the end of 2012, Crédit du Nord joined La Banque Postale and Société

Générale in Transactis, confirming the capacity of the Transactis solution to manage a “multibank” group including several different brands.

In 2009, the French Credit Institutions and Investment Firms Committee (CECEI) authorised La Banque Postale to provide consumer credits, and it entered into a partnership with Société Générale. La Banque Postale Financement (65% owned by La Banque Postale via SF2) backs these loans, which are available from Post Offices, a dedicated call centre or using remote communication channels.

In 2009, La Banque Postale teamed up with Groupama in the general insurance sector, within the La Banque Postale Assurances IARD subsidiary, which is 65% owned by La Banque Postale. This subsidiary also has a dedicated call centre.

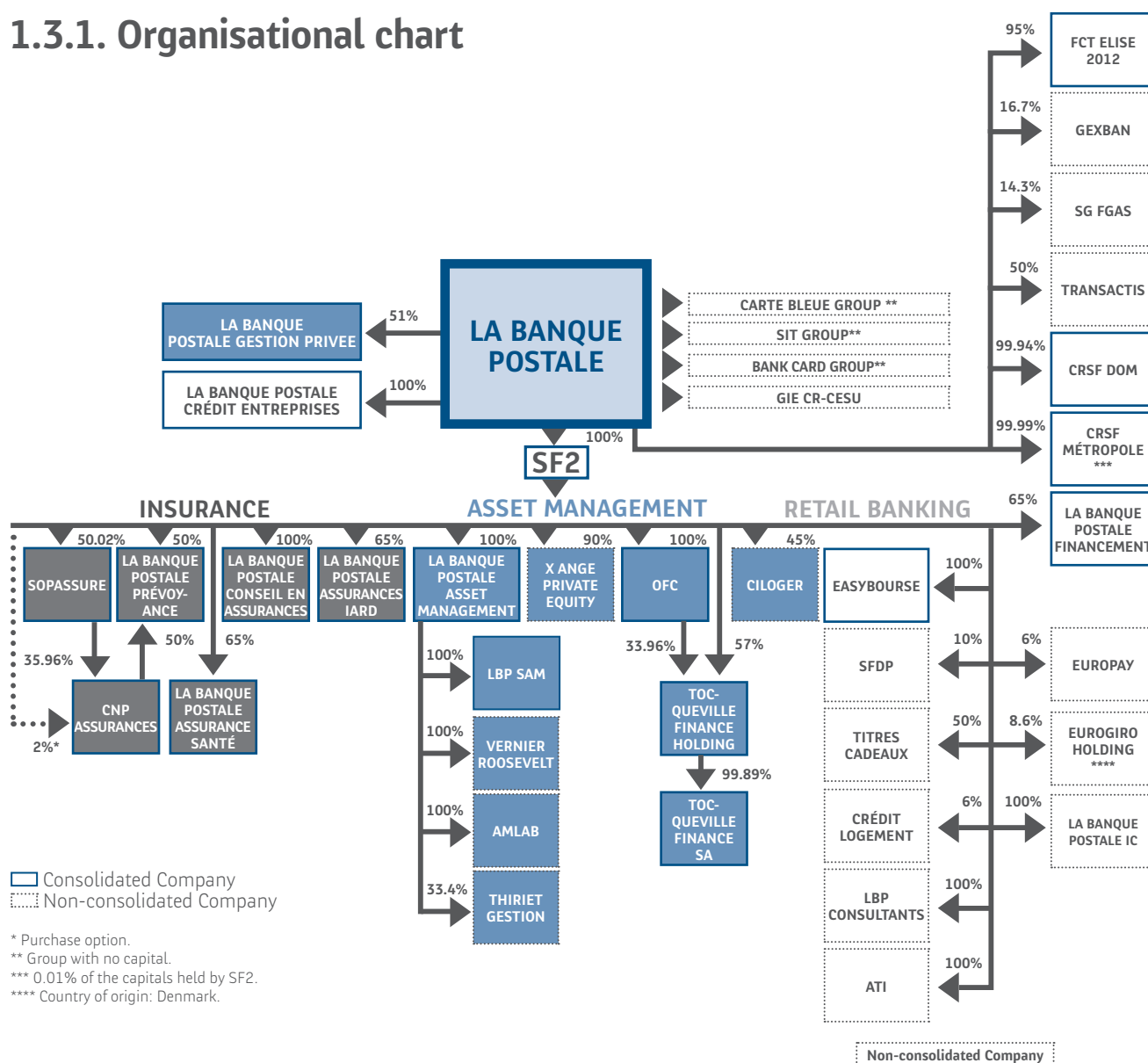
In 2010, the Bank entered into a partnership with La Mutuelle Générale in the health insurance sector, via the founding of La Banque Postale Assurance Santé, which is also 65%-owned by La Banque Postale.

In March 2012, La Banque Postale, Caisse des dépôts, Dexia SA and the French government signed a memorandum of understanding, setting the foundations for a new financing system for local authorities. In this context, La Banque Postale and Caisse des dépôts decided to work together to create a joint venture held 65% by La Banque Postale and 35% by Caisse des dépôts. This joint company should have the status of a banking intermediary and will distribute loans to French local authorities and hospitals.

To refinance these new credits, the joint venture will rely on support from Société de financement local (SFIL), created on January 23th 2013 and held 75% by the French government, 20% by Caisse des dépôts and 5% by La Banque Postale, since 31 January 2013. In operation since February 1st 2013, through its subsidiary CFFL (a property lending company), SFIL will refinance medium- and long-term loans offered to local authorities, to and to public health institutions by La Banque Postale and later by the joint venture.

La Banque Postale's business lines are organised around three business units: retail banking (including for companies and local authorities), insurance and asset management.

1.3.1. Organisational chart



1.3.2. The Group's business lines

1.3.2.1. Retail banking

The retail banking segment primarily includes the business activities of La Banque Postale and of La Banque Postale Financement. Net banking income from the retail banking segment amounts to €5,015 million, while its contribution to the net income of the La Banque Postale Group is €326 million. Other related business activities are included in this segment, such as Property Investment Companies (SCIs) that own Financial Centre properties in Metropolitan France and overseas departments, and SF2, the holding company for the La Banque Postale Group's investments which receives dividends paid by non-consolidated holdings. The main non-consolidated holding is Crédit Logement (6%). EasyBourse, an on-line brokering company wholly owned via SF2, has been consolidated since 2011. The business line also includes lending activities to companies (part of which is held in the subsidiary Banque Postale Crédit Entreprises) and to local authorities.

La Banque Postale

An unusual model

La Banque Postale relies on an unusual model in the French banking market. With almost 10.6 million active customers and 446,000 corporate customers (companies and non-profit organisations) at the end of 2012, La Banque Postale's development is based on building and maintaining long-term customer relationships by providing innovative solutions. This banking model is local, transparent, responsive and human, and places its customers above all else.

This development model focuses on understanding customers' requirements, on the advice given to them, and on supporting the whole customer base, including vulnerable and moderate-income customers.

This support is provided by nearly 31,000 people, including the 3,000 employees of La Banque Postale and its subsidiaries and over 28,000 employees of La Poste working exclusively in the name and on behalf of La Banque Postale, in bank back-offices (Financial Centres), IT, or in the advisory and marketing businesses, mainly within the Post Offices. Moreover, 32,350 counter clerk provide a multi-business line welcome in over 10,000 Post Offices of the La Poste Retail Brand.

La Banque Postale also relies on a network of over 6,717 automatic bank telling machines rolled out throughout France, and which processed over 512 million transactions in 2012.

La Banque Postale aims to maintain a close relationship with its customers with an innovative multi-channel relationship system which allows each customer to choose how they interact with the Bank: face-to-face at Post Offices, by telephone, over the internet as well as by a new remote method, La Banque Postale At Home.

This close relationship builds upon the availability of 9,700 Advisors and customer managers at the customers' service in Post Offices, as well as by a new Customer Service Area layout in Post Offices, rolled out in 1,472 locations and which aims to boost the quality of the welcome and the visibility of La Banque Postale, as well as to shorten waiting times.

Financial Centres also play an important role with nearly 6,000 employees in Financial Centres dedicated to transaction processing and customer relations, and almost 16 million calls received are processed in these Centres. The National Customer Introduction Centre has been providing a dedicated solution for customers and prospective customers who want to find out about the Bank and its products since 2009. A single telephone number has been introduced: 36 39⁽¹⁾; the three specialised platforms for the three subsidiaries La Banque Postale Financement, La Banque Postale IARD and La Banque Postale Assurance Santé also play a major role in this remote relationship.

Customers can access the internet portal at www.labanquepostale.fr to benefit from this interactive relationship. This website attracts over 442 million visitors every year. La Banque Postale also launched its website labanquepostale.mobi for smartphones in 2010, and supplemented the available applications with three products to help mobile users manage their budgets and develop their projects. Since the end of 2011, the La Banque Postale smartphone application is installed on mobile telephones sold at Post Offices, strengthening the synergies between La Poste and La Banque Postale.

In the second half of 2012, customer relations and support via the internet was supplemented and enhanced. Customers of La Banque Postale can now access fully remote banking using the new interactive mode called **La Banque Postale At Home**. This new remote customer relations channel⁽²⁾ allows users to access all products and services of La Banque Postale at the same rate as the other channels, but also enables fully independent money management and guidance by a dedicated team of Advisors. This new service attracted more than 30,000 customers in 2012, with a 93% satisfaction rate and a 94% recommendation rate. The objective in 2013 is to reach 100,000 customers.

With this new service, the Advisor maintains a special remote relationship with customers, guiding them throughout their projects. This system allows users to talk to Advisors in a number of ways: video conferencing, secure email, and in chat mode.

In a competitive banking environment, the Financial Centres' competitiveness is at the heart of the challenges facing La Banque Postale.

The plan "Development and Competitiveness" for financial centres, which was launched in 2007, aims to optimise their organisational structure through pooling certain business activities. The project was completed in 2011, and has enabled the pooling of specialist service businesses (marketable securities management, loan management, inheritances, corporate and dispute management),

(1) €0.15 per minute (including tax), may be subject to a surcharge, depending on the operator.

(2) La Banque Postale At Home has been tested since 2010 and was deployed nationwide 2012.

in order to improve the service provided to customers via an optimised organisational structure and procedures. The finishing touches have now been added to this project, thanks to the involvement of all the players in the Financial Centres and in the Operations Department, which is in charge of managing the Financial Centres.

Lastly, the Financial Services IT Department (DISF) and the La Poste Retail Brand Information Systems Department were merged in 2010, in order to form the Financial Services and La Poste Retail Brand IT Department (DISFE). This new department, which has a national remit and was fully operational in 2011, works on behalf of two customers: La Banque Postale and La Poste Retail Brand. This development is in line with the aim of improving service quality while optimising costs.

For a socially responsible company that pursues improved service quality, employee well-being and motivation are core concerns for La Banque Postale. The Grand Dialogue instigated within the La Poste Group aims to conduct an in-depth audit of employee working conditions. It produced a report recommending the strengthening of the policy of well-being and health at work, respect for HR rules applicable to all agents and to managerial and company innovation.

Markets

Retail customers

Customer relations are a major driver for the development of La Banque Postale, which makes putting the customer's interests first central to all its businesses, from product design to the advice provided to customers.

A major focus of La Banque Postale is accessibility, which enables it to be the bank for everyone and to offer a range of simple products and services. It is also based on product innovation, in order to provide customised answers to customers' requirements.

La Banque Postale offers a product range that is suitable for both young and senior customers, for high-net worth customers to vulnerable customers, as well as families.

Vulnerable customers

In addition to its banking accessibility function and its reasonable pricing policy, La Banque Postale remains more attentive than ever to the needs of its financially vulnerable customers, to better guide and serve them.

La Banque Postale in fact plays an essential role in the fight against banking exclusion through its daily actions to enable access to quality banking services to the greatest number of people and guidance to financially vulnerable customers.

To prevent over-indebtedness, since 2007 La Banque Postale has offered personal microloans in partnership with local non-profit associations, responsible for detecting and assisting the projects of individuals without access to banking services due to their low creditworthiness (partner associations include Secours catholique, UDAF, Red Cross France, Les Restos du Cœur, etc.).

Since June 2012, La Banque Postale also offers professional microloans in partnership with the Association for the Right to Economic Initiative (Adie).

La Banque Postale is also conducting experiments to best serve its financially vulnerable customers and promote banking inclusiveness.

Since its creation in 2006, La Banque Postale has worked with the National Union Of Communal Centres For Social Action (UNCCAS) to improve information, advising and guidance for persons excluded from banking services. This partnership was enhanced in 2010 by the REFLEX project, whose objective is to coordinate the respective actions of La Banque Postale and CCAS to facilitate the "recovery" of La Banque Postale's financially vulnerable customers.

This experiment was hailed and recognised in 2012 as good practice in the fight against banking exclusion in France as part of the preparation for the national convention on the fight against poverty and for social inclusion that was held on December 10th and 11th 2012, and at European level at the Annual Convention of the European Platform against Poverty and Social Exclusion that was held from 5th to 7th of December 2012.

In 2012, La Banque Postale and the Missions Locales network set up budget management workshops aimed at young people in difficult financial situations. Facilitated by young volunteers in civic service, these workshops cover budget management, how to use a bank account, how to use credit and how to save.

In October 2012 a think tank called "The initiative against exclusion from banking services" was created bringing together players involved in the social and voluntary sphere to develop new initiatives to combat banking and financial exclusion. Currently open, this club includes already ATD Quart Monde, Adie, Crésus, the French Red Cross, La Banque Postale, les Restos du cœur, Secours catholique, le Secours populaire and UNCCAS. This Club was inspired from the proposals of the December 2011 "Manifesto for banking inclusion" (sponsored by Secours Catholique, the French Red Cross and UNCCAS) and proposes to provide advocacy to public authorities and share their information and expertise in order to develop new operating proposals against banking exclusion.

High-net-worth customers

La Banque Postale currently counts more than 500,000 high net-worth customers to whom it offers a range of products and services, which now includes the following:

- top-of-the-range life insurance (Cachemire, a multi-asset multi-manager policy, Excelis, a policy with a fund-switching facility, and Toscane Vie, a policy with a loyalty guarantee);
- tax optimisation solutions (Sofica, investment capital by XAnge Private Equity, property investments with La Banque Postale Immobilier Conseil and Ciloger);
- and investment solutions, in particular the offering for discretionary management offered by La Banque Postale Gestion Privée and estate funds offered by La Banque Postale Asset Management and Tocqueville Finance.

To support these customers, La Banque Postale has a team of dedicated Specialist Wealth Advisors (810 Advisors throughout

France) as well as a team of 67 Wealth Management Advisors for the wealthiest customers.

The Specialist Wealth Advisors and the Specialist Wealth Management Advisors are in a position to offer the full range of La Banque Postale's products, the UCITS range, and the life insurance range, as well as Innovation UCITS (FCPIs), REITs (SCPIs) and open-ended property funds (OPCIs).

In the second half of 2012, La Banque Postale entered into exclusive negotiations with Crédit Mutuel Arkéa to acquire Banque Privée Européenne (BPE), to enhance and improve its offerings for high-net-worth customers and strengthen its positioning in this area.

Corporate customers

Since the approval of its subsidiary La Banque Postale Crédit Entreprises by the French Prudential Control Authority on September 5th 2011, La Banque Postale can market a credit offering to any company.

La Banque Postale had 446,000 corporate and institutional customers at the end of 2012, from large companies to very small companies (VSE) and to the self-employed, and from small associations to large fund raisers, who now benefit from an expanded range of offerings: accounts, means of payment, investments, advising, financing, and insurance.

La Banque Postale has been rolling out business centres in Metropolitan France since 2009. These Areas are true business centres, designed to support customers by providing professional advisory services. In addition to these business centres, these corporate and institutional financing offerings can be distributed via a Multi-channel Agency in charge of advising professionals and very small enterprises (VSE) and examining loan applications. Business customers can also consult Advisors in Post Offices to set up contact with the Multi-channel Agency.

The Visa business card for professionals, non-profit associations and companies is used in particular for easier expense management and better separation of personal and professional expenses. On the investment side, La Banque Postale also made it possible for its customers to use an additional cash management tool.

The marketing of the first corporate and institutional financing offerings (equipment leasing) was initiated at the end of 2011 and for social economy customers (subsidy advances, overdraft facilities), in the beginning of 2012.

The end of the year 2012 saw the roll-out of financial leases and leases with option to purchase available to all corporate and institutional bank customers of La Banque Postale. Property leasing has been available since July 2012.

In addition, La Banque Postale decided to launch a new factoring service.

La Banque Postale is also able to support its customers in three areas:

- cash flow management: La Banque Postale is one of the specialists in processing cash flows on a large scale, both fund deposits (bank transfers, direct debits or international money orders), and cash payments (bank transfers and letters of payment by cheque);
- cash management: the range of collective investment funds (UCITS) offered by La Banque Postale is widening, and covers investment needs for periods ranging from a few days to eight years. The range meets customer requirements, and enables the handling of the specific needs of some customers, particularly social housing landlords. La Banque Postale also offers collective investments based on specific management and term deposit services;
- employee-related financial engineering: this business activity enables employee savings plans to be set up, with specific products for each customer segment. La Banque Postale now covers a comprehensive range of employee-related financial engineering products (luncheon vouchers, personal service vouchers, etc.).

Finally, in 2012, La Banque Postale completed its offering for non-profit associations and businesses by also launching dedicated insurance products:

- property and casualty insurance that is 100% online, for non-profit associations. With this new customisable property and casualty insurance, La Banque Postale hopes to offer a comprehensive solution to the needs of these entities via a palette of basic cover (civil liability for non-profit associations, criminal defence and appeals, legal protection) and optional cover depending on the profile of the policyholder association (civil liability for owner-occupiers, personal liability for managers, personal injury, property damage);
- dedicated online property and casualty insurance for office activities and local businesses.

Moreover, La Banque Postale is one of the main players in the non-profit association market, serving 306,000 small organisations, including 11,000 management associations, which account for one third of the French market. La Banque Postale provides a community website for non-profit associations, www.assoandco.fr, that inventories all information necessary in the daily life of an association. The website is a place of exchange and a services platform for all users.

Local authority customers

Authorised since May 25th 2012 to provide loans to the local public sector, La Banque Postale introduced a new model for local financing. The model is based on simple and understandable liquidity-backed products that are granted under a transparent pricing policy and a responsible approach to advice and risk.

To meet the needs for short-term financing of local authorities, since June 2012 La Banque Postale offers a credit line that can be drawn upon for a maximum of 364 days.

Since November 2012, La Banque Postale also offers a medium-to long-term loan program that is initially entirely supported by the bank.

At the end of 2012, 1.9 billion euros of authorizations have been granted to the local public sector and a total of 112 million had been drawn down.

To better meet the needs of small communities, La Banque Postale also lowered the overall threshold loans to local authorities from 200,000 to 100,000 euros.

Product ranges

La Banque Postale's products are regularly recognised by awards and have been named in many comparative studies. In September 2012, Toluna, an independent world leader in panel studies and online surveys, put 1,070 brands to vote by 5,000 French consumers asking each about the extent of their attachment to the brand. La Banque Postale came first in the banking and insurance category.

Its insurance products were also singled out in 2012: after a first Label of Excellence awarded in the beginning of the year by the *Les Dossiers de l'Épargne*, Sérénia, the new-generation death insurance policy of La Banque Postale Prévoyance, was awarded a prize at Actifs du Patrimoine 2012.

Likewise, La Banque Postale's asset management range received the third long-term investment award from *Mieux Vivre Votre Argent*. La Banque Postale also won *Le Revenu* Gold Trophy award for the best range of diversified funds over three years as well as third prize from the magazine *Investir* for the performance of its equity and diversified collective investment funds over five years⁽³⁾.

Overnight accounts

La Banque Postale offers essential services tailored to everyone's needs, which simplify daily money matters: opening accounts, making payments or tracking and managing budgets.

La Banque Postale offers "Formule de Compte", an account formula with customisable products and services.

With overall nearly one million account formulas open in 2012, total demand deposit accounts reached nearly 11.6 million accounts.

In an uncertain economic environment, where returns on savings products are low, deposit balances reached €45.2 billion, for a household deposit account market share of approximately 15.4% (*source: Banque de France*), the increase in the ceiling of the Livret A account and the Livret de développement durable (LDD) account boosting money transfers to these two account types.

La Banque Postale also launched a co-branded bank card with Western Union in 2011, which offers customers the benefits of the Western Union Loyalty Club. La Banque Postale and Western Union are also developing an offering for money transfers by proposing direct portfolio deposits via mobile telephones, the "m-wallet". The service already covers nine countries and will soon be expanded to many other recipient countries.

Moreover, La Banque Postale added to its range of innovative contactless payment services for its mid- and high-range bank cards.

Means of payment

La Banque Postale provides payment cards (7 million as at the end of 2012) and service packages that offer several banking services (5.9 million as at the end of 2012), including a current account, means of payment (bank card and cheque book), insurance covering the loss or theft of means of payment, and multi-media access (internet or telephone) to make it easier for customers to view their accounts at any time.

Lastly, in order to improve service quality and to reduce clearance times for customer cheque deposits, La Banque Postale introduced a programme to equip post offices with automatic cheque deposit machines or cheque scanners in 2011, in order to provide quicker recording. The roll-out of these machines began in February 2011. By the end of 2012, over 666 automatic cheque deposit machines and over 2,189 scanners had been installed in post offices.

Furthermore, La Banque Postale is authorised to issue Universal Personal Service Cheques (CESU), which are a system that makes it easier for private individuals to pay their home help's salaries and social security contributions. It also owns 16.66% of the GIE CESU economic interest group, a CESU processing and repayment body founded with five other partners.

In the gift voucher area, La Banque Postale owns 50% of Titres Cadeaux, a non-consolidated joint venture in which the Bank and Natixis own equal shares. The aim of this subsidiary is to create, promote, issue, distribute, process, and reimburse all gift vouchers and other special payment vouchers that are not subject to the banking monopoly and that enable their holders to buy specific items or services from a list of retailers or other companies. In June 2011, the company began marketing its multi-brand CA DO CARTE gift card, whose distribution network was expanded in 2012.

Savings

La Banque Postale offers comprehensive savings solutions to meet the needs of various customers types and user profiles. In 2012, one out of three French persons had a savings account with La Banque Postale.

La Banque Postale remains a major player in terms of the total funds in Livret A accounts. At October 1st 2012, the Livret A ceiling was increased from €15,300 to €19,125, allowing the La Banque Postale to record positive deposits of €3.5 billion, and reach a market share of 24.8% for this product. The high interest rate of the Livret A (2.25% in 2012, excluding tax) makes it one of the most attractive products for the year 2012. Total funds in Livret de Développement Durable (LDD) accounts, whose maximum ceiling was doubled from €6,000 to €12,000, are now more than €6 billion.

(3) Past performance is not necessarily a guide to future performance.

With €74.7 billion total funds in Livret A, LDD and LEP accounts, La Banque Postale represents nearly 20% of the market share for these three products. (Source: *Banque de France*).

The range of home savings products includes the Plan Épargne Logement or PEL (home savings plan) and the Compte Épargne Logement or CEL (home savings account). Total funds in these two plans in 2012 were €26.5 billion, in spite of the attractiveness of the Livret A.

Total funds in Life Insurance stood at €116.5 billion at the end of 2012. La Banque Postale maintains a strong and dynamic level of deposit taking in a market trending away from deposits and represents an 8.5% market share in total funds in this segment.

La Banque Postale moreover regularly offers guaranteed and protected funds (in life insurance and in PEA) allowing customers to benefit from rising markets while controlling risk, and is also increasing its activity in discretionary asset management.

Associated with a broad range of UCITS and property investment solutions, this product offers customers extensive diversification of their investments.

La Banque Postale also offers employee savings plans that totalled €485 million in funds in 2012.

Lastly, La Banque Postale also offers its large corporate customers customised product ranges, primarily based on deposit in term accounts, or on the issue of negotiable certificates of deposit. This range accounted for €2 billion in deposits in 2012.

Home loans

The year 2012 was marked by the increase in total home loans (+7.8%) in spite of the poor economic climate (decline in transactions, decrease in the number of home loans granted, the downturn in the property market).

The Specialist Property Advisors' expertise and professionalism once again resulted in the Bank providing support for over 70,000 property projects in 2012, including over 61,000 purchases of new-build or resale properties.

La Banque Postale's national centre for home loan referrals (Centre national de mise en relation du crédit immobilier) includes approximately forty customer representatives to answer information requests from current and prospective customers. In 2012, it processed 15,000 meetings, more than 173,000 outgoing calls (Internet contacts) and more than 28,000 incoming calls.

La Banque Postale also guides its customers in their first purchase of a primary residence with suitable financing eligible for assisted loans (Home Savings, Zero Interest loans, etc.).

For its young customer base, which La Banque Postale has prioritised for commercial development, the Pactys Avenir range provides a home loan at a preferential rate to young people under 36, for the purchase of a main home, without initial contribution.

La Banque Postale is continuing its growth strategy by strengthening its offering in social home ownership. In 2012, La Banque

Postale financed home ownership for approximately 30,000 moderate-income borrowers, including more than 4,500 with fixed-term employment or temporary employment contracts, as well as 20,000 young first-time home buyers. La Banque Postale strengthened this system by allocating a specific envelope of one billion euros in home loans for customers on the lowest incomes in 2013.

Lastly, the wholly-owned La Banque Postale Immobilier Conseil subsidiary provides a range of property investment services to expand the range of products and services offered to La Banque Postale's high-net-worth customers.

Consumer credit business

La Banque Postale Financement, a subsidiary in which La Banque Postale holds a 65% share, in partnership with Société Générale, specialises in consumer credit. La Banque Postale Financement was licensed by the CECEI in April 2009. By creating this subsidiary, La Banque Postale rounded out its product range, and made its first consumer credit offers to the public starting in April 2010. As at the end of 2012, La Banque Postale Financement had 355 employees at two locations in the Paris area.

Total consumer credit funding reached €2.6 billion at the end of 2012.

Since December 3rd 2012, La Banque Postale offers, as part of a national test, a renewable credit line that rounds out the La Banque Postale Financement product range.

This consumer credit offering was created in the spirit of the new law No. 2010-737 of July 1st 2010 on the reform of consumer credit, known as the Lagarde law, and is based on the Bank's values, especially transparency for customers and focusing on over-indebtedness.

It offers, in particular:

- responsible practices, to offer customers loans suited to their needs;
- educational practices, accompanied by clear and transparent documentation;
- opportunities for guidance (budgeting assistance) throughout the term of the loan;
- socially responsible practices, including monitoring by a Support Unit located in the customer relationship centre, and partnerships with the CRÉSUS organisation for vulnerable customers.

The *Dossiers de l'Épargne* awarded La Banque Postale the Label of Excellence for its Prêt Personnel Auto (Personal Car Loan) range in their latest Credit Guide for the second year running. Labels of Excellence are awarded for the best market policies over a period of one year.

Related business activities

La Banque Postale also extended its product range to include online broking services. The wholly-owned company EasyBourse, which was consolidated at the end of 2011, provides an online broking platform for customers who want to manage their market investments independently. EasyBourse provides easy access to foreign stock markets, to a wide range of financial products and instruments, and to deferred settlement services, as well as

to information, through articles, topical files and interviews with market experts.

In October 2012, Easybourse launched an application for mobile telephones, available on iPhone and Android. This application is used for tracking the stock market, managing accounts (positions, unrealised gains and losses, committed and available and order book) and making orders.

La Banque Postale has also positioned itself as one of the French pioneers in the social micro-loans business. It received the approval of the French Social Cohesion Fund in May 2007, which enables it to benefit from a guarantee for these resources. As part of this process, La Banque Postale has entered into over 95 micro-loan agreements with regional voluntary organisations. It also takes part in Espoirs Banlieues (Hope in the Suburbs), a specialist support scheme for the young unemployed in deprived areas, and is a partner in the French National Union of Communal Social Support Centres. In 2012, La Banque Postale entered into the professional microloan business, along with ADIE, a recognised public interest association and major player in microloans in France.

The funds transfer business is also a buoyant area, based on two businesses: first, the money order business, which was inherited from La Poste and enables international money transfers through the Universal Postal Union as well as via Western Union transfers, which are also offered in post offices.

La Banque Postale has also developed innovative partnerships to boost its product offering aimed at young people (18-29 years of age, 1.1 million customers) including KissKiss BankBank, a fund-raising website for projects with a strong communications strategy to highlight how its range of products and services meets the needs of this customer base.

Lastly, on the international front, La Banque Postale Consultants, a wholly-owned subsidiary, provides advisory services on how to set up a post-office banking service.

1.3.2.2. Insurance

The Insurance Business line groups together nearly 522 employees working to develop products and customer relations. It operates in personal insurance (life insurance/retirement, contingency and health insurance) and property and liability insurance (means of payment, home, auto, legal protection). It is aimed at individuals as well as for professionals and non-profit associations.

Life insurance

The La Banque Postale Group holds a 19.9% share in the CNP Assurances Group and markets its life insurance and capitalisation products. In 2012 it accounted for 37% of the revenue of the CNP Assurances Group. These CNP products make up a large majority of the life insurance products offered by La Banque Postale.

The offering is segmented around the following policies that are currently distributed:

- Vivaccio for retail customers; this life insurance policy is available starting at €75, and meets a customer's specific need at

the age when they subscribe to the policy and thereafter changes with them;

- Cachemire, a multi-platform and multi-manager policy aimed at high-net-worth customers;
- Excelis, a top-of-the range policy with a fund-switching facility (Allianz Génération Vie policy);
- Toscane Vie, launched in 2010, a policy with a loyalty guarantee for customers who pay French Wealth Tax.

The Excelis policy was awarded the Label of Excellence by *Les Dossiers de l'Épargne* in 2012.

Life insurance also includes a complete range for retirement planning:

- Solésio Vie: a life insurance policy available starting at €30;
- Solésio Prefon Retraite: a points-based solution exclusively for civil servants;
- Solésio PERP Horizon: a points-based retirement savings scheme (PERP);
- Solésio PERP Evolution: a multi-platform PERP for high net-worth customers.

Two offerings, Solésio PERP Horizon and Solésio Prefon Retraite were awarded labels of excellence by *Les Dossiers de l'Épargne* in 2012.

Contingency insurance

The main business activity of La Banque Postale Prévoyance, which was founded in 1998 (under the name Assurposte) and is jointly owned by La Banque Postale and CNP Assurances, is developing personal and collective contingency insurance products to suit the needs of La Banque Postale's customers.

La Banque Postale Prévoyance has put together a full range of contingency insurance products covering all the protection required to face the vicissitudes of life (death, dependency, funeral, non-work accident guarantee, etc.) and offers a wide portfolio of services other than financial services.

With more than 442,000 new policies at the end of 2012, La Banque Postale Prévoyance is the second player in the French market. Its growth has also been boosted by loan insurance policies, which are attached to La Banque Postale's home loan offers.

Relaunched in October 2012 with enhanced cover, the Prévialys Accidents de la Vie policy was an immediate success among commercial distributors and customers. With more than 21,000 policies underwritten in three months, the number of new policies since the launching of the new offering is almost equivalent to that of the first half of 2012.

The quality of the range of contingency insurance was again recognised by the profession in 2012. Sérénia, the latest death insurance policy, received the Silver Asset award (Actif d'Argent) for innovation at the Grand Prix of Actifs du Patrimoine. The following also received Labels of Excellence from *Dossiers de l'Épargne* in 2012: Prévialys Accidents de la Vie (label winner every year since 2004), Avisys Protection family (label winner every year since 2004), Protectys Autonomie (label winner every

year since 2005), Résolys Obsèques Prestations (label winner every year since 2004).

Health insurance

In 2010, La Banque Postale founded La Banque Postale Assurance Santé, a joint venture with La Mutuelle Générale, in which it owns a 65% interest, in order to expand its health insurance business and capitalise on its growth potential.

The health insurance range offered by La Banque Postale Assurance Santé consists initially of a supplemental health insurance offering. This offering is in line with the values and strategic choices of La Banque Postale. It was rolled out gradually and has been marketed since 5 December 2011. Customers can now take out a policy via all the Bank's remote channels, including via the 420 business developers in Financial Centres. In 2013, policy underwriting will be progressively introduced in post offices. To achieve this, an important training plan for 17,000 workers (Advisors in post offices and Financial Centres) was launched, and will continue during the first half of 2013.

The roll-out of health insurance products by La Banque Postale is a true success, resulting in the sales of more than 42,000 policies in 2012 with a clear acceleration since September.

The standard offering is composed of three targeted formulas, each containing four levels of coverage available to customers depending on their needs:

- Formule Solo health insurance for single people up to age 55;
- Formule Familles for couples or families with children;
- Formule Senior for people over 55.

The Senior and Solo ranges received Labels of Excellence from Dossiers de l'Épargne in 2012.

New ranges will supplement the standard ranges in 2013, so as to offer the broadest range possible and meet the emergence of new needs.

General insurance

La Banque Postale offers a range of property and general (IARD) insurance to individuals through its subsidiary Banque Postale Assurances IARD (65% owned by La Banque Postale and 35% by Groupama), that began trading in December 2010, with an offering focused on Automobile, Home Multi-risk and Legal Protection.

La Banque Postale's property and general insurance products are sold across all channels (Post Office networks, calls to the 36 39 number and the Internet), in a fully integrated environment, where customers can choose the way they interact with their insurer at any time.

2012 was marked by the introduction of new offerings: school insurance, insurance for portable devices and insurance for kitchen, audiovisual and computing appliances now rounds out the range.

At the end of December 2012 La Banque Postale's property and general insurance exceeded the threshold of 520,000 policies in the portfolio.

Finally Top Com Consumer awarded the best publication prize to La Banque Postale for customer documentation.

At the same time, La Banque Postale Conseil en Assurances, a wholly-owned subsidiary of La Banque Postale, designed and now offers turnkey insurance, assistance, and customer service solutions provided by the various offices and subsidiaries of La Banque Postale and more generally of the La Poste Group as a whole.

These insurance policies, assistance and services are attached to current accounts (Alliatys, means of payment insurance, 6.3 million customers), for bank cards (5.3 million cards), for telephone products, for savings products, for credits of all types for individuals and businesses, but also for non-profit associations, companies and social housing landlords.

An advisor and expert in non-life insurance and in assistance, LBPCA rounds out the product ranges of its partners by offering insurance/assistance and B to C services in order to increase profitability and customer loyalty.

Corporate and institutional offering

On 2012, La Banque Postale launched a 100% online P&C insurance policy for non-profit associations and for businesses.

With this new customisable multi-risk policy, La Banque Postale, which one third of this market, offers a complete solution to the needs of French non-profit associations, through a palette of basic cover (civil liability, criminal defence and appeal and legal protection for associations) and optional coverage depending on specific policyholder needs (owner-occupier civil liability, manager's personal liability, personal injury and property damage).

With the launch of Multi-risk insurance for businesses, La Banque Postale rounds out its range for office activities and local retailers by offering a broad palette of basic cover (civil liability for operations, criminal defence and appeal, business assistance, legal information), optional cover and professional civil liability for some activities.

Related activity: in-home assistance

In December 2010, La Banque Postale took over the distribution of the La Poste Group's in-home assistance services, via the launch of a turn-key range. Maintenance and household work, small gardening work, courses and school support, minor repair work and computer support are now available online on the La Banque Postale website.

1.3.2.3. Asset management

The asset management segment now offers a full range of investment products, with wealth diversification offerings in the equities, bonds, money-market, property and socially responsible investment (SRI) markets. 2012 was marked by the resilience of

the asset management segment of La Banque Postale in a difficult economic environment that has become very competitive.

The asset management segment includes 319 employees (staff in the consolidated subsidiaries), working on product development and customer relations.

The Asset Management unit includes the Group's asset management companies, and provides a range of expertise and know-how that has been put together in just a few years. This is an unusual model, which enables La Banque Postale to combine the independence of each of its management styles, the strength of each of its brands, and the safety that it provides.

- **La Banque Postale Asset Management (LBPAM)** is a fund management company founded in 1988 and is wholly-owned by La Banque Postale. It has developed ranges for two customer groups:
 - private individuals, for whom it manages a broad range of investment and mutual funds invested in traditional asset classes, namely equities, bonds, and diversified and money-market assets;
 - companies (institutions, firms, and landlords, etc.) to whom it offers a range of UCITS, dedicated funds and discretionary management options, which meets the specific expectations of these customers. LBPAM also manages a range of open-ended or dedicated employee shareholder funds.

For LBPAM, the year 2012 is characterised by continuing rapid and profitable growth in the institutional segment, in an as yet depressed economy.

In 2012, La Banque Postale Asset Management received the Novethic Label, awarded to Socially Responsible Investment (SRI) funds that systematically take Environmental, Social and Governance (ESG) criteria into account.

In the pursuit of its expansion among major investors, in October 2012 La Banque Postale Asset Management (LBPAM) obtained approval from the French Financial Markets Authority (AMF) to extend its activity programme to include debt fund management.

The Bank is developing a range of capital-protected structured funds through its wholly-owned specialist subsidiary, **La Banque Postale Structured Asset Management**, which was founded in 2007.

Moreover, La Banque Postale Asset Management holds interests in specialist subsidiaries that enable it to develop specialised management methods, primarily for certain asset classes, while remaining focused on its own areas of expertise.

La Banque Postale Asset Management is the fifth largest asset management company in France⁽⁴⁾, with €137.5 billion in assets under management at the end of December 2012.

- **Tocqueville Finance**, a portfolio management company that was founded in 1991 and joined the Group in 2009, is 91% owned by La Banque Postale. The company specialises in value-type equity asset management, based on researching value opportunities (assets that are undervalued or are likely to be the subject of a market transactions), in an independent and transparent way. The company's growth builds on a network of very high quality partners: financial investment Advisors, independent wealth managers and private banks and, like all Group subsidiaries and holdings that specialise in asset management, it receives functional and financial support from La Banque Postale, which allows it to cultivate the assets which bring success to management companies, in particular the talent of its teams, entrepreneurial spirit and management styles. Tocqueville's assets under management totalled nearly €1.1 billion at the end of 2012. In 2012, Tocqueville Finance signed up to the United Nations Principles for Responsible Investment, joining LBPAM and XAnge Private Equity in taking account of extra-financial criteria.
- **Xange Private Equity**, a venture capital company founded in 2004, in which La Banque Postale holds a 90% interest. With offices in Paris, Munich and Lyon, the company relies on a team of 15 experienced investors, who are responsible for monitoring and supporting their 65 holdings. The subsidiary aims to provide the capital, experience, and support required for the expansion of high-growth SMCs. At the end of 2012, the company managed, approximately €329 million in investments in risk and growth capital on behalf of individuals and corporations and is classified in the top five most active management companies in France in risk capital.
- In 2012, for the second year in a row, **Ciloger** was recognised as one of the top five real estate investment fund (SCPI) management companies most recommended by Independent Financial Planners (CGPI).
- **La Banque Postale Gestion Privée** is a management company created in 2007 that specialises in discretionary management of securities portfolios. Its discretionary management range is intended for high net-worth customers who want to diversify their savings on the financial markets, while benefiting from the skills and expertise of recognised and experienced managers at the same time. The total assets under management of La Banque Postale Gestion Privée amount to €1.6 billion in approximately 17,000 investment mandates.

(4) Source: Europreference, UCITS marketed under French law only.

1.4. Strategy and outlook

From financial services to La Banque Postale: a transformation crowned by success

Supported by the professionalism of its employees, the growth of its customer base, and its range of products, as well as by its positive financial results, the Bank has successfully managed its transition from La Poste's Financial Services to La Banque Postale, and then to La Banque Postale Group. The achievements of La Banque Postale over the past few years have made it a major player in the French retail banking market, where it often ranks among the leading banks in the market in terms of customer satisfaction. The Bank has also been able to reconcile its growth with its objective of providing accessible banking, primarily through the support that it offers to vulnerable customers.

In addition to these successes, La Banque Postale still has substantial growth reserves for the coming years through both the services that it offers its current customers and winning new customers whether individual, businesses or the local public sector.

Fulfilling this potential represents a challenge for La Banque Postale, which can only be achieved alongside sustained efforts to control operating costs, one of the keys to remaining competitive in line with the Bank's strategic objectives.

To ensure this development, La Banque Postale depends on a solid financial organisation that has already proven itself during the crisis. This structure is based on a rigorous financial management policy and a conservative risk management policy both for its own activities and those of its subsidiaries. This requirement gives La Banque Postale solid fundamentals in terms of liquidity and solvency. At the end of 2012, it had a *Core Tier 1* ratio among the best on the market (12.1% at end-2012), placing it in a position to meet future regulatory requirements as early as 2013.

Over the 2005-2012 period, the number of active customers of La Banque Postale increased by nearly 14% to 10.6 million by the end of 2012, in line with its objectives. This development was supported by the successful expansion of the Bank's product range, primarily in the home loans market, where total loans doubled between 2007 and 2012, reaching a market share of 5.2% by the end of November 2012.

La Banque Postale has recently enhanced its offering for all customers to an unprecedented level: in consumer credit (La Banque Postale Financement), general insurance (La Banque Postale Assurances IARD), health insurance (La Banque Postale Assurance-Santé), discretionary management (La Banque Postale Gestion Privée), as well as corporate and institutional credit (La Banque Postale Crédit Entreprises) and credit to local authorities, through its powerful sales network and via implementation of partnerships.

La Banque Postale has also established itself as a leading banking and insurance group, registering strong, ongoing growth in its life insurance portfolio (average annual growth in life insurance outstandings above 26% between 2007 and 2012), and in

the services provided to its contingency insurance customers. Today the Bank is the second largest banking and insurance player in the French welfare insurance market. In both the life insurance and contingency insurance markets, La Banque Postale works in partnership with CNP Assurances.

A strategy to strengthen customer relations while confronting new challenges

La Banque Postale must meet the challenges of a constantly changing environment, in terms of economic and financial context, consumer behaviour, and changes in the regulatory landscape and the competitive French banking world, which has strongly refocused on retail banking.

Indeed, in an environment that is undergoing substantial change, La Banque Postale must strengthen its economic model in order to contribute to the Le Groupe La Poste development.

To achieve this goal, the Bank must:

- pursue and increase its efforts to improve operating efficiency;
- adapt its model to developments in the banking market;
- consolidate its financial base.

La Banque Postale intends to boost its development by continuing to adhere to a policy of controlled risk that enables it to reconcile its commercial ambitions, on the one hand, particularly in terms of loans, with increasing its results and the strength of its balance sheet on the other.

This led La Banque Postale to rethink its customer relations and set a high ambition focused on individual customers, in order to:

- build customer loyalty and win new customers in certain market segments;
- constantly adapt its distribution channels and the way it uses them to meet customers' changing expectations;
- deliver customer satisfaction, primarily through service quality.

1. Moreover, changes in the economic and financial environment and demographic changes, such as longer life expectancy and the ageing of the population, are creating new needs in the areas of credit, dependency, retirement, assistance, personal services and retirement savings.

La Banque Postale takes these new customer needs into account in its offerings.

With respect to the challenge of an ageing population, La Banque Postale has developed many insurance products for contingency and retirement planning, while offering in-home assistance to its customers, with a view to becoming a global supplier.

La Banque Postale will expand its product offering to meet the needs of all of its customers. Thus, in 2013, it will further extend its financing range to promote social home ownership for moderate-income customers. For its high-net-worth customers, the acquisition of BPE and the development of wealth management will give customers a full range of products to meet their specific needs.

2. The ongoing development of remote channels in many activity areas combined with the acceleration of technological change have a significant impact on consumer behaviour and expectations. In addition to the increasing importance of remote contact methods and “self-service” opportunities, customers are demanding more in terms of responsiveness, flexibility and customised relationships.

The traditional agency model, while remaining a key feature of our customer relations, has been supplemented to offer customers, especially the most connected, a new advisory relationship method: La Banque Postale At Home, which combines the flexibility and products of remote banking. La Banque Postale At Home gives access to a team of financial Advisors available with or without appointment from Monday to Friday from 8:00 am to 8:00 pm and on Saturday from 9:00 am to 5:00 pm, by telephone, email, chat, or video conferencing.

3. The low market interest rates in 2012 were a major factor influencing the activity of the bank.

The persistence of low interest rates is a challenge for La Banque Postale, whose strategy combines several levers: enhancing its offering in order to find new sources of revenue (consumer credit, developing products for corporate and institutional customers), maintaining its margins, and focusing on fee-earning activities.

4. Pressure exerted on bank fees are making the revenue model for French banking more complex, in particular revenue from means of payment.

Winning new customers and strengthening our service offerings are an answer to this risk of progressive erosion of certain banking fees.

5. Lastly, recent regulatory changes include more stringent requirements in terms of compliance and financial solidity.

As such, La Banque Postale is maintaining a strong liquidity position, with a loan to deposit ratio close to 60%, the lowest of French banks, and solid solvency, resulting in a high *Core Tier 1* ratio in 2012. La Banque Postale thus plans to comply with a fully loaded Basel 3 *Core Tier 1* Common Equity ratio⁽⁵⁾ of 9.5% in 2013.

A new growth area: the local public sector

La Banque Postale is committed to offering a new model of local financing, founded on simple and understandable liquidity-backed products that are granted under a transparent pricing policy and a responsible approach to advice and risk.

In 2013, in order to support the development of this new activity, La Banque Postale will pursue the roll-out in France of its Advisors who specialise in local financing.

In launching this new activity in partnership with the Caisse des dépôts, La Banque Postale aims to work toward a 20% market share in the local public sector in the next three years. The aim is to achieve annual production of €5 billion in medium- and

long-term credits for local authorities and other players in the local public sector.

As it wishes to be a major responsible player in local public sector financing and, to better understand its needs and expectations, La Banque Postale has set up a steering committee composed of elected officials and recognised experts in this field. It thus created a local funding steering committee in November 2012, chaired by Jean-Pierre Balligand (Mayor of Vervins and former parliamentarian). This committee will be charged with prospecting, monitoring and alerts.

Corporate and institutional customers: under-developed potential with room to grow

La Banque Postale already has a significant base of 446,000 corporate and institutional customers at end-2012 over all customer segments (microbusinesses & Professionals, SMEs, large companies, communities and non-profit associations). La Banque Postale’s development of this niche has for a long time been very slow, in view of its incomplete funding product range. This has resulted in as yet small (6%) contribution of the corporate and institutional customers to the net banking income of La Banque Postale, whereas it represents one-third of net banking income for French retail banking overall.

The development of this activity, boosted by the growing number of credit offerings, is one of the strategic focuses of the commercial development of La Banque Postale.

A new signature brand reflecting the strategic ambition of the La Banque Postale

At the end of 2012, with its new signature brand, “Banque et Citoyenne” – a civic-minded bank, La Banque Postale reasserts its model: a local, transparent, responsive and human bank; a bank that places the interests of its customers first; a bank that shares and that creates a new relationship to money and banking with its customers.

It underscores the special relationship that connects La Banque Postale to its customers: a bank entirely dedicated to serving all of its customers (seniors, high-net-worth customers as well as vulnerable and moderate-income customers and families), a neighbourhood bank (with 17,000 contact points) that is transparent and human (31,000 customer service employees) and a bank that plays a role with each customer (individual assistance) and for all (economic and social utility, invested in the community).

(5) Pursuant to the application of Basel III in France as anticipated by La Banque Postale. As the CRD 4 Directive has not yet been approved by the European Parliament, its provisions are still open to interpretation.

1.5. The Group's shareholders

1.5.1. Shareholders

La Poste owns all of La Banque Postale's share capital and voting rights. There are no employee shareholders.

Article 1 of Law No. 2010-123 of February 9th 2010 provides that La Poste's share capital shall be held by the French Govern-

ment and by other Government bodies, except for any shares that may be held under employee ownership schemes.

La Poste is still controlled by the Government, after several capital increases.

1.5.2. Changes in the share capital

Following a capital increase of 843,280,740 euros with an issue premium of 16,719,260 euros on September 9th 2011, which was subscribed via La Poste SA, and involved the issue of 7,332,876 new shares with a par value of 115 euros each, the

share capital was increased to 3,185,734,830 euros, divided into 27,702,042 fully paid-up shares. No legal or statutory provision provides for the award of different voting rights to shareholders.

	2009	2010	2011	2012
Number of shares	20,369,166	20,369,166	27,702,042	27,702,042
Share capital (€)	2,342,454,090	2,342,454,090	3,185,734,830	3,185,734,830
La Poste (%) ⁽¹⁾	100%	100%	100%	100%

(1) Members of the Supervisory Board (except for employee representative members) each own one share, i.e. nine La Banque Postale shares in total, amounting to less than 0.01%.

The shares that make up the share capital have not been pledged. There are no shares outstanding that give access to the share capital, and no current authorisation to increase the share capital.

1.5.3. Dividend policy

The dividend distribution policy is set by agreement with the Shareholder, and is decided by the General Meeting, on the Executive Board's recommendation.

The dividends distributed are as follows:

	2008	2009	2010	2011	2012
Dividend per share	4.72	12.98	14.38	6.7	9.32
Distribution (millions of euros)	96	264	293	186	258

1.5.4. Shareholder relations

Pursuant to Article 16 of Law No. 2005-516 of May 20th 2005, and to its enactment decree of August 30th 2005, La Poste, a Public and Commercial Company (EPIC) 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 businesses. As a result of these transactions, La Poste holds all of the capital of La Banque Postale (except for the shares held

by the members of the Supervisory Board, which amounts to less than 0.01% of the capital).

The aforementioned Article 16 expressly provides that La Poste must own a majority interest in the Bank's share capital.

The relationship between La Poste and La Banque Postale is very close. It operates both at governance and management body level, and in the companies' industrial and commercial dealings. The Executive Chairman of La Banque Postale is also Deputy Managing Director of La Poste and a member of the Executive Committee. Seven members of La Banque Postale's Supervisory Board come from La Poste Group, and the Chairman of La Poste chairs the Bank's Supervisory Board. La Poste is also represented on the Supervisory Board's Committees.

La Poste is La Banque Postale's main service provider, and La Banque Postale uses La Poste's resources to conduct its business. Various agreements have been reached between La Poste and La Banque Postale in this respect, and pursuant to Article 16 of Law No. 2005-516 of May 20th 2005. The main agreements were authorised by La Banque Postale's Supervisory Board, in accordance with the provisions of Article L. 225-86 of the French Commercial Code. Members of the La Poste's Executive Committee did not take part in the vote. These agreements are updated regularly, depending on the trends observed and presented to the Supervisory Board for its approval.

As a subsidiary of the La Poste Group, La Banque Postale must obtain prior authorisation from the Board of Directors of La Poste to carry out certain transactions such as acquisitions, investments, disposals of assets, strategic partnership transactions, and other significant investments and divestments. It must also request prior authorisation for any borrowing that might have a material impact on the consolidated balance sheet of the La Poste Group or on the issue of debt securities or hybrid capital eligible in the *Tier 1* or *Tier 2* greater than a determined amount.

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

Aside from its close relationship with its parent company, La Banque Postale is in frequent contact with the French Government Holdings Agency, which is primarily kept informed of the Bank's strategic direction.

Corporate governance and internal control procedures

2

2.1. Report of the Chairman of the Supervisory Board on the conditions under which the work of the Board was prepared and organised and on the internal control procedures	26
2.1.1. Corporate governance	26
2.1.2. Internal control procedures	37
2.1.3. Approval of the corporate governance and internal control report prepared by the Chairman of the Supervisory Board	45
2.2. Statutory Auditors' report, prepared pursuant to Article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of La Banque Postale's Supervisory Board	46
2.3. Information on the members of the Supervisory and Executive Boards	47
2.3.1. Composition of the Executive Board and member biographies	47
2.3.2. List of terms of office of the members of the Supervisory Board and Executive Board	49
2.3.3. Remunerations	54
2.3.4. Internal Executive Board Committees	59

2.1. Report of the Chairman of the Supervisory Board on the conditions under which the work of the Board was prepared and organised and on the internal control procedures

This report has been prepared on the basis of the work performed by the heads of risk and compliance, the Internal Auditor and the Company Secretary. Regular discussions on the Company's risk and internal control have taken place between the Executive Board, the Chairman of the Audit Committee and the heads of the control functions, primarily within the Audit Committee and the Supervisory Board, through the Executive Board's quarterly

report. This report has been forwarded to the Audit Committee, which has informed the Supervisory Board of its observations, based on the work performed as part of its assignment to monitor the effectiveness of the risk management and internal control system. This report was approved at the Supervisory Board Meeting on February 27th 2013.

2.1.1. Corporate governance

La Banque Postale is a Limited Company with Executive and Supervisory Boards wholly-owned by La Poste (a Limited Company). The Company began trading on January 1st 2006, after having received authorisation from the Autorité de contrôle prudentiel (ACP – French Prudential Control Authority formerly the CECEI) on December 2nd 2005.

The choice of a dual corporate governance structure allows a clear division between management and control powers, and guarantees the separation of those powers and the balance between them. This means that there is a clear divide between the steering and management powers exercised by the Executive Board and the control and decision-making powers exercised by the Supervisory Board.

As a trading company, La Banque Postale is bound by the French Commercial Code as a Corporation, and by the French Monetary and Financial Code. As a credit institution, it is also bound 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 law on the democratisation of the public sector in France.

Corporate governance code applied

La Banque Postale has structured its corporate governance rules around the corporate governance principles of listed companies in line with the code published by the Afep (Association française des entreprises privées) – Medef (Mouvement des entreprises de France; www.medef.fr) and the working group's report on the Financial Markets Authority (AMF) audit committee.

La Banque Postale complies with most of the recommendations made by these bodies, subject to the distinctive nature of its shareholder base and to the provisions of the Law on the democratisation of the public sector and the order of October 15th 2012, which specifically stipulate:

- the length of Supervisory Board members' term of 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/MEDEF Corporate Governance Code;

- a cap on the remuneration of executive directors and approval by the Minister responsible for the economy of the amount of attendance fees, remuneration for various activities and fringe benefits for corporate officers, as well as remuneration elements, indemnities or benefits due or likely to fall due as a result of their cessation of activity, changing activity or subsequent to this.

The Board is of the view that its current operating conditions enable it and its Committees to fulfil their duties with the effectiveness, objectivity and independence required, particularly as regards preventing potential conflicts of interest.

Declarations of convictions, bankruptcy, sanctions, family connections and benefits as a result of service agreements concerning members of the Board and Executive Boards

There are no family ties between the members of the Supervisory Board and the Executive Board. Likewise, over the last five years, no members of either Board were convicted of fraud or were associated, as members of executive or supervisory bodies, with a bankruptcy, sequestration or liquidation.

In the last five years, the members of the Supervisory Board and Executive Board have not been subject to any incrimination or official public sanctions, nor have they been prohibited from being board members.

Members of the Supervisory Board and Executive Board do not enjoy any benefits in respect of service agreements with the Company or one of its subsidiaries.

Conflicts of interest

As far as the Company is aware, there are no conflicts of interest between the duties of the members of the Supervisory and Executive Boards towards the Bank and their private interests.

La Banque Postale's Supervisory Board members' Charter specifies that *"every member of the Board shall inform the Supervisory Board and its Chairman as soon as they become aware of any situation concerning them that is likely to give rise to a conflict with the interests of La Banque Postale or any of its subsidiaries, even if that situation is of a potential or temporary nature"*. The Charter also states that *"every Board member undertakes to avoid any conflict that might exist between their material and non-material interests and those of La Banque Postale or any of its subsidiaries"*.

Finally, there have been no arrangements or agreements with customers, suppliers and any other third parties resulting in the appointment of a Supervisory Board member, outside the regulated agreements and undertakings.

2.1.1.1. Conditions governing the preparation and structure of the work performed by the Board

Structure and operation of the Board

Composition of the Board

The Supervisory Board is chaired by Jean-Paul Bailly, the Chairman and Chief Executive Officer of La Poste (SA). It has 15 members.

In accordance with the provisions of the Law on the democratisation of the public sector, Supervisory Board members are appointed for a period of five years. Ten members are appointed by the general shareholder meeting and five are elected by the employees.

The general shareholder meeting on February 15th 2013 appointed Nathalie Andrieux to fill a vacant post. She became

Deputy Managing Director for digital services development and a member of La Poste's Executive Committee.

As the terms of office of the members of the Supervisory Board expired on February 26th 2013, new employee representatives were elected on February 11th 2013. The ten other members of the Supervisory Board were reappointed at the general shareholder meeting of February 15th 2013. The terms of office of the reappointed Board members took effect in accordance with the law, on the date of the first meeting of the new Board, i.e. on February 27th 2013.

Seven of the ten members of the Board reappointed at the general shareholder meeting perform management functions within the La Poste group. The other three are independent.

On the date this report was filed, the Supervisory Board consisted of ten men and five women.

All members of the Board are of French nationality.

A government commissioner appointed by the French government to La Banque Postale due to its public interest remit and the secretary of the Works Council also attend the Supervisory Board meetings.

Vice-Chairman of the Supervisory Board

The Vice-Chairman of the Supervisory Board advises and assists the Chairman of the Board on corporate governance issues and in organising the Board's work. They also play a role in identifying and reviewing potential conflict of interest situations.

Information on the new Supervisory Board members

When a new member of the Supervisory Board assumes their duties, they are given a file containing the Bank's articles of association, the minutes of recent Supervisory Board meetings, the internal regulations that apply to the Board and its Committees, the Supervisory Board Members' Charter and the latest registration document.

Profile of the Board members

The average age of the Board members is 57.

Chairman of the Supervisory Board		
<p>Jean-Paul Bailly (66) Chairman of the Supervisory Board since December 12th 2005</p> <p>Professional address: La Poste 44 boulevard de Vaugirard 75757 Paris Cedex 15</p>	<p>Graduate of the École Polytechnique and of MIT</p>	<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 then Head of Personnel. Appointed Deputy Chief Executive of RATP in 1990, and Chairman and Chief Executive in 1994. • Chairman of the La Poste Group between 2002 and 2010, then Chairman and Chief Executive Officer of the Group since March 1st 2010, and Chairman of the La Banque Postale Supervisory Board since 2006. • Also a Member of the French Economic, Social and Environmental Council since 1995, Chairman of Entreprise et Personnel since 2010, Chairman of IMS-Entreprendre pour la cité since 2012, Chairman of the International Post Corporation (IPC) between 2006 and 2010, and Chairman of the International Association of Public Transport (UITP) between 1997 and 2001.
Vice-Chairman of the Supervisory Board		
<p>Marc-André Feffer (63) Vice-Chairman of the Supervisory Board since December 12th 2005</p> <p>Professional address: La Poste 44 boulevard de Vaugirard 75757 Paris Cedex 15</p>	<p>Graduate of the IEP Paris, holder of a Master's Degree in Law, and former student of the ENA</p>	<ul style="list-style-type: none"> • Public Service Career: Member of the French Council of State, Advisor to the President of the European Commission and Head of the French Prime Minister's Office until 1988. • Vice-Chairman and Director General of Canal+ until 2003. • Executive Director of the La Poste Group since 2004, member of the Executive Committee and Chairman of the Poste Immo Board of Directors. • Executive Director of La Poste SA since March 2010, responsible for development strategy, international and legal affairs, and regulatory matters, member of the Executive Committee and Chairman of Poste Immo.
Other members of the Supervisory Board occupying management positions at the La Poste Group		
<p>Nathalie Andrieux (47) Member of the Supervisory Board since February 15th 2013</p> <p>Professional address: Médiapost Tour Cristal 7-11 Quai André-Citroën 75015 Paris</p>	<p>Graduate of the École Supérieure d'informatique SUPINFO</p>	<ul style="list-style-type: none"> • Within the Banques Populaires Group information systems development project management. • In 1997, Head of the La Poste Group's management information system department. • At the end of 2001, Head of Strategic Marketing in the Strategy Department of the La Poste Group. • In 2003, La Poste Group Director of Innovation and E-services. • In 2004, Managing Director of Médiapost and Chairwoman in 2009. • In September 2012, Deputy Managing Director, Director of Digital Technology of the La Poste Group and Chairwoman of Médiapost Communication. • She has been a member of the French Digital Council (<i>Conseil National du Numérique</i>) since January 17th 2013.
<p>Didier Brune (56) Member of the Supervisory Board since December 12th 2005</p> <p>Professional address: La Poste 44 boulevard de Vaugirard 75757 Paris Cedex 15</p>	<p>Graduate of the HEC and of the ENSPTT</p>	<ul style="list-style-type: none"> • Has pursued a career at the La Poste Group since 1983, including 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. • Head of Regulatory Affairs at La Poste SA since October 1st 2010.
<p>Xavier Girre (43) Member of the Supervisory Board since March 7th 2012</p> <p>Professional address: La Poste 44 boulevard de Vaugirard 75757 Paris Cedex 15</p>	<p>Graduate of HEC, and of the IEP Paris, holder of a Master's Degree in Business Law, and former student of the ENA</p>	<ul style="list-style-type: none"> • Auditor, then Public Auditor at the Government Audit Office between 1995 and 1999. • Appointed project leader by the Chairman of Dalkia in 1999. • Appointed Head of Auditing at Vivendi Environnement in 2002, and Head of Risk and Audit from 2004 onwards. • Appointed Finance Director of Veolia Transport in 2007, and subsequently Deputy Chief Executive Officer in charge of finance, information systems, purchasing and risk management. • Finance Director of Veolia Propreté and Executive Director for Central Europe. • Executive Director since November 7th 2011, Finance Director of the La Poste Group and member of the Executive Committee.

<p>Georges Lefebvre (60) La Poste representative on the Supervisory Board since December 12th 2005</p> <p>Professional address: La Poste 44 boulevard de Vaugirard 75757 Paris Cedex 15</p>	<p>Holder of a Degree in Mathematics, graduate of the ENSPTT</p>	<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 a 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, and member of the Executive Committee. • Chief Executive of the La Poste Group, Head of Human Resources and Employee Relations and member of the Executive Committee between 2002 and 2010. • Managing Director and Director of Human Resources and Employee Relations at the La Poste Group, and member of the Executive Committee from March 2010 to August 2012. • Managing Director of the La Poste Group responsible for Group Cohesion and Unity since September 2012.
<p>Bernard Haurie (57) Member of the Supervisory Board since October 3rd 2012</p> <p>Professional address: La Poste 44 boulevard de Vaugirard 75757 Paris Cedex 15</p>	<p>Graduate of ENSPTT; holds an MBA from HEC</p>	<ul style="list-style-type: none"> • Held a position at the Royal Bank of Canada (vulnerable customer marketing) then a career in economic development (Industrialisation Commissioner for Datar, Financial Analyst for the Post and Financial Services sector at the World Bank in Washington). • Territorial Director for La Poste by administrative department, then by regions (89-98). • Mail/Package Sales Marketing Director at La Poste in 1998. • Director of International Development in 2003 and as of mid-2004, Head of Innovation and Development for e-services at the La Poste Group and Chairman of the Certinomis subsidiary. • Chairman of the IE-Club since 2011. • Head of Strategy, Forecasting and Innovation at the La Poste Group since October 1st 2012.
<p>Dung Pham Tran (53) Member of the Supervisory Board from January 18th 2011 to September 28th 2012</p> <p>Professional address: La Poste 44 boulevard de Vaugirard 75757 Paris Cedex 15</p>	<p>Graduate of the École Polytechnique, of the École Nationale Supérieure des Télécommunications and of HEC Management</p>	<ul style="list-style-type: none"> • Began his career in 1983 at Gixi, a subsidiary of the French Atomic Energy Commission (CEA), as a robotics development engineer. • Assistant director at a Computer Services and Engineering Company (1985-1986). • Broker at Cheuvreux-De Virieu (1987). • Head of Re-engineering at Lesieur (1989). • Head of Information Systems at Elis (1990). • Appointed Chief Executive of Emy-Système, a subsidiary of Dalkia, in 1993, and Head of Strategy in 1996. • Appointed Vice President in charge of Consulting, France, at Gartner in 1997. • Appointed Chief Executive of GTI Consultants in 2002. • Appointed Executive Director responsible for the consulting and project management business lines at Euriware (a subsidiary of Areva) in 2003. • Appointed Head of Cost Optimisation at La Poste in 2006. • Head of Strategy at La Poste from January 2011 to August 2012.
<p>Christophe Van de Walle (44) Member of the Supervisory Board from March 30th 2011 to January 16th 2012</p> <p>Professional address: La Banque Postale 24-32 boulevard Gallieni 92130 Issy-les-Moulineaux</p>	<p>Graduate of the ESCP, holder of a Higher Diploma in Accounting and Finance Studies, and graduate of the ESLSCA</p>	<ul style="list-style-type: none"> • Audit manager at Deloitte & Touche between 1991 and 1999. • Assistant Management Control Director at the Caisse Nationale des Caisses d'Épargne Group between 1999 and 2005. • Director of Financial Control at La Poste Group from 2005 to 2012. • Director of Local Authority Financing at La Banque Postale since February 1st 2012.
Independent Members of the Supervisory Board		
<p>Sylvain de Forges (57) Member of the Supervisory Board since December 12th 2005</p> <p>Professional address: SGAM AG2R LA MONDIALE 104-110 boulevard Haussmann 75379 Paris Cedex 08</p>	<p>Graduate of the École Polytechnique, and former student of the ENA</p>	<ul style="list-style-type: none"> • Pursued a career in the Civil Service, including appointments as Head of Monetary and Financial Affairs at the French Treasury, as an Advisory Financial Affairs Minister at the French Embassy in London, as the Senior French Representative at the EBRD and then as the Head of the Agence France Trésor (AFT) at the French Ministry of the Economy and Finance. • Joined the Véolia Group in 2003. Head of Risk and Markets at Véolia Environnement between 2007 and 2010. • Has been an Executive Director of AG2R La Mondiale since 2010; responsible for the Finance Department, strategy and customer forecasting.

Didier Ribadeau-Dumas (66) Member of the Supervisory Board since February 13 th 2006	Law graduate, former student of the ENA	<ul style="list-style-type: none"> Pursued a career at the French Ministry of the Economy and Finance between 1971 and 1984; Assistant Director at the Treasury (1981-1984). Chief Executive of a 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 DED Conseil (2006-2012) and associate of Courcelles Conseil (2007-2012).
Christiane Marcellier (56) Member of the Supervisory Board since September 23 rd 2011. Professional address: JD4C – CONSEIL 43 rue de Courcelles 75008 Paris	Holder of a Master's Degree in Applied Economics and in Decisional Mathematics from the Paris IX-Dauphine University, and holder a higher accountancy studies diploma	<ul style="list-style-type: none"> Financial Analyst and Head of Research successively at DAFSA, HSBC then NatWest - from 1982 to 1997. Pursued a career in the Strategy and Development Department within the Senior Management of Paribas. Member of the Executive Committee of the Caisse Nationale des Caisses d'Épargne (CNCE) between 2000 and 2004, Head of Strategy and then of the Insurance Unit. Head of Development, Strategy and Synergies for France and Latin Europe at ABN Amro from 2005 to 2007. In 2008, founded JD4C Conseil, a mergers and acquisitions consultancy company for the banking, insurance and property sectors. Senior Vice President at Financière de Courcelles.

Employee Representative Members of the Supervisory Board

Jean-Robert Larangé (58) Member of the Supervisory Board since February 27 th 2008 Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06	Graduate of the Institut Supérieur du Commerce International (ISCID-IFCE) and holder of a Master's degree in International Affairs from 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 and Ile-de-France Financial Centre, then made responsible for monitoring Internal Audit recommendations at La Banque Postale. Head of Banking Services in the jointly-managed La Poste network and in non-post office entities since 2006.
Steeve Maigne (43) Member of the Supervisory Board since February 27 th 2008 Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06	Background in sales and finance	<ul style="list-style-type: none"> Pursued a career at the La Poste Group, as a Financial Advisor, and then as a Customer Service Manager between 1998 and 2004. Regional secretary for the Paris/Ile-de-France CFE-CGC trade union, member of La Poste's employee-relations committees up until 2007. Employee representative on the Supervisory Board of the La Poste Employee Savings Fund until 2007. Head of the Internal Synergies Project within La Banque Postale's Social and Local Economy Department since 2008.
Maryvonne Michelet (60) Member of the Supervisory Board since February 27 th 2008 Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06	Post-graduate diploma (DESS) in banking and financial law, certified legal practitioner (CAPA) and a bachelor's degree in Applied Foreign Languages	<ul style="list-style-type: none"> Joined the Personnel Department of the French Post and Telecommunications Ministry in 1979, moving to the La Poste International Financial Services in 1986 and then to the La Poste Legal Affairs Department in 1997. Currently a lawyer at La Banque Postale, Risks Correspondent for the Legal Department and Head of Property Law. Also responsible for La Banque Postale Consultants projects.
Françoise Paget Bitsch (56) Member of the Supervisory Board since March 11 th 2009 Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06	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.
Hélène Wolff (57) Member of the Supervisory Board since October 26 th 2006 Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06	DEA (Master of advanced studies) in International Economics, DESS (specialised Master) in Financial Markets, DEA in Economics and Energy	<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, occupying a succession of positions, including Accounting Planner, and Project Manager in the remuneration and banking process units. AMOA Project Leader in La Banque Postale since 2006, then Head of Project Quality.

Profile of the Government Commissioner

Government Commissioner		
<p>Christian Bodin (59) Replaced by Dominique Bocquet in a decree of December 21st 2012</p> <p>Professional address: French Ministry of the Economy and Finance 139 rue de Bercy 75572 Paris Cedex 12</p>	<p>Holder of a private law degree from the IEP Paris, qualified lawyer (CAPA) and former student of the ENA (Voltaire class)</p>	<ul style="list-style-type: none"> Public Service career, including positions at the Caisse des dépôts et Consignations and the Budget Department, then as Deputy Director of Economic Affairs in the Ministry for 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 and Economic Policy Department (DGTPE). Since 2006, Economic and Financial Auditor General, Government Commissioner at La Banque Postale, the Caisse de Garantie du Logement Social, Crédit Maritime Mutuel and film funding companies (Sofica). Internal Auditor of the shell companies (CDR, NSRD and SGGP). Part-time Rapporteur at the Government Audit Office (first Chamber).
Government Commissioner		
<p>Dominique Bocquet (56) Appointed by decree on 21 December 2012, which was published in the Official Journal on January 11th 2013</p> <p>Professional address: French Ministry of the Economy and Finance 139 rue de Bercy 75572 Paris Cedex 12</p>	<p>Graduate of IEP Paris Graduate of the ENA (Solidarity class of 1983)</p>	<ul style="list-style-type: none"> Head of the cultural economics office in the Ministry of Culture, then project leader for finance and investments in the Treasury Department in the Ministry of the Economy and Finance (1987-1990). Financial adviser for Africa from 1996 to 2000. Secretary-General of the Mouvement Européen France. Head of Cabinet for the Cooperation and French Language Minister. Financial Adviser Minister to the French delegation to the OECD from 2003 to 2008. Head of the Economic Department of the French Embassy in Morocco from 2008 to 2012.

Assessment of the independence of Board Members

Since La Banque Postale was founded, its Supervisory Board has used the general definition in the AFEP/MEDEF code to assess whether or not its members are independent. 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 Management that is likely to compromise their freedom of judgement.

Role of the Board

The Supervisory Board exercises the powers granted to it by the French Commercial Code, the Law 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 and technology issues that affect the company's business, before submitting them to the Executive Board for a decision. It provides on-going 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 remuneration and also has the power to dismiss them, in accordance with Article 12 of the articles of association.

Internal regulations and charter

The Supervisory Board has adopted internal regulations which govern and determine the preparation and organisation of its duties. These internal rules are updated on a regular basis, in order to be

compliant with legal and regulatory changes, as well as corporate governance recommendations and best practices. The Board has also adopted a charter, "the Supervisory Board's members' charter", which outlines the rights and obligations of Board members.

Conditions governing the preparation and structure of the work performed by the Board

The Supervisory Board meets at least four times a year. The agenda for the meetings is approved by the Chairman according to the topics to examine by the Board in accordance with the law, or the matters to report to the Board regarding the Bank's smooth operation and strategic choices.

The Board members are invited to attend at least ten days before the meeting. At least six days before the Board meeting, members must be sent the agenda, the draft minutes from the previous meeting as well as any other useful documents relating to items on the agenda, such as reports required by law (management report, Chairman's report on the Board's work and internal control procedures etc.) and draft resolutions for the General Meeting.

Supervisory Board meetings last three hours on average.

The items for discussion are presented by a member of the Executive Board or, if applicable, the person responsible for them. The presentation is followed by an exchange of views, following which the Board issues an opinion, as and whenever necessary.

The Company Secretary draws up draft minutes of the meeting, and then submits them to the Board members for approval at the beginning of the next meeting.

Activities of the Board in 2012

The Supervisory Board met eleven times during the 2012 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 points set down in the agenda. The Statutory Auditors attended those meetings where the annual and interim financial statements were presented.

During 2012, and up until the date this report was filed, the work performed by the Board focused primarily on the following issues:

Strategy

- Presentation of the local authority financing model;
- Review of Crédit Immobilier de France;
- External growth project - BPE;
- Creation of a home loans company (SFH).

Operation of the Board

- Co-optation of Xavier Girre to replace Christophe Van de Walle, who resigned;
- Organise elections to appoint employee representative members to the Supervisory Board;
- Co-optation of Bernard Haurie to replace Dung Pham Tran, who resigned.

The Bank's business review

- The Executive Board's quarterly business reports;
- Overview of the 2011 individual and consolidated financial statements, together with the proposed net profit allocation and the Executive Board's Management Report;
- Presentation of the half-year financial statement and the half-year business report;
- Presentation of the commercial policy aimed at young people;
- Overview of the budget for 2013.

Control of the Bank's business activity

- Internal Control and Risk Management Reports (reports relating to Articles 42 and 43 of Rule 97-02);
- Corporate governance and internal control report prepared by the Chairman of the Supervisory Board;
- Overview of the work done by the Supervisory Board's committees;
- Approval of regulated agreements;
- Review of the operation and results of the internal control procedures;
- Professional and salary gender equality policy;
- Comments of the Supervisory Board on the Report of the Executive Board and on the financial statements.

Remuneration

- Remuneration of Executive Board members: Performance conditions for the variable remuneration component, and determination of their fixed remuneration;
- The Bank's remuneration policy;
- Report drawn up in respect of Article 43.1 of Rule 97-02.

This work and the ensuing discussions enabled the Supervisory Board to exercise its powers of control over the Bank's management team, together with its decision-making powers.

Organisation and operation of the Specialist Committees

The Supervisory Board has set up three committees to assist it in its assignments: an Audit Committee, an Appointments & Remuneration Committee and a Strategy Committee. By doing this, it is following the recommendations of the AFEP/MEDEF Corporate Governance Code and the provisions of Regulation 97-02 of February 21st 1997 regarding the internal control of credit institutions and investment firms.

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

To the extent possible, and depending on the circumstances, one of the three committees must be summoned prior to all Board discussions relating to the area of competence of that Committee. Such resolutions can only be adopted after seeking advice from said Committee, the Chair of which shall inform the Board of its recommendations, suggestions or opinions.

Setting up these Committees is not intended to delegate powers to them that are assigned to the Executive Board in law or by the articles of association, or to result in reducing or limiting the Board's powers.

Whenever a Committee meets, the Executive Board provides its members, within a reasonable time (depending on circumstances), with all the items and documents enabling the Committee to perform its work and draw up its recommendations, suggestions and opinions.

The length of a Committee member's appointment coincides with the length of their remit as a Board member.

Two of the three Supervisory Board Committees are chaired by an independent member.

Audit Committee

Because La Banque Postale has a single public shareholder, and pursuant to the Law on the democratisation of the public sector, which provides for the inclusion of employee representatives on the Board, the Committee consists of two members appointed by the employees and three members appointed by the annual General Meeting of Shareholders including two independent members.

The five members of the Audit Committee are appointed by the Supervisory Board among its members:

- two independent members, Didier Ribadeau-Dumas (Committee Chairman) and Christiane Marcellier;
- Xavier Girre, Finance Director of the La Poste Group;
- two employee representative members, Maryvonne Michelet and Steeve Maigne.

The Government Commissioner also attends Audit Committee meetings.

The Committee's internal rules of procedure are updated on a regular basis, in order to ensure that they remain compliant with legal and regulatory changes, as well as with corporate governance recommendations and best practices.

Most members of the Committee have financial and accounting experience, primarily arising from the positions that they have held or hold (as a director of finance, a career in the French Ministry of the Economy and Finance, or as a member of the senior management team of a Bank).

The scope of the Committee's responsibilities primarily extends to:

- checking that the financial information supplied by the Executive Board is clear, and assessing the appropriateness of the accounting measures adopted;
- managing the selection process for the Statutory Auditors;
- assessing the quality of the internal control procedures, 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. Its Chairman reports on the Committee's work to the Supervisory Board after every meeting.

The Committee listens to the opinions of the Statutory Auditors, the Bank's Finance and Strategy Director, the Heads of Compliance and Risk and the Internal Auditor on issues that concern them.

The Committee met nine times in 2012 with an average attendance rate of 93%. The Committee is expected to meet eight times in 2013.

During 2012, and up until the date this report was filed, the work performed by the Committee focused primarily on the following issues:

Financial data and accounting rules and policies

- Overview of the half-year financial statements;
- Account-closing options;
- Review the financial statements and registration document.

Regulatory reports

- 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 Auditor's work schedule for 2013;
- The Internal Auditor's Business Report for 2011;
- Internal Control and Risk Management Reports (reports relating to Articles 42 and 43 of Rule 97-02);
- Review the operations and results of the internal control procedures: Art. 39 (primary information pulled from the risk control procedures, measures taken to ensure business continuity; measures taken to ensure control over outsourced business activities).

Internal control procedures

- Main disputes and provisions;
- Update on major risks;
- Statements on the Audit Committee's work during the first half of the year;
- Measures against money laundering and financing terrorism;
- Results of the Internal Auditor's work, and follow-up on the recommendations;
- Overview of stress scenarios;
- Update of the risk management policy;
- Methods for sharing the risk management policy and the risk culture;
- Changes to The Group Risk Management - changes to risk procedures;
- Results of action taken against electronic payment fraud;
- Value of liquidity.

New business activities

- Local authorities;
- Information on the corporate procedure and decision-making systems.

Statutory Auditors

- Feedback on 2011 interim projects, working schedule for 2012 from the Statutory Auditors;
- Detailed summary of the certification work performed by the Statutory Auditors, and follow-up on their previous recommendations;
- Assessment of the interim work of the Statutory Auditors for 2012;
- Update on the remuneration of the Statutory Auditors.

Operation of the Committee

- Work performed by the Audit Committee in 2012 and assessment of its operations;
- The Audit Committee's work schedule for 2013.

Appointments & Remuneration Committee

The Appointments & Remuneration Committee was created on December 16th 2005 and has five members:

- three independent members, Didier Ribadeau-Dumas (Chairman of the Committee), Sylvain de Forges and Christiane Marcellier;
- two members from the La Poste Group, Jean-Paul Bailly and Georges Lefebvre.

The Government Commissioner also attends the Appointments & Remuneration Committee meetings.

Its members are selected on the basis of their ability and professional experience.

The Committee's internal rules of procedure are updated on a regular basis, in order to ensure that they remain compliant with legal and regulatory changes, as well as with corporate governance recommendations and best practices.

The scope of the Committee's responsibilities primarily extends to:

- screening the profile of the individuals short-listed for appointment to the Supervisory Board on the basis of their independence from the Company and the La Poste Group, or the

- individuals short-listed for appointment to the Executive Board, as well as their proposed remuneration, if applicable;
- the policy for allocating directors' attendance fees;
- examining pension and benefits schemes;
- examining the opportunity for introducing share-based or other profit-sharing and incentive schemes for company directors and/or employees;
- reviewing the following issues on an annual basis:
 - the principles of the Company and/or Group's remuneration policy,
 - the remuneration, indemnities, and benefits of all kinds awarded to the company's corporate officers,
 - the remuneration policy for employees who manage collective investment bodies and for employees who are market professionals, whose activities are likely to have a material impact on the Company's risk exposure,
 - the report prepared by the Executive Board pursuant to Article 43-1 of Rule 97-02, which is forwarded to the Prudential Control Authority.

This review concerns the policy applied by the Company and extends to its subsidiaries, when they expressly make such a request to the Committee Chairman.

As part of this annual review, the Committee makes sure that the remuneration policy complies with the provisions of Rule 97-02, and that it is consistent with professional standards, regardless of whether the remuneration is fixed or variable, paid in cash or shares, or consists of benefits in kind, and of whether it is deferred. The Appointments & Remuneration Committee reviews the remuneration of the Chief Risk Officer, the Head of Compliance, and of the Internal Auditor.

The Appointments & Remuneration Committee met twice in 2012 with a 96% attendance rate.

During 2012, and up until the date this report was filed, the work performed by the Committee focused primarily on the following issues:

- the principles of the remuneration policy, and the report drawn up in respect of Article 43.1 of Rule 97-02;
- remuneration of Executive Board members;
- review of the remuneration for the Chief Risk Officer, the Head of Compliance and the Internal Auditor;
- review of the Supervisory Board members' independence;
- attendance fees paid for 2011 and 2012;
- overview of the Operational Committee.

Strategy Committee

The Strategy Committee was created on December 16th 2005 and has six members:

- two independent members, Sylvain de Forges and Christiane Marcellier;
- two members from the La Poste Group, Marc-André Feffer, who has chaired the Committee since the resignation of Christophe Van de Walle on January 16th 2012 and Nathalie Andrieux;
- two members who are employee representatives, Hélène Wolff and Françoise Paget Bitsch.

The Government Commissioner also attends the meetings of the Strategy Committee.

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

The Strategy Committee met three times in 2012, and the attendance rate was 100%.

During 2012, the work performed by the Committee focused mainly on the following issues:

- review of Crédit Immobilier de France;
- project for the acquisition of a wealth management bank.

Assessment of the work performed by the Board and the Committees

In 2012, the Supervisory Board's assessment process focused on the work of the Audit Committee, which was the most active Committee, which met nine times during the year.

The Committee was mostly satisfied with the procedures for cooperating with the Supervisory Board and all the Bank's employees. It expressed wishes for improvement, primarily relating to:

- the way fraud is dealt with;
- knowledge of existing customers.

The following features were assessed:

- the quality of the work carried out by the Audit Committee;
- summary short documents followed by detailed appendices;
- the way work was directed, and discussions;
- the Bank's responsiveness to the Committee's requests.

In 2013, The Audit Committee wants the following subjects to be presented to it:

- accessibility to banking and management of regulated savings;
- human resource management;
- social performance;
- overhauling risk procedures and managing IT projects.

2.1.1.2. Conditions governing shareholder participation at the Annual General Meeting

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

2.1.1.3. Principles and rules for setting the remuneration of company officers

La Banque Postale used (with assistance from the Appointments and Remuneration Committee) principles and rules to set fees and pay the corporate officers in accordance with the main recommendations of Afep-Medef and with the provisions of regulation 97-02 of February 21st 1997 on the internal control of credit institutions and investment companies.

Remunerations have been reviewed following the decree of October 15th 2012 which subjects La Banque Postale to the provisions of Article 3 of the decree dated August 9th 1953 amended

by the decree dated July 26th 2012 on government control over the remuneration of the directors of public companies.

Rules for determining the remuneration of Executive Board members

Fixed and variable remuneration

On the proposal of the Appointments and Remuneration Committee, the Supervisory Board determines the remuneration for members of the Executive Board. Pursuant to the Afep/Medef code, the variable remuneration component for members of the Executive Board did not exceed a percentage of their fixed remuneration and also included a component calculated according to qualitative criteria.

Yearly fixed remuneration for Executive Board members was set on the basis of a benchmark analysis of the remuneration paid to the heads of other French retail banks drawn up by a panel of credit institutions. A variable annual component may be added to it (at the suggestion of the Appointments & Remuneration Committee) capped at 90% of the Chairman of the Executive Board's fixed annual remuneration and 55% of the Executive Board members' fixed annual remuneration. This variable component was calculated using a weighted combination of indicators (notably financial indicators such as: the change in net banking income, the operating ratio and the prudential and qualitative ratios). These indicators reflect three priorities: financial performance, commercial performance and qualitative targets (strategy, management, including employee relations, quality of the relationship with the La Poste Group and corporate governance).

Since October 26th 2012, in accordance with Article 3 amended of the decree dated August 9th 1953, the minister in charge of the economy must be consulted before any decisions are made relating to the remuneration components for the activities of Executive Board members and its Chairman and must approve them. These remunerations must not exceed a gross amount set by decree; this amount is currently €450,000.

Therefore, the Chairman of the Executive Board's remuneration is now fixed at this limit and the annual variable remuneration of the second member of the Executive Board was capped at €105,000 starting from October 1st 2012.

For 2013, the members of the Executive board, with the exception of the Chairman of the Executive board, will receive, subject to approval from the French Ministry of the Economy, annual variable remuneration equal to a maximum of 30% of their fixed remuneration, and determined according to the Executive board's achievement of qualitative targets, sales performance criteria and financial criteria...

Severance payment

In accordance with the new Article 3 of the decree dated August 9th 1953 amended on July 26th 2012, remuneration, indemnity or benefit payments due or likely to fall due to members of the Executive Board or its Chairman, due to the discontinuation of activity or a change in role or subsequent to these, must also be approved by the minister of the Economy.

At its meeting on February 27th 2013, the Supervisory board decided, subject to approval from the French Minister of the Economy, that the termination of Executive board members' terms of office, in the event of dismissal during the term of office, a merger, or a change of control or strategy leading to the departure of an Executive board member, and lacking any gross or wilful misconduct or error seriously affecting the company's financial position, may lead to a severance payment.

For the Chairman of the Executive board, this severance payment would be equal to 200% of the aggregate amount of his/her last annualised fixed remuneration component on the day of termination of his/her office, and to the average annualised variable component of his/her remuneration over the last three years.

For the other members of the Executive board, the severance payment would be equal to the aggregate amount of their last annualised fixed remuneration component on the day of termination of their office, and to the average annualised variable component of their remuneration over the last three years.

The severance payment is subject to compliance with a performance condition, *i.e.* the Executive board must have a success rate of 80% or above in meeting the annual targets set for two out of the last three full financial years.

In the event that a term of office is not renewed, the decision to pay severance will be left to the Supervisory board after receiving an opinion from the Nomination-Remuneration Committee which will be based on the established amount of the allowance and the same performance rules and conditions that pertain to a departure during a term of office.

In the event that an Executive board member rejoins the Public Sector within two years of his/her forced departure from the Company, the amount of the severance payment shall be reduced in proportion to the remuneration (including bonuses) payable to a civil servant at the level where the Executive board member concerned rejoins the Public Sector.

Marc Batave has the possibility to opt for unemployment insurance subscribed for by La Banque Postale entitling him to a limited severance payment equal to one year of remuneration in any case, over the selected benefit period. This insurance, after its waiting period, would substitute for the severance pay listed above.

Other benefits or allowances

Executive board members benefit from a company car.

Members of the Executive Board do not receive non-compete allowances and are not awarded equity or debt options on the Company's share capital or performance-based share allocations.

Lastly, executive directors do not benefit from any complementary retirement scheme.

Rules for determining the remuneration of Supervisory Board members

Members of the Supervisory Board are paid attendance fees, which are granted to all Board members, except for employee representatives.

The attendance fee policy is suggested to the Supervisory Board by the Appointments & Remuneration Committee. This policy, which is set using benchmark analysis performed by a panel of banks, insurance companies and a sample of companies in which the Government has a stake, is as follows.

A yearly lump sum is allocated to the Chairman of the Supervisory Board as attendance fees.

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.

Starting in the 2013 financial year, attendance fees will be paid in two instalments:

- a first payment, under the form of an advance calculated as per the abovementioned method, according to the number of board committee meetings held during the first half of the year in progress;
- a second payment, made after approval by the Minister of the Economy, of the total annual individual amount of attendance fees, in accordance with the provisions of the decree dated July 26th 2012 pertaining to the French government's control over the remuneration of directors.

Pursuant to the internal regulations of the La Poste Group, the attendance fees allocated to the members of the Supervisory Board from the La Poste Group are paid to La Poste. In addition, these members do not receive any attendance fees in respect of their positions in companies in the La Banque Postale Group.

Information provided under Article L. 225-100-3 of the French Commercial Code

In accordance with the provisions of Article L. 225-100-3 of the French Commercial Code, the following information must be outlined, and where applicable, explained, when it is likely to have an impact in the event of a public offering.

The current capital structure of La Banque Postale makes it impossible for a takeover bid to be made on company shares which are not accepted for trading on a regulated market. Nonetheless it is referred to the following items listed in Article L. 225-100-3 of the French Commercial Code, to the extent that this information is shown in the registration document in respect of other obligations, or is set out directly below.

1. Structure of the Company's share capital: this information is provided in Chapter 1 – Overview of the La Banque Postale Group; Statutory restrictions on the exercise of voting rights and the transfer of shares, or provisions in the agreements of which the Company has been made aware pursuant to Article L. 233-11: none (*see Chapter 8 - Deeds of incorporation and articles of association*).
2. Direct or indirect investments in the Company's share capital, of which it is aware pursuant to Articles L. 233-7 and L. 233-12: none (*see Chapter 1 – Overview of the La Banque Postale Group*).
3. List of holders of any securities conferring special control rights and a description of these rights: not applicable. No security confers special control rights.
4. Control mechanisms provided for in any potential employee-shareholding scheme, where control rights are not exercised by the latter: not applicable. There is no employee-shareholding scheme.
5. Shareholder agreements of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights: not applicable. La Banque Postale has a single shareholder.
6. Rules applicable to the appointment and replacement of the members of the Executive Board, and changes to the Company's Articles of Association: this information is shown in Chapter 8 – Deeds of Incorporation and Articles of Association.
7. Information regarding the powers of the Executive Board, specifically in terms of issuing or buying back shares is shown in Chapter 8 – Deeds of Incorporation and Articles of Association (Article 14).
8. The agreements entered into by the Company that would be altered or terminated in the event of a change in the Company's control, except where this disclosure would seriously jeopardise its interests, aside from the legal disclosure obligation: not applicable.
9. Agreements providing for payments for members of the Executive Board or employees, if they resign or are unfairly dismissed or if their employment ends due to a takeover bid: a very small number of employees (under 10) benefit, under their employment contracts, from a contract termination payment guarantee clause, which represents 12 months' salary on average.

2.1.2. Internal control procedures

2.1.2.1. Internal control benchmarks

The internal control function of La Banque Postale is structured according to the provisions of the French Monetary and Financial Code, CRBF Regulation 97-02 (amended), prudential regulations, and of the AMF guidelines on internal control, supplemented by the application guide, where business activities linked to investment services are concerned.

These regulatory foundations have been validated or added to through two internal documents approved by La Banque Postale's Executive Board: the "Internal Audit Charter", for periodic controls (a new version of this was issued in 2012), and the "Key Checks" and "Risk Management Policy" documents for permanent control.

These documents are then conveyed in the form of operating control processes and procedures.

2.1.2.2. Guiding principles

The Executive Board sets the fundamental principles (strategic orientations, values, risk appetite, corporate governance) around which each business line arranges its priorities and associated risk management system. These fundamental principles can be found in the Risk Management Policy.

The risk management system has three lines of defence which are as follows:

- a first line within the operational business lines responsible for applying the risk management system which they will have defined in advance;
- a second line in the form of The Group Risk Management which ensures that an overall favourable, consistent framework exists to define and build on risk management systems;
- a third line via controls which are designed to give an independent idea of the effectiveness of the risk management strategies being put in place.

La Banque Postale's internal control procedures are based on:

The responsibility of all those involved. This is the basis of effective management and control procedures.

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

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

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

These systems 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.

2.1.2.3. Main parties responsible

For risk control, management and monitoring procedures, La Banque Postale's internal control and risk management system is structured around:

- control procedures that are as close to the business activities as possible;
- internal control functions covering continuous checks, surveillance and risk management as well as periodic audits;
- internal control governance Committees.

Controls that are as close as possible to the business activities

La Banque Postale has established a specific system for transactions performed within its network. The aim of this system is to control the transactions performed in post offices, in co-ordination with the La Poste Network.

The Senior Management of the La Poste Network is responsible for designing and managing the Level 1 control functions performed by Branch Managers for banking business conducted at post offices, based on specifications drawn up by La Banque Postale's Compliance Department. A Control Handbook has been made available to those managers for this purpose, which includes control scales for selected issues or transactions, as well as a fact sheet intended to track all the corrective measures taken by Bureau Managers when malfunctions have been identified.

The implementation of the Control Handbook by Branch Managers is the subject of an on-going pilot study, which enables the reporting line, more specifically the Managers of the La Poste Retail Brand, to ensure that the controls have been performed, together with the quality of those controls.

Banking controllers, who are employees of La Banque Postale, perform Level 2 controls on the banking business performed in post offices, under the responsibility of the Bank's Regional Representatives and the leadership of the Compliance Department.

Internal control functions

The Compliance Department manages the permanent control system

The Compliance Department directly reports to La Banque Postale'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, as well as with the Supervisory Board guidelines and the Executive Board's instructions. As such, it is mainly responsible for preparing and circulating codes of conduct, and ensuring that they are adhered to. It is also responsible for ensuring that the rules issued by the French Financial Markets Authority for investment services are adhered to; for managing initiatives against money laundering and finance for terrorism; operational management of anti-fraud initiatives, validating new products and regulatory monitoring;
- to coordinate the Level 2 control bodies. The Department is responsible for the functional management of banking controllers working in the Post Office network. To that end, it provides banking controllers and their managers with the tools that enable them to perform their control assignments: control schedules, control questionnaires and systems to consolidate the results aggregated according to the managers' responsibility levels. The scope of this responsibility extends to Internal Control Managers in the Financial Centres, and to their Risk Controllers, via the Operational Department responsible for control within the Banking Operations Department;
- to support and monitor head office departments and subsidiaries in implementing their internal control systems.

The risk department is responsible for the surveillance and management of risk

The Group Risk Management is directly attached to the Executive Board and its work involves:

- establishing rules on risk-taking and decision-making;
- measuring, analysing and monitoring risks;
- watching out for, anticipating and foreseeing future risks.

In each entity, the Risk Department relies on risk managers by delegation (parent company and subsidiaries) responsible for implementing the risk management procedure, *i.e.*:

- identifying risks;
- assessing and rating risks;
- risk hedging system (including the first level control);
- establishing indicators and limits.

Additional information is provided on the La Banque Postale risk management system. This information can be found in part 4 "Risk Management".

The Internal Auditing Department carries out periodic audits

The Internal Audit Division is responsible for conducting periodic audits, as defined by CRBF Regulation 97-02 (amended). It assesses risk management, together with the quality of internal control.

The main role of the Internal Audit Division is to ensure, for all of La Banque Postale Group's activities:

- the existence, quality, effectiveness and the appropriate nature of internal control procedures;
- the reliability and the integrity of the controls pertaining to accounting and management information;
- analysing, measuring and controlling risk, together with the effective level of risk to which the Bank is exposed;
- checking compliance with laws, regulations, internal rules and instructions, as well as business ethics and professional best practices.

The Internal Audit Division is organised around five areas of expertise.

The main role of **Banking Processes** is to ensure that the on-going control system implemented by each Group entity is effective and limits the main financial loss and regulatory risks. In the same vein, it is also involved in cross-over issues which may involve several entities.

Commercial Processes is responsible for themed audits and cross-over projects concerning commercial processes and the business offers of all of La Banque Postale's markets, whether they are designed, developed and deployed by the Bank, with a subsidiary or with a partner. This area also assesses the quality of the customer relationship as part of the partnership with the La Poste Retail Brand.

Markets/insurance/finance is involved in the following areas:

- trading activities;
- third-party management;
- insurance activities;
- financial activities (accounting, management control, tax etc.).

This area is also endowed with expertise in order to assist in assessing complex mathematical models.

IT is responsible for audits on governance, organisation and the management of information systems of each of the entities. It performs audits on the Bank's major risks relating to information systems, particularly where security is concerned. It conducts specific audits on large IT projects. All of these roles are part of the Group's perimeter, including essential, significant service providers.

Projects conducts tasks relating to strategic projects or financially crucial projects, launching new business activities, new products or creating important subsidiaries. It is also responsible for audits on the Bank's structural projects in terms of its organisation and processes.

Internal Auditing also includes:

The External Audit Coordination Department – its main roles are:

- to coordinate on-site checks and audits led by external auditing bodies (supervisory authorities, La Poste Group audits etc.) and responses to reports;
- to ensure that national recommendations issued by the Internal Audit Division are followed.

Resources and Forecasting, which is responsible for:

- the development, evolution and functioning of the information and reporting system;
- performing inspections at the best level of standards, professional and banking purposes;
- the management and maintenance of the Internal Audit Division's computer hardware.

Top-level management structures dedicated to control procedures

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. Therefore:

The Audit Committee is a Supervisory Board body and includes two independent directors. The Committee checks the clarity of the information supplied, and assesses the appropriateness of the accounting measures adopted by the Bank and assesses the quality of its internal control procedures.

The Compliance and Professional Conduct Committee is chaired by the Head of Compliance. Beyond its compliance and profes-

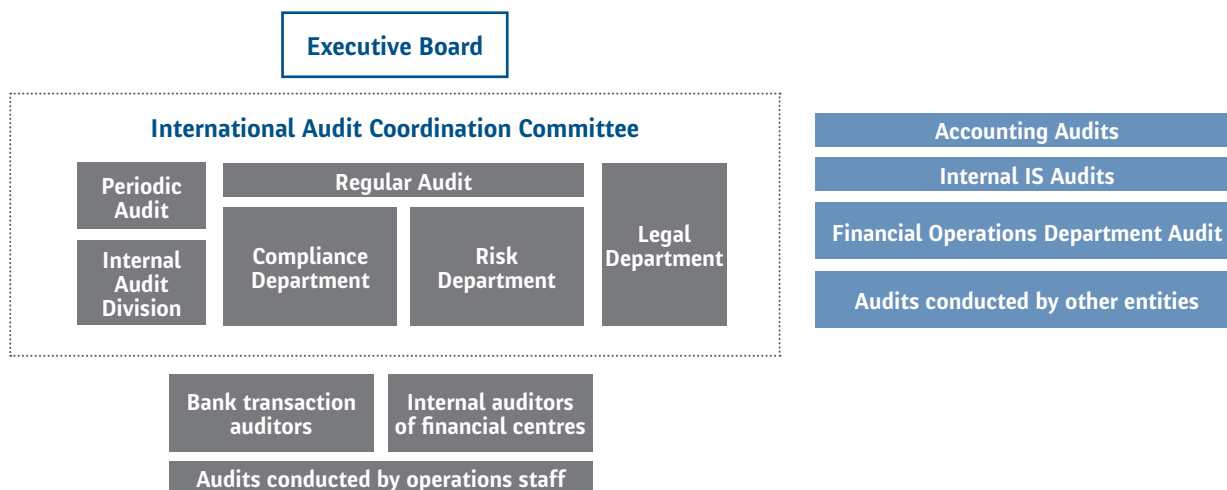
sional conduct role, the committee coordinates audits and examines the annual internal audit reports, ensures that customer protection rules are followed and ensures the effectiveness of the anti-money laundering and anti-terrorism strategy.

The Risk Committee is chaired by the Chief Risk Officer. Its role is:

- to define the policy for managing credit, market and operating risk;
- to examine sensitive risks and approve major commitments;
- to validate risk management operating systems and to be informed about compliance with those systems;
- to alert senior management to any threats linked to the micro-economic or macroeconomic environment which may affect La Banque Postale's statement of financial position imminently or in the future.

The Internal Control Coordination Committee assembles the heads of the central departments responsible for internal control around the Executive Board member responsible for internal control, so that they can 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.

Organisational chart



Control function staff

Central departments that make up the Internal Control Coordination Committee:

• The Group Risk Management	78
• Compliance Department	58
• Legal Department	39
• Internal Audit Division	91

Dedicated controllers within other departments:

• On-going audits and Operations Department risks	16
• Accounting control	10
• On-going IS control	5
• DOF internal control	3
• DAEP/DESL internal control	4

Control of the banking business activities in the Post Offices and Financial Centres:

• Operational banking controllers	214
• Internal controllers in the Financial Centres	125

2.1.2.4. Roles of the The Group Risk Management, the Compliance Department and the Internal Audit Division

The Group Risk Management

Detailed information about risk management is presented in Chapter IV “Risk management”.

To better support La Banque Postale in its new business activities, in 2012, the Risk Department started a discussion to consider adapting its organisation and tasks in line with its regulatory obligations. This led it to define a two-year road map to adapt its organisation confront new challenges.

The Risk Department has four business functions and four cross-entity functions:

- the Credit Risk Department for individuals;
- the Credit Risk Department for Sovereign, Corporate and institutional;
- the Financial Risk Department;
- the Operational Risk Department;
- a Regulatory Watch which supervises all banking and insurance risks;
- a cross-entity project management function which professionalises project management;
- a Consolidated Risk Management function;
- a Modelling/Model validation function.

The Group Risk Management made changes to its risk management system in 2012. It primarily supported the Bank’s business development. The Bank was granted a licence to lend to local authorities on June 20th 2012. It has guaranteed that the lending business was being developed under optimal security conditions, and according to the rules for granting loans to this new customer base.

Credit risk

Risk relating to the retail credit business

For retail credit, The Group Risk Management defines the rules and tools governing risk-taking and inherent risk, and monitors the effective application of these rules and the proper use of the tools at the level of La Banque Postale Group.

It modifies the rules for granting and committing to loans after receiving advice from the Retail Banking Department, the Marketing Department and the Operations Department.

For management of inherent risk, The Group Risk Management is responsible for the rules on covering risk, working with the Legal Department, the Operations Department and the departments governing provisions for accounts receivable in liaison with the Accounts Department.

Beyond the scope of its own authority, it has these “rules of the game” approved by the Risk Committee (chaired by a member

of the Executive Board) or by the Executive Board, if requested by the Chairman of the Risk Committee.

Risk Sovereign, Corporate and institutional credit risks

La Banque Postale's business activities generate a credit risk on corporate and institutional customers both in terms of its commercial business activities to finance the economy (after it obtained approval in September 2011) and in terms of its involvement in the Financial Markets. La Banque Postale must manage the credit risk which results from interbank cash transactions (so vis-à-vis financial institutions), as well as the issuer risk on debt securities negotiated by the trading room (Companies, Financial Institutions, Sovereign).

These risks come in the form of balance sheet and off-balance-sheet commitments (guarantees, collateral, investments of La Banque Postale's insurance subsidiaries, un-drawn proportion of loans granted etc.).

La Banque Postale has retained a prudent approach and a gradual ramp-up of the business. The range of finance options offered by La Banque Postale currently includes: overdraft facility, advance on grants, equipment leasing, medium-term credit for business start-ups and takeovers, bilateral loans and syndicated loans to large corporate customers and property leasing.

In 2012, La Banque Postale developed a credit offer for the local and social economy (social landlords, mutual associations, local and regional authorities, management associations and local non-profit organisations): both in the form of overdraft facilities (since June 2012), and medium-term financing (since November 2012).

During the 2013 financial year, La Banque Postale's product range will be broadened to include factoring, medium-term credit for micro, small and medium-sized companies, as well as exchange rate hedging transactions carried out on behalf of third parties.

La Banque Postale's rules for granting loans and commitments have been drawn up in accordance with amended CRBF regulation No. 97-02 on internal control. They take into account the requirements of Articles 7 and 21.

The investigation and decision-making process is based on: eligibility conditions, analysing and determining a credit score, and in some cases, securing guarantees.

The aim of the risk management system selected for corporate and institutional financing is to detect risks at every level in each of the business processes (granting, management, recovery and provisioning). It is based on the following items:

- creating a complete credit committee system at different levels of the Bank;
- setting up individual risk monitoring procedures and a management platform for global risk;
- introducing control procedures for delegations of authority;
- creating a national Special and Contentious Affairs committee relating to finance activities for these non-individual customer segments.

For micro-businesses, SMEs, and Non-profit associations, the general research and decision-making process is supplemented by:

- a specific banking behaviour score;
- a delegatee plan based on: i) the quality of the counterparty, as measured by a LBP score (scoring scales specific to these counterparties); ii) the overall current outstanding debts for this customer (or group); iii) the type of financing being considered.

Transactions greater than or equal to €10 million must be approved by a member of the Executive Board. The same applies if individual limits are exceeded.

In terms of investment, third parties are systematically rated and allocated an individual limit which is intended to limit the total commitment. 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 No. 93-05 (amended).

La Banque Postale's operations are generally limited to investment grade counterparties and issuers, which have an internal score of at least BBB- (over 90% of the portfolio).

The minimum score is lowered to BB-* in some specific cases, particularly for financing relating to Large Corporate Customers, provided that the bank has an on-going business relationship. At the geographical level, the portfolio is made up almost exclusively of French (72%) and eurozone (24%) commitments.

The individual limits are supplemented with a set of limits aimed at limiting the risk of concentration on groups of counterparties classified according to their country of origin, business segment or internal rating. These diversification limits can be reviewed monthly by the Risk Committee.

La Banque Postale can only perform transactions relating to pensions and loans of securities or forward financial instruments exposing it to a counterparty risk if an ISDA or FBF Framework Agreement with a collateralisation clause is in place.

Interest rate and liquidity risk

The ALM** Committee is primarily responsible for monitoring liquidity and interest rate risks. Chaired by an Executive Board member, it comprises, in addition to the Head of Financial Operations, who runs it, the Head of Retail Banking, the Chief Risk Officer and the Head of Management Control.

The ALM Committee reviews customer deposit models on a regular basis, 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 observations on customer behaviour. It also monitors the sensitivity of future margins.

Lastly, it decides on the financial asset investment and hedging policies to be implemented.

* According to the ACP cross-reference tables, BB- corresponds to quality level 4 (BB- to BB+ at FITCH and S&P; Ba1 to Ba3 Moody's; 4 to 5 COFACE; 4 to 5+ FIBEN).

** ALM: Asset and Liability Management.

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.

Operational application of the guidelines set out by these committees is defined partly by the Balance Sheet Management operational Committee, chaired by the Head of Financial Operations, who is responsible for the ALM portfolios and Cash, and partly by the Investment Committee, chaired by the Head of Finance and Strategy, who is responsible for benchmarked portfolios. 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 part IV of the Registration Document "Risk Management".

Market risk

La Banque Postale has no trading activity, strictly speaking. However, it is exposed to market risks because of its cash flow and balance sheet management activities (portfolio of assets available for sale and hedging transactions).

The market portfolio, which brings together all transactions exposed to market risks, covers not only the trading portfolio, defined in Articles 298 and 299 of the Decree dated 20 February 2007 pertaining to equity requirements for credit establishments, but also banking portfolio transactions, including securities available for sale and some lending/borrowing transactions.

As a cautionary measure, the Bank decided to apply a Value at Risk indicator (one-day, 99%) to all its marked-to-market positions. The limit of the indicator is reviewed by the Risk Committee on a monthly basis.

The validity of the VaR model is regularly tested on an ex post basis. The VAR model gives an excessive number of exceptions since only some of the specific exchange rate risk is taken into account. A change to the model is currently being studied.

The guaranteed capital funds offered to customers (which The Group Risk Management controls on an on-going basis) are included in the scope of the Bank's risk management policy; only approved issuers are therefore eligible for those funds. The DRF presents the results of its control procedures to the Asset Management Risk Committee.

Operational risk

The system

La Banque Postale has broken down its operational risk into seven categories and 20 sub-categories, according to the framework suggested by the Basel Committee.

Its procedures are based on:

- a mapping of operational risk;
- an incidents and losses feedback system;
- a quarterly report on the main indicators for the Risk Committee and the Management Committee.

In 2011, the Operational Risk Department launched a repositioning initiative aiming to make business lines more responsible for

managing their own risks, in accordance with best practices in the sector. The risk manager is the head of this business line, and appoints a direct employee to support him/her in this assignment, to identify and define control items, and to draw up risk measurement and monitoring indicators for these risks. This approach was rolled out throughout 2012 and will be continued in 2013.

La Banque Postale has set up organisational procedures for its overall business continuity plan, which covers all the Business Continuity Plans (BCPs) implemented within the Group and enables them to be implemented and maintained from an operating standpoint. The effectiveness of and the controls on the BCPs are assessed using indicators that feed in to the periodic reports to the Risk and Audit Committees. They are regularly monitored by the Group Risk Management, which regularly amends the fall-back solutions and has a tool for checking the effectiveness and long-term sustainability of the Bank's business continuity plans.

Banking risks

External fraud continues to grow compared to 2011.

Four large fraud families account for close to 90% of gross losses (before recovery):

- plastic money disputes, which account for just under half of gross losses, but for which the bank has a very high recovery rate (close to 60%) which limits actual losses;
- fraudulent withdrawals: this fraud family has decreased sharply, notably due to awareness-raising initiatives and warnings at counters in 2012;
- fraudulent transfers: fraudulent transfers increased significantly in 2012. La Banque Postale as a whole will be focusing on fighting these types of fraud in 2013;
- customer defaults after fraud; the bank has seen a major increase in people opening bank accounts for fraudulent purposes, which has led to them being closed down quickly (under 12 months).

Internal fraud fell in 2012. The year was marked by one major case (€1.4 million) and shows that temporary staff are still over-represented in embezzlement cases.

Security risks relating to working conditions are identified and controlled. They remain a major focus point due to the fact that planned changes require proper change management.

Customer knowledge continues to grow, but it needs to go beyond mere regulatory knowledge. We need to know customers more comprehensively.

A similar problem exists with our corporate and institutional customers. We will work on this in 2013.

Risks linked to customer protection were investigated by the regulator in 2012. The investigations showed areas for improvement, notably as regards claims processing. A project has been developed in this area to secure this scope of business.

In terms of the information system, the number of incidents remains high, but the gravity of them is limited; none have required a crisis meeting.

Internal Audit Division

Like previous years, the Internal Audit Division prepared its schedule at the end of 2011 for 2012 based on La Banque Postale's risk map and strategic plan as well as the lessons it learned from previous tasks. This schedule complies with the regulatory obligation to conduct a complete cycle of investigations on all busi-

ness activities over the smallest possible number of financial years, set at four by La Banque Postale. The 108 assignments carried out in 2012 enabled the Division to focus on the issues that were considered to be the most sensitive, given the Bank's business activities and structure (regulated savings, advisory duties, credit for individuals and companies, managing major IT projects), while pursuing its coverage of all the business activities and entities of the Bank and its subsidiaries, which evolved in 2012 in line with changes in La Banque Postale Group.

Inspections were also performed in the IT, markets and fraud risk areas. Essential External Service Providers have also been audited either by the Internal Audit Division or the General Inter-Audit Committee for joint supplier audits. Regulatory or industry assignments have also been performed. The Internal Audit Division also looked into fraud, misappropriation of funds and presumed serious malfunctions.

A sustained policy of following recommendations that had been issued and were still valid enabled the recommendation implementation rate to rise to 84% as of 31 December 2012 (compared to 82% as of 31 December 2011).

834 recommendations were issued in 2012, including 99 Level 1 (the most critical level out of three) recommendations.

The hiring of specialist inspectors and the training provided to employees are enabling the Internal Audit Division to gather the skills required to control the new businesses, following the broadening of La Banque Postale and its subsidiaries' scope of operations.

Business ethics

In 2012, La Banque Postale continued its efforts to disseminate and pass on fundamental principles and rules stated in the code of conduct, which sets out the rules of good conduct towards customers, colleagues and third parties.

The business ethics guidelines apply to everyone working at La Banque Postale and to anyone acting or performing transactions in its name or on its behalf.

Aside from those guidelines, La Banque Postale's business ethics framework is based on:

- compulsory training on the issue for all new hires;
- business ethics officers and operational contacts, which enable the Bank to ensure that the business ethics rules are disseminated and adhered to by both the local Marketing Department teams and the employees of the La Poste Network;
- a procedure for circulating and monitoring warnings when the misappropriation of funds or a breach of business ethics is suspected;
- a Business Ethics Committee including the Head of Compliance for Investment Services, which encompasses the La Poste Network and the departments of La Banque Postale.

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 individual and corporate and institutional customers that are classified as "non-professional" by the MiFID (Markets in financial instruments) Directive is organised by the "Product Assessment Committee", which is chaired by the Head of Compliance. All these meetings give rise to the

drafting of a "written opinion", signed by the Head of Compliance and then circulated to the members of the Marketing Committee. Around 30 committee meetings were held in 2012.

The Bank has established procedures for the systematic review of all the marketing materials issued by the Sales and Marketing Departments. More than 2,500 documents were approved in 2012, either for the Advisory Business Line, customers or other Departments within La Banque Postale or Group entities providing services in the name of or on behalf of La Banque Postale.

The Compliance Department suggests the control plan for the Level 2 audit bodies and has it approved. Changes continued to be made to those controls in 2012, in order to take more account of the most sensitive areas and of issues that required priority attention.

Likewise, the Compliance Department manages the work of the internal audit teams and the Financial Centres' compliance. This plan continued to change in 2012, both in order to increase the attention paid to checking Level 1 controls and to take more account of local risk, which sometimes varies between one Centre and the next.

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. This Committee approves the impact studies performed within the framework of the Technical Committees and the proposed actions to be taken to implement their contents.

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 concerned, particular emphasis should be placed on the following:

- for combating money laundering and terrorism financing, ongoing centralisation of the management of the anti-money laundering (AML) and counter-terrorism (CT) unit, updating and simplifying the procedures for employees, maintaining the awareness of the parties involved and making the unit more professional with a more relevant analysis method and adapting the information system to improve risk management;
- maintaining a high degree of responsiveness in the "Expert Compliance" Division regarding the approval of new products and product marketing documentation;
- managing procedures for escalating information on misappropriation of funds or breach of business ethics indices within the "Business Ethics- Head of Investment Services Compliance" Division, by analysing the way in which the managers involved follow up issues; developing a reporting line for between the Head of Investment Services Compliance Issues and the entities responsible for handling investment securities in the Financial Centres;
- assigning greater importance to managing Level 2 risk controls in plans for controlling local risk; improving employees' use of infor-

mation systems data to identify high-risk areas and transactions, and promoting exchanges between the various control bodies;

- lastly, the launch of a new self-evaluation campaign involving the risk management and control process and essential outsourced activities for the “permanent control summary units encompassing the Head Office Departments, Subsidiary Companies and Equity-Accounted Subsidiaries Division.

2.1.2.5. Controls applied to the preparation and processing of accounting and financial information

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 accounting channel and using the accounting project management resources of the Accounting Department. The Accounting Department stipulates and implements the organisational and IT processes and structures used to produce the accounts.

In addition to the accounting department, La Banque Postale’s accounting function includes the banking back-office accounting teams, who report to the Financial Centre Directors, or, in some cases, to the directors of the business lines. The Bank’s Accounting 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 accounting-based processing of the Bank’s general resources, together with the Financial Transactions Department that is responsible for recording market transactions in the accounts.

The Accounting Department coordinates and defines the Level 1 justification and control programmes that must be implemented by the Bank’s operating accounting departments, which are located in the Financial Centres, in National Centres, in the Financial Transactions Department and in the general resources accounting departments. These control programmes are reviewed according to the periodic risk analyses that are carried out during control and account preparation tasks.

The Accounting Department finalises the Level 1 controls by performing a series of Level 2 controls. Those controls consist of 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 set out formally in control manuals and is also based on procedures for justifying the accounts and approving the account closing records scheduled in the work programmes. The Level 2 controls are performed by a dedicated team of accounting supervisors.

The Level 2 controls are organised around three areas (Retail Banking, General Resources and Market Activities). A fourth area will emerge in 2012, around new loan activities (corporate and institutional customers and local authorities) to fit in with changes in the Bank’s structure. It includes loans to corporate and institutional customers and the local public sector. The areas of business are re-divided in the audit cycle, and each one can

produce an evaluation summary setting out significant events in the cycle, audits and an analytic review of the business activity. The accounting supervisors’ work programmes are periodically updated, in order to:

- adapt them to changes in business activities and the regulatory environment;
- 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 controls on Retail Banking activities are organised on a declarative basis in the Financial Centres and are finalised by control cycles that are based on the sampling of complete records. In this way, all the centres and cycles are tested several times a year. The work is also incorporated into an accounting quality dashboard, which gives a monthly overview of the results of the controls and the quality of the Level 1 system.

These recurrent checks are reinforced by tightened control periods known as “pre-close periods”, which begin one month before the closing date for the half-year and annual accounts and allow the contributors (Centres, and Head Office Departments) to perform a “dress rehearsal”. These procedures secure timetables and processes; moreover they provide interim information on the status of the financial statements to the Statutory Auditors before they begin their work.

Regarding the scope of financial transactions, the Accounting Department has tightened the coordination process for the parties involved (Financial Transactions Department and Risk Departments). The aim of this system, which takes the form of monitoring meetings and setting down feedback channels, is to:

- circulate the expected schedules for control deliverables in advance;
- provide feedback on the control bodies’ observations (Internal Audit and Statutory Auditors);
- draw up action plans that enable the areas for improvement to be monitored.

The entire accounts production system is supplemented by a meeting with the Statutory Auditors’ panel at the beginning of the account-producing period, which enables the highlights to be reviewed and the account-closing options to be examined before they are implemented (impacts from new regulations, processing of new products, changes in the scope of consolidation of subsidiaries).

The Accounting Department also co-ordinates the consolidation of the companies that make up the La Banque Postale Group, according to specific instructions.

The process for producing the consolidated financial statements now includes:

- a process triggered by a consolidation instruction sent to all subsidiaries in the scope of consolidation;
- a plenary session outlining the group’s news, standards and processes allowing for discussion within the subsidiaries’ accounting departments;

- a second-level control organised based on a control schedule, the composition of summaries and a system of questionnaires sent to the departments so that risks can be dealt with and standards application can be coordinated at the Group level;
- a comparison of the management results with the accounting result;
- an analytical review procedure presented by the subsidiary to the Group's financial Department in the presence of the Statutory Auditors of the subsidiary and the Group.

The subsidiaries have their own structure that enables them to perform Level 1 and 2 accounting controls on individual accounts.

Finally, the Accounting Department has identified a dedicated function for the definition of accounting standards applicable to the group (international standards) and La Banque Postale (French standards). This department writes up the standards manual, interprets new standards and applies them to the Group's accounts. It helps define accounting principles when new business activities or products are launched and responds to business line and accounting division requests on the implementation and application of standards. A standards committee is also implemented to coordinate and inform the business lines of forthcoming changes in terms of accounting practices and methods.

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

The Supervisory Board approved the draft corporate governance and internal control report prepared by its Chairman at its meeting of February 27th 2013.

2.2. Statutory Auditors' report, prepared pursuant to Article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of La Banque Postale's Supervisory Board

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 readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Financial year ending December 31st 2012

LA BANQUE POSTALE S.A.

115 rue de Sèvres
75275 Paris Cedex 06

To the Shareholders,

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 comments on the Report prepared by the Chairman of your Company in respect of the financial year ending December 31st 2012, in accordance with the provisions of Article L. 225-68 of the French Commercial Code.

Your Chairman's role is to draw up a report on the internal control and risk management procedures implemented at the Company and other information required by article L. 225-68 of the French Commercial Code, including information on corporate governance procedures, and to submit that report to the Supervisory Board for approval.

Our role is to:

- inform you of our observations on the information in the Chairman's report on internal audit and risk management procedures relating to the production and processing of accounting and financial information, and
- certify that the report includes the other information required by Article L. 225-68 of the French Commercial Code. It is not our responsibility to check the accuracy of this other information.

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

Information regarding internal control and risk management procedures in respect of the preparation and processing of accounting and financial information

Professional standards require us to implement procedures to assess the accuracy of the internal control and risk management procedure information when preparing and processing the accounting and financial information contained in the Chairman's report. These procedures primarily consist in:

- familiarising ourselves with the internal control and risk management procedures in respect of the preparation and processing of the accounting and financial information supporting the information presented in the Chairman's report, 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 internal control failings in respect of the preparation and processing of 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 regarding the Company's internal control and risk management procedures in respect of the preparation and processing of the accounting and financial information in the report prepared by the Chairman of the Supervisory Board pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

Additional information

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

Signed in Neuilly sur Seine, Paris La Défense and Courbevoie, on March 8th 2013

The Statutory Auditors,

KPMG

Agnès Husscherr

PricewaterhouseCoopers Audit

Isabelle Goalec

2.3. Information on the members of the Supervisory and Executive Boards

2.3.1. Composition of the Executive Board and member biographies

La Banque Postale is a limited company with an Executive and a Supervisory Board.

Overall management of the Company is provided by the Executive Board, which has the broadest powers to act on behalf of the Company in all circumstances, within the limits of its corporate purpose. It is also subject to the powers expressly conferred on Supervisory Boards and Annual Shareholders' Meetings by French law and the company's articles of association, Article 25.

As of 9 January 2013, the Executive Board has three members (named below). Their terms of office were renewed for five years at the Supervisory Board meeting on 27 February 2013:

- Philippe Wahl, who is the Chairman;
- Marc Batave, Secretary General of La Banque Postale;
- Yves Brassart, Head of Finance and Strategy at La Banque Postale.

Previously, the Executive Board had two members: Philippe Wahl (Chairman) and Philippe Bajou.

Philippe Wahl and Marc Batave are corporate officer within the meaning of Article L.511-13 of the French Monetary and Financial Code.

As previously authorised by the Supervisory Board, 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 require prior approval from the Executive 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 since January 18th 2011

Philippe Wahl (56)	Graduate of the IEP, Paris, Research Master's Degree in Monetary and Financial Economics, and former student of the ENA	<ul style="list-style-type: none"> • Auditor, then Master of Requests at the French Council of State, between 1984 and 1988. • Project leader for the Chairman of the French Stock Exchange Commission's Office between 1986 and 1988. • Technical Advisor responsible for Monetary, Financial and Tax Affairs at the Prime Minister's Office between 1988 and 1991. • Appointed as Advisor to the Chairman of Compagnie Bancaire in 1991, then as a member of the Management Committee in 1992 and Deputy Chief Executive in 1994. • Appointed Head of Paribas' Specialist Financial Services Division and as a member of the Executive Committee in 1997. • Appointed Chief Executive of the Caisse Nationale des Caisses d'Épargne in 1999. • Appointed Chief Executive of the Havas Group in 2005, and Vice-Chairman of the Bolloré Group in 2006. • Appointed Chief Executive of RBS' French subsidiary in 2007, as Advisor to the RBS Global Banking and Markets Board in London in 2008, and Chief Executive of RBS' French, Belgian and Luxembourg subsidiaries in 2009. • Deputy Executive Director and member of the Executive Committee of the La Poste Group, and Chairman of the La Banque Postale Executive Board since January 2011. • Vice-Chairman of the French Banking Association since June 2012 and member of the French Banking Federation's Executive Board since July 2012.
Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06		

Member of the Executive Board Since January 9th 2013

Marc Batave (55)	Graduate of the ESSEC	<ul style="list-style-type: none"> • Crédit du Nord Group from 1983 to 2011: <ul style="list-style-type: none"> - Deputy Head of the "Social relations" department, in the human relations department of Crédit du Nord from 1983 to 1985; - Financial Negotiating Department from 1985 to 1986; - Head of "Financial saving and insurance" products department, Head of individual banking then Head of Marketing at Crédit du Nord from 1986 to 1993; - From 1993 to January 2000, Vice-Chairman, then Chairman of the Banque Courtois Executive Board; - Head of Customer Relations, Executive Director, then Senior Vice-President at Crédit du Nord. • La Banque Postale: <ul style="list-style-type: none"> - Head of Business Activity and member of the Executive Board at La Banque Postale from November 1st 2012 to 9 January 2013. - Secretary General and member of the Executive Board of La Banque Postale since January 9th 2013.
Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06		

Member of the Executive Board since January 9th 2013

Yves Brassart (52)	Graduate of IEP Paris, Public Service section, ENSPTT and the EDHEC, DECS	<ul style="list-style-type: none"> • Has worked in the La Poste Group since 1987. Roles in the marketing and business areas in the La Poste Group's Mail Department. Then Head of Marketing and Commercial Mail/Packages from 1991 to 1993. • Head of Finance at the La Poste Group for western France from 1994 to 1999. • Head of Financial Services at La Poste from 1999 to 2006 and also Finance Director for the General Public network from 2001 to 2003. • Head of Finance for La Banque Postale from 2006 to 2011. • Head of Finance and Strategy at La Banque Postale since September 2011, since September 2012 with the supervision of the Financial Operations Department. • Member of the Executive Board of La Banque Postale since January 9th 2013.
Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06		

Member of the Executive Board from December 16th 2005 to January 9th 2013

Philippe Bajou (54)	Graduate of the ENSPTT, Degree in electronics (Paris XI)	<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. • Managing Director of Etiposte from 2000 to 2005. • Member of La Banque Postale's Executive Board from December 2005 to January 2013. • Executive Director of the La Poste Group and Managing Director of La Poste Retail Brand since December 19th 2012.
Professional address: La Banque Postale 115 rue de Sèvres 75275 Paris Cedex 06		

2.3.2. List of terms of office of the members of the Supervisory Board and Executive Board

Nota bene: Terms of office and positions held in companies whose shares are traded on regulated markets are identified by an asterisk ().*

The following information regarding the offices and duties of the members of the Board of Directors and of Senior Management is required pursuant to Paragraph 4 of Article L.225-102-1 of the French Commercial Code.

2.3.2.1. Members of the Executive Board

Mr Philippe Wahl, Chairman of the Executive Board of La Banque Postale, who was appointed on January 18th 2011 and was reappointed for a five-year term on February 27th 2013.

Current terms of office:

La Poste Group companies

- Executive Director and Head of Financial Services at La Poste (a Limited Company);
- Chairman and Chief Executive Officer of SF2 (a Limited Company);
- Member of the Supervisory Board of La Banque Financement (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 Board of Directors of La Banque Postale Assurance Santé (a Limited Company);
- Chairman of the Board of Directors, member and Chairman of the Appointments and Remuneration Committee at La Banque Postale Prévoyance (a Limited Company) since 03.21.12;
- Chairman of the Supervisory Board and Chairman of the Remunerations Committee of La Banque Postale Asset Management (a Limited Company with Executive and Supervisory Boards);
- Chairman of the Board of Directors and Chairman of the Appointments & Remunerations Committee for La Banque Postale Assurance IARD (a Limited Company);
- Director of Sopassure (a Limited Company) since 02.17.12 and Chairman and Chief Executive Officer since 03.28.12;
- Representative of La Banque Postale, and Managing Director of the CRSF DOM and CRSF Métropole Limited Property Investment Partnerships;
- Director of the Envol campus of La Banque Postale (non-profit Association) since 01.23.12.

Companies outside the La Poste Group

- Director and member of the Audit Committee of CNP Assurances (a Limited Company);
- Member of the Supervisory Board of the Fonds de Garantie des Dépôts;
- Director of Monnet Project, a Belgian Non-profit association;
- Member of the Board of Directors of the Paris Europlace non-profit association;
- Member of the Institut Montaigne Management Committee;
- Vice-Chairman of the French Banking Association since 06.12.12;
- Member of the French Banking Federation's Executive Committee since 07.01.12.

Appointments that expired during the last five years:

- Managing Director of the Paris branch of The Royal Bank of Scotland Plc and of the Royal Bank of Scotland NV;
- Chairman of the Supervisory Board of La Banque Postale Financement (a Limited Company with Executive Board);
- Chairman of the Supervisory Board of XAnge Private Equity (a Limited Company with Executive Board);
- Member of the Finance Committee of La Banque Postale Prévoyance (a Limited Company);
- SF2's representative on the Board of Directors of Sopassure (a Limited Company);
- Vice-Chairman of the Supervisory Board of Société Financière de Paiements (a Simplified Joint-Stock Company);
- Chairman of the Board of Directors and Managing Director of the Envol Campus of La Banque Postale (Charitable Association).

Mr Philippe Bajou, member of the Executive Board of La Banque Postale between December 16th 2005 and January 9th 2013.

Offices held by Philippe Bajou on January 9th 2013, the date of his departure from La Banque Postale:

La Poste Group companies

- 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);
- Chairman of the Board of Directors of Titres-Cadeaux (a Simplified Joint-Stock Company);
- Permanent representative of SF2 on the Board of Directors and Chairman of the Finance Committee of La Banque Postale Assurances IARD (a Limited Company);
- Chairman of the Board of Directors of EasyBourse (a Simplified Joint-Stock Company);
- Permanent representative of SF2 on the Board of Directors and Chairman of the Audit and Compliance Committee of Tocqueville Finance SA;
- Permanent representative of SF2 on the Board of Directors of Tocqueville Finance Holding (a Simplified Joint Stock Company);
- Chairman of the Board of Directors, and Chairman of the Audit and Risk Committee of La Banque Postale Crédit Entreprises (a Simplified Joint-Stock Company);
- Permanent representative of La Banque Postale on the Supervisory Board of XAnge Private Equity (a Limited Company with Executive and Supervisory Boards);
- Director of the La Poste Foundation;
- Permanent representative of La Banque Postale on the Board of Directors of the French Banking and Finance Coordination Agency;
- Vice-Chairman of the Board of Transactis (a Simplified Joint-Stock Company);
- Director of the Envol Campus of La Banque Postale (non-profit Association) since 01.23.12.

Appointments that expired during the last five years:

- Chief Executive of EF Primo SA;
- Chairman of the LBPAM Actions Monde and LBPAM Actions Revenus Unit Trusts;
- Vice-Chairman of Titres-Cadeaux (a Simplified Joint-Stock Company).

Mr Marc Batave, Secretary General and member of the Executive Board of La Banque Postale, who was appointed on January 9th 2013 and renewed on February 27th 2013 for a five-year term.

Current appointments:

La Poste Group companies

- SF2's representative on the Board of Directors of Tocqueville Finance SA since 01.16.13;
- SF2's permanent representative on the Board of Directors for Tocqueville Finance Holding (a Simplified Joint-Stock Company), since 01.16.13;
- Chairman of the Directors Committee and Audit Committee of La Banque Postale Crédit Entreprises (a Simplified Joint-Stock Company) since 01.30.13.

Appointments that expired during the last five years:

- Executive Chairman of La Banque Postale Crédit Entreprises (a Simplified Joint-Stock Company) until 01.30.13;
- Executive Director of Crédit du Nord (a limited company);
- Chairman of the Supervisory Board of La Banque Courtois (a Limited Company with Executive and Supervisory Boards);
- Director, then Chairman, of the Supervisory Board of La Banque Laydernier (a Limited Company with Executive and Supervisory Boards);
- Chairman of the Supervisory Board of La Banque Kolb (a Limited Company with Executive and Supervisory Boards);
- Director, then Vice-Chairman of the Supervisory Board of La Société Marseillaise de Crédit (a Limited Company with Executive and Supervisory Boards);
- Member of the Supervisory Committee of the Norfinance Gilbert Dupont SNC;
- Director of Norbail Immobilier (a Limited Company);
- Director of Antarius (a Limited Company);
- Director, then Vice-Chairman of the Supervisory Board of La Banque Tarneaud (a Limited Company with Executive and Supervisory Boards);
- Director of Etoile ID (a Limited Company);
- Director of Star Lease (a Limited Company);
- Chairman of the Supervisory Committee, then director at Etoile Gestion (a Limited Company);
- Director, then member of the Supervisory Board of la Banque Rhône Alpes (a Limited Company with Executive and Supervisory Boards).

Mr Yves Brassart, Head of Finance and Strategy and member of the Executive Board of La Banque Postale, who was appointed on January 9th 2013 and renewed on February 27th 2013 for a five-year term.

Current appointments:

La Poste Group companies

- Director of SF2 (a Limited Company);
- Member of the Supervisory Board and member of the Audit Committee of La Banque Postale Asset Management (a Limited Company with Executive and Supervisory Boards);
- Director of Préviposte (a Limited Company);
- Permanent representative of SF2 on the Board of Directors, and since March 23th 2012, Chairman of the Audit Committee, members of the Financial Committee and Independence Committee of La Banque Postale Prévoyance (a Limited Company);
- Permanent representative of SF2 on the Supervisory Board, member of the Audit Committee, and since 24 January 2012, Chairman of the Appointments and Remunerations Committee of la Banque Postale Financement (a Limited Company with an Executive and Supervisory Board);
- Director and member of the Audit Committee of La Banque Postale Assurances IARD (a Limited Company);
- Chairman of Issy La Banque Postale (a Simplified Joint-Stock Company);
- Chairman of Auxiliaire Transactions Immobilières (a Simplified Joint-Stock Company);
- Chairman of Galliéni SF2-3, Galliéni SF2-4, Galliéni SF2-5 and Galliéni SF2-6 (Simplified Joint-Stock Companies);
- Member of the Directors Committee and Audit Committee of La Banque Postale Crédit Entreprises (a Simplified Joint-Stock Company);
- Chairman of the «LBPAM Obli Monde» Mutual Fund.

Appointments that expired during the last five years:

- Chairman of Issy SF2-4 (a Simplified Joint-Stock Company);
- Sole Managing Director of La Banque Postale Financement (a Limited Company);
- Chairman of the Directors Committee of La Banque Postale Immobilier Conseil (a Simplified Joint-Stock Company);
- Director of La Banque Postale Assurance Santé (a Limited Company);
- Chairman of Galliéni SF-2 (a Simplified Joint-Stock Company);
- Permanent representative of SF2 on the Board of Directors of La Banque Postale Conseil en Assurances (a Limited Company).

2.3.2.2. Members of the Supervisory Board

Mr Jean-Paul Bailly, Chairman of the Supervisory Board, who was appointed on December 12th 2005 and was reappointed for five-year terms on February 27th 2008 and February 27th 2013. Member of the Appointments & Remuneration Committee of La Banque Postale.

Current terms of office:

La Poste Group companies

- Chairman and Managing Director of La Poste (a Limited 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);

- Permanent representative of La Poste SA on the Boards of Directors of Géopost (a Limited Company), Sofipost (a Limited Company) and Poste Immo (a Limited Company).

Companies outside the La Poste Group

- Director and member of the Appointments & Remuneration Committee of CNP Assurances (a Limited Company)*;
- Director, member of the Audit and Risk Committee and member of the Remuneration, Appointments and Corporate Governance Committee of Accor (a Limited Company)*;
- Director and member of the Commitments Committee and member of the Audit and Risk Committees of Edenred* (a Limited Company).

Appointments that expired during the last five years:

- Permanent representative of La Banque Postale on the Board of Directors of SF2 (a Limited Company);
- Representative of La Poste and Chairman of SF2 12 (a Simplified Joint Stock Company);
- Director of Systar SA;
- Permanent representative of La Poste on the Board of Directors of Xelian (a Limited Company);
- Director representing the French Government and Member of the Ethics, Environment and Sustainable Development Committee of GDF Suez (a Limited Company).

Ms Nathalie Andrieux, Member of the Supervisory Board, appointed on February 15th 2013, and reappointed for a five-year term on February 27th 2013. Member of La Banque Postale's Strategy Committee since February 27th 2013.

Current appointments:

La Poste Group companies

- Executive Director & Head of Digital Technology at the La Poste Group (a Limited Company);
- Chair of Médiapost (a Simplified Joint-Stock Company);
- Chair of Médiapost Holding (a Simplified Joint-Stock Company);
- Chair of Médiapost Publicité (a Simplified Joint-Stock Company);
- Director of Maileva (a Limited Company);
- Chair of SMP (a Simplified Joint-Stock Company);
- Director of Médiapost Hit Mail (Limited Company, Romania);
- Director of Médiapost GPS (Limited Company, Portugal);
- Director of Médiapost Spain (Limited Company, Spain);
- Permanent representative of SMP, Chair of Financière Soceg Marketing (a Simplified Joint-Stock Company);
- Permanent representative of Financière Adverline, Chair of Adverline (a Simplified Joint-Stock Company);
- Chair of Financière Adverline (a Simplified Joint-Stock Company);
- Chair of the Board of Directors of Mix Commerce (a Limited Company);
- Chair of Média Prisme (a Simplified Joint-Stock Company);
- Chair of Cabestan (a Simplified Joint-Stock Company);
- Chair of Matching (a Simplified Joint-Stock Company);
- Chair of MDP 1 (a Simplified Joint-Stock Company).

Companies outside the La Poste Group

- Member of the Supervisory Board and Audit Committee of Lagardère (a Limited Share Partnership).

Appointments that expired during the last five years:

- Chair and member of the Committee of Médiapost Multi-canal (a Simplified Joint-Stock Company);
- Chairperson and Chief Executive Officer and Chair of the Board of Directors of Médiapost (a Limited Company);
- Member of the Policy Committee of Neopress (a Simplified Joint-Stock Company);
- Chair of the Board of Directors of Médiapost Hit Mail (a Limited Company, Romania);
- Chair of the Board of Directors of Médiapost SGPS (a Limited Company, Portugal);
- Chair of the Board of Directors of Médiapost Spain (a Limited Company, Spain);
- Chair of the Board of Directors of Adverline (a Limited Company).

Mr Didier Brune, Head of La Poste SA's European and National Regulatory Affairs, and member of the Supervisory Board of La Banque Postale, who was appointed on December 12th 2005 and reappointed for a five-year term on February 27th 2013.

Current appointments:

None.

Appointments that expired during the last five years:

- Director of Sofipost SA, Somepost SA and Asphéria Holding SA.

Mr Marc-André Feffer, Vice Chairman of the Supervisory Board, who was appointed on December 12th 2005 and reappointed for five-year terms on February 27th 2008 and February 27th 2013. Chairman of La Banque Postale's Strategy Committee.

Current appointments:

La Poste Group companies

- Executive Director responsible for strategy and for international, legal and regulatory affairs for La Poste (a Limited Company);
- Director of Sopassure (a Limited Company);
- Director of GeoPost (a Limited Company);
- Chairman of the Board of Directors of Poste Immo (a Limited Company);
- Chairman of the Supervisory Board of XAnge Capital (a Limited Company with Executive and Supervisory Boards);
- Non-voting Director of Sofipost (a Limited Company);
- Member of the Supervisory Committee of Vehiposte (a Simplified Joint-Stock Company).

Companies outside the La Poste Group

- Permanent representative of Sopassure on the Board of Directors and member of the Strategy Committee of CNP Assurances (a Limited Company)*.

Appointments that expired during the last five years:

- Member of the Supervisory Board of Géopost Intercontinental SAS;
- Chairman and Chief Executive Officer of Sopassure (a Limited Company);
- Non-voting director of Xelian (a Limited Company);

- Member of the Board of Directors of Hypios (a Simplified Joint-Stock Company).

Mr Sylvain de Forges, Member of the Supervisory Board, who was appointed on December 12th 2005 and was reappointed for five-year terms on February 27th 2008 and February 27th 2013. Member of the Strategy and Appointments & Remuneration Committee of La Banque Postale.

Current appointments:

Companies outside the La Poste Group

- Executive Director of SGAM AG2R La Mondiale;
- Executive Director of La Mondiale (a Medical Assistance Company);
- Chairman of the Supervisory Board of La Mondiale Gestion d'Actifs (a Limited Company);
- Permanent representative of La Mondiale, and Chairman of APREP Diffusion (a Simplified Joint Stock Company);
- Permanent representative of La Mondiale on the Board of Directors of La Mondiale Europartner (a Limited Company);
- Director and Executive Director of La Mondiale Participations (a Limited Company);
- Permanent representative of La Mondiale on the Supervisory Board of Arial Assurance (a Limited Company);
- Permanent representative of La Mondiale on the Board of Directors of La Mondiale Direct (a Limited Company);
- Chairman of La Mondiale Partenaire (a Limited Company);
- Director and member of the Strategy Committee of La Monnaie de Paris (a Public Industrial and Commercial Company);
- Chairman of La Mondiale Cash EIG;
- Director of La Mondiale Groupe EIG;
- Director of La Mondiale corporate foundation (Foundation).

Appointments that expired during the last five years:

- Chairman and Chief Executive of Veolia PPP Finance SA;
- Director of Veolia Environnement Services SA and;
- Director of La Mondiale Accidents (a Limited Company);
- Managing Director of Fond Vert (a Limited Property Investment Partnership).

Mr Xavier Girre, Member of the Supervisory Board and member of the Audit Committee of La Banque Postale since March 7th 2012 and reappointed for a five-year term on February 27th 2013.

Current terms of office:

La Poste Group companies

- Executive Director – Head of Finance for La Poste (a Limited Company), member of the Policy Committee (Coliposte);
- Director and Member of the Audit Committee of Geopost (a Limited Company);
- Director and Member of the Audit Committee of La Poste Immo (a Limited Company);
- Member of the Supervisory Committee of Véhiposte (a Simplified Joint-Stock Company);
- Director of Sofipost, member of the Audit Committee and member of the Strategy Committee (a Limited Company);

- Member of the LP/SFR Strategy Committee of La Poste Telecom (a Simplified Joint-Stock Company);
- Director of Asendia Holding (Swiss company) since 07.06.12;
- Director of Asendia Management (a Simplified Joint-Stock Company) since 07.06.12.

Companies outside of the La Poste Group

None.

Appointments that expired during the last five years:

- Director of Veolia Environnement Airport, Veolia Environnement Services-Re, Veolia Environnement Transport RATP Asia, and Veolia Environnement Veolia Transport Maroc;
- Member of the Board of Directors of Veolia Transportation Israel, Veolia Environmental Services Asia, Veolia Transport Northern Europe, Comgen Australia, Veolia Environmental Services Australia, Veolia Transport, Australia Pty Ltd, Veolia Transportation, Marius Pedersen Nedmark; Marius Pedersen Veolia Miljo, and Veolia Transport Sverige;
- Manager of Fnm 2;
- Chairman of Ary, Immobilière des Fontaines, Veolia Propreté Ukraine and Vigie 13 As;
- Permanent representative of Veolia Transport on the Board of Directors of Compagnie Française de Transport Interurbain, Deputy Director of Connex LCB and member of the Supervisory Board at SNCF.

Mr Bernard Haurie, Member of the Supervisory Board of La Banque Postale since October 3th 2012 and reappointed for a five-year term on February 27th 2013.

Current terms of office:

La Poste Group companies

- Strategy Director of La Poste (SA);
- Director of Sofipost (SA);
- Member of the Supervisory Board of Xange Capital (SA);
- Chair of the Board of Directors of Certinomis (SA);
- Director of Maileva (SA);

Companies outside of the La Poste Group

- Head of IE-Club (Association).

Appointments that expired during the last five years:

- Permanent representative of Somepost, Director of Imélios (SA).

Mr Jean-Robert Larangé, Head of Banking Services and Multi-Channel Distribution (Retail Department), member of the Supervisory Board elected by the employees since February 27th 2008 and reappointed for a five-year term on February 11th 2013. Member of La Banque Postale's Strategy Committee until February 27th 2013.

Jean-Robert Larangé has not held any other offices over the past five years.

Mr Georges Lefebvre, Permanent representative of La Poste (a Limited Company) on the Supervisory Board since December 12th 2005 and renewed for five-year terms on February 27th 2008 and February 27th 2013. Member of the Appointments & Remuneration Committee of La Banque Postale.

Current appointments:

La Poste Group companies

- Managing Director of the La Poste Group (a Limited Company);
- Director and member of the Appointments & Remuneration Committee of GeoPost (a Limited Company);
- Director and member of the Appointments & Remuneration Committee of Poste Immo (a Limited Company);
- Director and member of the Appointments & Remuneration Committee of Sofipost (a Limited Company);
- Chairman of the following UCITS: LBPAM Actions Europe Monde, LBPAM Profil 50, LBPAM Actions 80, and LBPAM Profil 15;
- Member of the Supervisory Committee of Vehiposte (a Simplified Joint-Stock Company).

Appointments that expired during the last five years:

- Chairman of the "LBPAM PROFIL 80" UCITS;
- Chairman of the Board of Directors of Xélian (a Limited Company).

Mr Steeve Maigne, Head of Sales Synergy Initiatives (Social and Local Economy Department), and member of the Supervisory Board elected by the employees on February 27th 2008 and reappointed for a five-year term on February 11th 2013. Member of the Audit Committee of La Banque Postale.

Steeve Maigne has not held any other offices over the past five years.

Ms Christiane Marcellier, Member of the Supervisory Board, appointed on September 23th 2011, and reappointed for a five-year term on February 27th 2013. Member of the Audit, Strategy and Appointments & Remuneration Committees since October 5th 2011.

Current appointments:

La Poste Group companies

- Member of the Supervisory Board, Chair of the Audit Committee and member of the Appointments and Remuneration Committee of La Banque Postale Asset Management (a Limited Company with an Executive Board) since 12.14.2012.

Companies outside the La Poste Group

- Managing Partner of JD4C Conseil (a Private Limited Company);
- Director of Axa Assurances IARD (a Mutual Insurance Company);
- Director and member of the Audit and Remuneration Committees of GFI Informatique (a Limited Company);
- Director of Financière Holding CEP (a Simplified Joint-Stock Company).

Appointments that expired during the last five years:

- Member of the Supervisory Board and Chair of the Audit Committee of Infovista (a Limited Company).

Ms Maryvonne Michelet, Lawyer (Legal Department) and employee-elected member of the Supervisory Board since February 27th 2008, reappointed for a five-year term on February 11th 2013. Member of La Banque Postale's Audit Committee since February 27th 2013.

Maryvonne Michelet has not held any other terms of office over the past five years.

Ms Françoise Paget Bitsch, Banking supervisor (RTB Méditerranée) and employee-elected member of the Supervisory Board since March 11th 2009, reappointed for a five-year term on February 11th 2013. Member of La Banque Postale's Strategy Committee.

Françoise Paget-Bitsch has not held any other offices over the past five years.

Mr Dung Pham Tran, Member of the Supervisory Board of La Banque Postale from January 18th 2011 to October 3rd 2012.

- Director of Sofipost until 10.01.12.

Dung Pham Tran has not held any other offices over the past five years.

Mr Didier Ribadeau Dumas, Member of the Supervisory Board, who was appointed on February 13th 2006 and renewed for five-year terms on February 27th 2008 and February 27th 2013. Chairman of the Audit Committee, and Chairman of the Strategy and Appointments & Remuneration Committee of La Banque Postale since August 25th 2011.

Current appointments:

Companies outside the La Poste Group

- Managing Partner of Sauvigny (a Limited Property Investment Partnership);
- Director of ABC Asset Management (a Limited Company);
- Director of ABC Arbitrage (a Limited Company) since 06.01.12;
- Director of La Mondiale (a Medical Assistance Company) since 06.01.12.

Appointments that expired during the last five years:

- Managing Partner of DRD Conseil (a Private Limited Company) until 06.30.12;
- Non-voting Director of ABC Arbitrage (a Limited Company) until 06.01.12.

Mr Christophe Van de Walle, member of the Supervisory Board from March 30th 2011 to January 16th 2012. Member of the Strategy Committee from October 5th 2011 to January 16th 2012.

Current appointments:

None.

Appointments that expired during the last five years:

- Director of SF2 (a Limited Company);
- Member of the Supervisory Committee of Vehiposte (a Simplified Joint-Stock Company).

Ms Hélène Wolff, Head of Quality Assurance (Retail Banking Business Department), employee-elected member of the Supervisory Board, appointed on

October 26th 2006 and reappointed for a five-year term on February 11th 2013. Member of the Audit Committee of La Banque Postale until February 27th 2013. Member of La Banque Postale's Strategy Committee since February 27th 2013.

Hélène Wolff has not held any other terms of offices over the past five years.

2.3.3 Remunerations

Remuneration of Supervisory Board members for the 2011 and 2012 financial years

Remuneration for Supervisory Board members comes in the form of annual directors' attendance fee payments.

The total sum allocated for this purpose by the Annual General Meeting of May 23th 2006 is €450,000.

Attendance fees are allocated to all members of the Supervisory Board, except the members representing the employees.

Attendance fees due for the 2011 and 2012 financial years:

The Chairman of the Supervisory Board received €90,000 in attendance fees. The amount allocated to each member of the

Supervisory Board was calculated on a prorata basis of their actual attendance up to €15,000.

In addition, the Chairman of the Audit Committee received €12,000 in recognition of his position, while the Chairmen of the Appointments & Remuneration and Strategy Committees each received €8,000. Finally, the members of the Committees receive €1,500 per meeting that they attend.

Members of the Supervisory Board from the La Poste Group did not receive their attendance fees, which are paid directly to La Poste.

Pursuant to the decree of October 15th 2012 which subjects La Banque Postale to Article 3 of the amended decree dated August 9th 1953, the attendance fees allocated to the members of the Supervisory Board will now be approved by the minister of the economy.

Amount of the attendance fees and other remuneration paid to the members of the Supervisory Board in connection with their appointments at the La Banque Postale Group

Name of the corporate officers	Amounts paid in respect of 2011 (€)	Recipient	Gross amounts paid for 2012 (€)	Recipient
Jean-Paul Bailly				
Attendance fees	90,000	La Poste	90,000	La Poste
Other extraordinary remuneration	0	-	0	
Marc-André Feffer				
Attendance fees	26,000	La Poste	27,500	La Poste
Other extraordinary remuneration	0	-	0	
Didier Brune				
Attendance fees	13,333	La Poste	15,000	La Poste
Other extraordinary remuneration	0	-	0	
Bernard Delpit				
Attendance fees	15,833	La Poste	-	
Other extraordinary remuneration	0	-	-	
Xavier Girre				
Attendance fees	0	-	22,636	La Poste
Other extraordinary remuneration	0	-	0	
Bernard Haurie				
Attendance fees	0	-	2,727	La Poste
Other extraordinary remuneration	0	-	0	

Name of the corporate officers	Amounts paid in respect of 2011 (€)	Recipient	Gross amounts paid for 2012 (€)	Recipient
Georges Lefebvre				
Attendance fees	22,500	La Poste	13,909	La Poste
Other extraordinary remuneration	0	-	0	
Dung Pham Tran				
Attendance fees	11,667	La Poste	6,818	La Poste
Other extraordinary remuneration	0	-	0	
Christophe Van de Walle				
Attendance fees	8,333	La Poste	-	
Other extraordinary remuneration	0	-	-	
G�rard Barbot				
Attendance fees	28,233	The member	-	
Other extraordinary remuneration	0	-	-	
Sylvain de Forges				
Attendance fees	20,667	The member	18,409	The member
Other extraordinary remuneration	0	-	0	
Christiane Marcellier				
Attendance fees	8,000	The member	36,000	The member
Other extraordinary remuneration	0		0	
Didier Ribadeau Dumas				
Attendance fees	49,600	The member	51,500	The member
Other extraordinary remuneration	0	-	0	
Jean-Robert Larang�				
Attendance fees	0	-	0	-
Other extraordinary remuneration	0	-	0	-
Steeve Maigne				
Attendance fees	0	-	0	-
Other extraordinary remuneration	0	-	0	-
Maryvonne Michelet				
Attendance fees	0	-	0	-
Other extraordinary remuneration	0	-	0	-
Fran�oise Paget Bitsch				
Attendance fees	0	-	0	-
Other extraordinary remuneration	0	-	0	-
H�l�ne Wolff				
Attendance fees	0	-	0	-
Other extraordinary remuneration	0	-	0	-
TOTAL	294,166		284,499	

Given that corporate officers are not awarded any equity or debt securities options or performance shares, Tables 4 to 9 defined by the AMF in its recommendation on the remuneration of corporate officers do not apply.

Remuneration of employee representative members on the Supervisory Board.

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

All gross remuneration (including the variable component) paid to employee representatives on the Supervisory Board in respect of their contract of employment amounted to €336,893 in 2012.

Remuneration of Executive Board members for the 2011 and 2012 financial years

Members of the Executive Board received no remuneration from La Banque Postale in addition to what they were paid for their corporate appointments. Likewise, they received no remuneration in respect of their appointments as company officers of subsidiaries of the La Banque Postale Group.

Philippe Wahl received a remuneration amount from La Poste due to the fact that he has an employment contract, which was made necessary by the postal model of La Banque Postale that appointed him Head of the La Poste Financial Services Department (Financial Centres). This remuneration is included in the amounts set out in the following tables, and is broken down in Table 2.

The Supervisory Board meeting on October 3rd 2012 acknowledged the request from the French Government Holdings Agency to set the remuneration of Executive Board members as follows from 1st October 2012:

- overall yearly remuneration for Philippe Wahl: €450,000 (15,000 to be paid by La Poste);
- yearly remuneration for Philippe Bajou: fixed component €315,000 and maximum variable component of €105,000.

Previously, the annual fixed remuneration of Executive Board members for their terms of office was set by the Supervisory Board based on proposals made by the Appointments & Remuneration Committee according to a benchmark analysis of the remuneration paid to Retail Banking Heads in France provided by a panel of credit institutions. It could be increased by a variable annual component (at the suggestion of the Appointments & Remuneration Committee) capped at 90% of Philippe Wahl's fixed annual remuneration and 55% of Philippe Bajou's fixed annual remuneration.

The criteria determining the payment of the variable component to members of the Executive Board for 2012 were based on financial performance with a weighting of 30%, business performance with a weighting of 30% and quality targets with a weighting of 40%.

To determine the variable portion for 2012, it was applied to the decree dated 15 October 2012 subjecting La Banque Postale to Article 3 of the decree dated August 9th 1953 (amended). Therefore, starting October 1st 2012, the Chairman of the Executive board no longer receives variable remuneration and Philippe Bajou's variable remuneration for the period from October 1st to December 31st 2012 was submitted to the French Ministry of the Economy for approval.

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

Standardised tables that comply with the Afep/Medef recommendations and with the AMF recommendation of December 22nd 2008

Table 1: Summary of the gross remuneration, share options and shares awarded to Executive Board members

	2011 financial year (€)	2012 financial year (€)
Philippe Wahl		
Gross remuneration payable for the financial year (see Table 2 for breakdown)	833,217	808,099
Value of share options awarded during the financial year	NA	NA
Value of performance-related shares awarded during the financial year	NA	NA
Total	833,217	808,099
Philippe Bajou		
Gross remuneration payable for the financial year (detailed in Table 2)	459,607	470,597*
Value of share options awarded during the financial year	NA	NA
Value of performance-related shares awarded during the financial year	NA	NA
Total	459,607	470,597
Executive board total	1,292,824	1,278,696

* Subject to approval by the French Ministry of the Economy.

Table 2: Detailed summary of the gross remuneration paid to Executive Board members

	2011 financial year (€)		2012 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
Philippe Wahl				
Fixed remuneration	478,506	478,506	488,433	488,433
• Of which paid by La Banque Postale	463,829	463,829	473,000	473,000
• Of which paid by La Poste	14,677	14,677	15,433	15,433
Variable annual remuneration	352,727	0	314,280 ^(b)	271,636
• Of which paid by La Banque Postale	352,727	0	314,280 ^(b)	271,636
• Of which paid by La Poste	0	0	0	0
Severance payment	0	0	0	0
Attendance fees ^(a)	0	0	0	0
Benefits in kind*	1,984	1,984	5,386	5,386
Total	833,217	480,490	808,099	765,455
Philippe Bajou				
Fixed remuneration	315,000	315,000	315,000	315,000
Variable annual	140,000	146,000	150,990 ^(c)	140,000
Severance payment	0	0	0	0
Attendance fees ^(a)	0	0	0	0
Benefits in kind*	4,607	4,607	4,607	4,607
Total	459,607	465,607	470,597	459,607
Executive Board total	1,292,824	946,097	1,278,696	1,225,062

* Company car.

(a) Members of the Executive Board do not receive attendance fees for the positions they hold at companies in the La Banque Postale Group.

(b) Variable remuneration for the period from January 1st to September 30th 2012.

(c) Subject to approval by the French Ministry of the Economy.

Table 3: Employment contract, additional retirement plan and indemnities for Executive Directors

Corporate Officers	Employment contract		Top-up pension scheme		Severance payments or benefits payable or likely to be payable due to the termination of, or a change in their position		Payments relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Philippe Wahl Chairman of the Executive Board		X		X	X			X
Philippe Bajou Member of the Executive Board until January 9 th 2013		X		X	X			X

Benefits allocated to directors for termination or change of role

Executive Board members are eligible for a severance payment in the event that their appointment is terminated, the current terms of which are detailed in the Chairman's report.

With the exception of the severance pay received by Patrick Werner following his departure on January 18th 2011, no benefits have been granted to officers due to termination or change in their positions during 2011 and 2012.

Supplementary pension arrangements made for the benefit of Executive Board members

As of December 31st 2012, La Banque Postale had made no supplementary pension arrangements for Executive Board members.

Remuneration of Executive Committee members

Total gross remuneration (including the variable component) paid to Executive Committee members (excluding Executive Board members) for their employment contract amounted to €4,804,835 in 2012.

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

Executive Committee members receive the usual end-of-career payments, which are valued at €500,340 total.

Remuneration of market professionals and directors

Pursuant to the Decree of November 3rd 2009 regarding the remuneration of employees whose activities may affect the risk exposure of credit institutions and investment firms, and to the Decree of December 13th 2010 altering various regulatory provisions relating to the control process for the remuneration of employees whose activities may affect the risk exposure of credit institutions and investment firms, as well as to various provisions of a prudential nature, which amend Regulation 97-02 of February 21st 1997 on internal control procedures, the Appointments & Remuneration Committee prepared the agenda for the Supervisory Board meeting, which issued an opinion on the remuneration policy for market professionals suggested by the Executive Board, despite the fact that La Banque Postale has no corporate finance or investment banking activities.

The Board therefore issued a positive opinion on La Banque Postale's remuneration policy, which has established a global framework for the variable remuneration of the Bank's directors and salaried market employees, so as not to jeopardise its ability to generate equity capital and to 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 remuneration cannot exceed 30% of fixed remuneration;

- the total amount of variable remuneration must not exceed 5% of the Bank's consolidated gross operating profit.

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

- that the variable remuneration paid to the executive body in respect of any financial year cannot exceed 100% of their fixed remuneration or €150,000; and that any remuneration above that limit should be spread over three years;
- that the variable remuneration paid to market professionals in respect of any financial year cannot exceed 50% of their fixed remuneration or €100,000; and that any remuneration above that limit should be spread over three years;
- that beyond these thresholds, 60% of the variable component will be paid in the year after the year in respect of which the variable component was awarded, and that the remaining 40% will be deferred over the three years that follow the year in which the 60% amount was paid;
- that of the 60% paid in the year following that in respect of which the variable component was awarded, 50% will be paid following the Supervisory Board meeting that awards the variable component, and 10% will be paid at the end of June;
- that the payment of the deferred remuneration component likely to be paid shall be reassessed depending on the increase in La Banque Postale's equity capital between the year to which the variable remuneration related and the date when this remuneration is paid, after deducting capital increases subscribed by third parties and excluding potential changes in the dividend distribution ratio;
- that the deferred remuneration likely to be paid in line with the increase in La Banque Postale's equity between the financial year to which the variable component relates and the date of liquidation of said payment minus capital increases subscribed by third parties, and disregarding any potential changes in the dividend distribution rate.

In the event that La Banque Postale awards a variable remuneration component that is above 50% of the fixed component for market professionals, or above 150% of the fixed component for the executive body, it would introduce instruments that enable it to align this remuneration with the creation of long-term value, in a proportion that it would be appropriate to determine at that time, after seeking the advice of the Appointments & Remuneration Committee.

If La Banque Postale were to report a loss in the financial years during which a deferred remuneration was to be paid, these amounts would be substantially reduced, in accordance with procedures that would be presented to the Appointments & Remuneration Committee for formal approval by the Supervisory Board.

Lastly, the employment contracts for individuals whose professional activities have a significant impact on La Banque Postale's risk profile may not include any variable remuneration component that is guaranteed beyond one year.

The Supervisory Board meeting of February 27th 2013 approved these principles.

2.3.4 Internal Executive Board Committees

The Executive Board has set up a system that consists of 10 steering committees, including the Operating Committee, the Executive Committee, and the Management Committee.

Minutes are systematically drawn up after each meeting by the Company Secretary, and are submitted to the Committee Chairman for approval.

- **The Operational Committee (Comop)**, chaired by Philippe Wahl and has 8 members: Philippe Bajou (Director of La Poste Retail Brand), Yves Brassart (Member of the Executive Board, Head of Finance and Strategy), Marc Batave (Executive Board Member, Secretary General) Catherine Charrier-Leflaive (Head of Human Resources), Anne-Laure Bourn (Head of Operations), Didier Moaté (Head of Retail Banking) and Daniel Roy (Head of High Net-Worth Banking and Asset Management). The Comop meets once a week. It is **La Banque Postale's policy body** and supports the Executive Board **especially in terms of business action**.

- **The Executive Committee (Comex)**: it assists the Comop in defining La Banque Postale Group's strategic orientations and in making major decisions. It is responsible for implementing and monitoring the strategic plan. It is also a forum for discussion and communication, in order to draw up, investigate and convey the Bank's decisions. The Comex meets twice a month, once on a restricted basis and once as a Management Committee.

The composition of the Comex is currently as follows:

- Philippe Wahl, Chairman of the Executive Board;
- Philippe Bajou, Director of La Poste Retail Brand;
- Marc Batave, Secretary General, member of the Executive Board;
- Yves Brassart, Head of Finance and Strategy, member of the Executive Board;
- Serge Bayard, Head of Social and Local Economy, Director of Business and Professional Activities;
- Anne-Laure Bourn, Head of Operations;
- Catherine Charrier-Leflaive, Head of Human Resources;
- Chantal Lory, Chair of LBPAM;
- François Géronde, Chief Risk Officer;
- Sylvie Lefoll, Head of Communications and Sponsorship;
- Marc Lévy, Head of Compliance;
- Florence Lustman, Internal Auditor;
- Stéphane Magnan, Head of Financial Operations;
- Didier Moaté, Head of Retail Banking;
- Patrick Renouvin, Head of Information Systems;
- Dominique Rouquayrol de Boisse, Head of Legal Affairs;
- Daniel Roy, Head of the Wealth Management Business and Asset Management;
- Danielle Wajsbrot, Head of the Insurance Unit.

- **The Management Committee (Codir)** 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 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. The Committee currently consists of all the members of the Executive Committee, plus the Bank's six Regional Representatives (Jean-Paul Barré, Danièle Faivre, Gilbert Doré, Olivier Solère, André Taboni and Catherine Garnier-Amouroux).

- **The Risk Committee** is involved in defining the credit and counterparty policies, and the rules for taking risk. It reviews risk and approves the Group's major undertakings. It monitors the La Banque Postale Group's market, credit and operational risk, and approves the risk control system (risk arms, and specialist committees). The Committee meets once a month.

- **The Compliance and Business Ethics Committee** ensures that the actions taken in respect of legal and regulatory provisions specific to banking and finance are consistent 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 met four times in 2012.

- **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. These assignments extend to the La Banque Postale corporate entity, as well as to its subsidiaries. The Committee meets once a month.

- **The Strategic Information Systems Committee** defines the investment policy in line with the Bank's strategic plan. It organises and approves the work of the business lines on strategic priorities and authorises the multi-year plan over three rolling years, as well as infrastructure work and choices in terms of new technology over five rolling years. It is also responsible for reviewing the main partners, tactical projects and maintenance portfolios. Finally, it engages the various results of strategic projects and arbitrates new strategic projects outside the delegation of the area committees.

- **The Marketing and Sales Committee** approves the marketing mix implemented in markets identified as priorities for increasing NBI on sales in La Banque Postale's retail banking business, and in the La Banque Postale Group's insurance and asset management businesses. 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. It meets three times a year and once a year it becomes a “Group quality committee” in which some subsidiaries are invited to participate.

- **The Sustainable Development Committee** 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 various business lines. The Committee meets once every six months.

Activities and results of La Banque Postale Group

3.1. Business environment and highlight	62
3.1.1. Economic and financial environment	62
3.1.2. Highlights	63
3.2. Activities and consolidated results of La Banque Postale	64
3.3. Activities and results by business line	65
3.3.1. Retail banking	65
3.3.2. Asset Management	68
3.3.3. Insurance	69
3.4. Analysis of the consolidated Balance sheet	69
3.5. Other accounting information	70
3.5.1. French Economic Modernisation Act (LME) information – suppliers' terms of payment	70
3.5.2. Amount of non-tax deductible expenses	70
3.5.3. Research and development, patents and licenses	70
3.6. Post-balance sheet events	71
3.7. Recent changes and outlook for 2013	71
3.8. Information on the Statutory Auditors	72

3.1. Business environment and highlights

3.1.1. Economic and financial environment

A difficult year for the economy, but ending on a more positive note

Double-dip recession in the euro zone

In 2012, the euro zone slid back into recession due to austerity measures, the ongoing negative effects of the imbalances accumulated before the crisis (such as the Spanish property bubble) and the flaring up of the debt crisis in the spring. Worries of a possible collapse of the euro came back in force, driving up interest rates in the European countries facing profound mistrust (Spain, Italy, Portugal, etc.). The GDP thus dropped 0.4%, pushing up the unemployment rate to 11.7% in December.

Euro zone responses to the threat of its breakup

To preserve the integrity of the euro zone, its governance bodies took more decisive measures in 2012, in particular:

- the ECB's commitment, at the end of July, to safeguard the stability of the euro area as a whole, fulfilled in September with the announcement of a new programme to buy back the bonds of countries under market scrutiny;
- the European Council's reinforcement of the economic governance of the euro zone at the end of June, as well as increased financial solidarity: set-up of the European Stability Mechanism; agreement to recapitalise part of the Spanish banks via European loans; launch of a banking union project.

After a very tense spring, the financial markets appeased at the end of the year

The progress made in the euro zone and the reassuring signs of the resilience of economic activities in the US and China calmed the financial turmoil which prevailed in the spring. The equity markets thus rebounded in the second half of the year, particularly in Europe. With this rebound, the EuroStoxx 50 gained 14% over the year (CAC 40 up over 15%). On the bond markets, bond yields in the most troubled European countries gradually recovered, especially for short maturities.

Very low interest rates

In 2012, the very low market interest rates (except for the sovereign debts of countries shunned by investors) were a major factor which underpinned the Bank's activities and results.

At the beginning of July 2012, interbank rates fell due to the two exceptional 3-year loans granted to the banks at the end of 2011 and beginning of 2012 and the abundance of liquidity injected by the ECB to shore up the banking system. Consequently, the EONIA fell to less than 0.1% in December, while the 3-month Euribor was slightly below 0.2%. In terms of annual average, the first lost about 65 basis points while the second lost 80. The high spreads penalising the countries deemed the least creditworthy (Greece, Spain, Italy, etc.) contrasted with the very low bond yields in countries deemed the safest – the Bund of course, but also the French OAT which fell to 2% in December 2012 (annual average of 2.5%) versus 3.1% the previous year.

The very low level of these market rates resulted in a significant drop in interest rates on loans and savings, with the notable exception of regulated interest rate products (Livret A savings account, Livret de Développement Durable savings account (LDD), national savings account (LEP), home savings account (CEL) and home savings plan (PEL). Indeed, the rule for setting the Livret A interest rate, which takes account of inflation, maintained it at a relatively high level (2.25% in 2012). The same applies to the PEL, due to a floor rate set at 2.5% excluding the government bonus.

The savings and consumer credit markets in France

In 2012, savings inflows from French residents diminished despite the fact that the savings rate remained high. Indeed, the flow of financial investments stemming from the proceeds of second-hand housing sales dropped sharply last year due to the fall in the number of transactions and thus that of new home loans.

In 2012, new home loans fell by 25%, due to the significant drop in the number of transactions and the expected fall in resale property prices, despite historically low interest rates. Moreover, with household expenditure stagnating, the annual volume of consumer credit business remained close to the lowest level recorded over recent years.

3.1.2. Highlights

Launch of the financing offer aimed at the local public sector

Authorized on May 25th 2012 by the French Prudential Control Authority to provide financing to the local public sector, La Banque Postale has been offering short-term loans to local authorities since June 2012. Since November 2012, it also offers them medium/long-term loans at fixed or variable rates for terms of up to 15 years.

To refinance eligible medium/long-term loans, La Banque Postale will be backed by Société de financement local (SFIL), set up on January 23rd 2013. Since January 31st 2013, it is jointly held by the French state (75%), the Caisse des dépôts (20%) and La Banque Postale (5%).

Pending the launch of SFIL, the initial offers are fully borne by La Banque Postale.

Expansion of the corporate financing offer

The range of products offered to corporate customers has been expanded, with the launch of offers covering finance leasing and leasing transactions with purchase options. Property leasing loans have been available since July 2012.

Launch of new health insurance and general insurance offers

The successful launch of health insurance products across La Banque Postale's network resulted in the sale of nearly 42,000 policies during the first year of marketing, with a significant increase since September.

The general insurance range also expanded in 2012, with the integration of new products such as school insurance. With 440,000 policies sold in 2012, La Banque Postale IARD now has over 520,000 policies in its portfolio.

Expansion of the wealth management offer

In order to build up its wealth management business and expand the range of products offered to customers, La Banque Postale entered into exclusive negotiations with Crédit Mutuel Arkéa in October 2012, with a view to acquiring all of the share capital of Banque privée européenne (BPE).

La Banque Postale's commitments to vulnerable customers

In 2012, La Banque Postale reasserted its commitment to vulnerable customers by setting up numerous initiatives with non-profit organisations working in this field. As an example:

- in March 2012, La Banque Postale and the "Missions locales" network set up budget management workshops aimed at young people in difficult financial situations. These workshops were led by young people on civic service contracts, trained by La Banque Postale;
- since June 2012, La Banque Postale has been offering professional microcredit in partnership with ADIE;
- in October 2012, La Banque Postale, along with eight non-profit organisations focused on combating banking exclusion, set up a think-tank called "The initiative against banking exclusion".

Changes in regulations concerning interchange fees

In accordance with the French competition authority's decision of July 5th 2012, the main interchange fees are gradually being phased out by French banks.

Interchange fees (direct debit, remote payment, interbank payment order, and transfer from foreign bank) were halved on September 1st 2012 and will be fully phased out by September 1st 2013.

3.2. Activities and consolidated results of La Banque Postale

Consolidated profit (€ million)	2012	2011	%	Carrying amount
Net banking income	5,241	5,231	+0.2%	+10
<i>Net banking income excluding non-recurring items⁽¹⁾</i>	<i>5,345</i>	<i>5,214</i>	<i>+2.5%</i>	<i>+131</i>
Management fees	4,486	4,522	-0.8%	-36
Gross operating income	755	708	+6.6%	+47
<i>Gross operating income excluding non-recurring items⁽¹⁾</i>	<i>859</i>	<i>692</i>	<i>+24.2%</i>	<i>+167</i>
Cost of risk	152	318	-52.2%	-166
Operating income	603	390	+54.6%	+213
<i>Operating income excluding non-recurring items⁽²⁾</i>	<i>724</i>	<i>615</i>	<i>+17.8%</i>	<i>+109</i>
Share in profit of equity associates	176	160	+10.0%	+16
Net income, Group share	574	412	+39.3%	+162

La Banque Postale's 2012 results confirm its commercial momentum in a difficult market, the progressive improvement of its operational efficiency and its growing role in the financing of the French economy.

Net income, Group share rose sharply in 2012, up 39.3% to €574 million, while the cost to income ratio improved by 80 basis points to 85.8%.

La Banque Postale's net banking income (NBI) stands at €5,241 million, up slightly (+10 million) on 2011. Excluding non-recurring items⁽¹⁾, NBI rose €131 million, i.e. 2.5% compared to 2011.

Net banking income increased despite a volatile market and historically low interest rates, thereby confirming the resilience of La Banque Postale's model, centred on retail banking.

Net banking income (€ million)	2012	2011	Change
Retail banking	5,015	5,021	-0.1%
<i>Excluding non-recurring items⁽¹⁾</i>	<i>5,119</i>	<i>5,004</i>	<i>+2.3%</i>
Asset management	120	120	-
Insurance	107	90	+19.1%
Total	5,241	5,231	+0.2%
<i>Excluding non-recurring items⁽¹⁾</i>			<i>+2.5%</i>

Concerning bank savings, La Banque Postale's ordinary savings deposits recorded significant growth (6.7%) to €84.2 billion, boosted by inflows in the Livret A and LDD accounts following the raising of their ceilings on 1st October 2012.

Despite the downturn in the credit market, La Banque Postale reasserted its growing commitment to provide financing for private, corporate and institutional customers, with an overall increase of 9.7% in total loans outstanding between the end of 2011 and the end of 2012, to €49.3 billion.

The insurance sector performed well, with net banking income⁽³⁾ up 19.1% to €107 million, boosted by the launch of new activities (IARD, Health insurance).

The Asset Management business held up well, with net banking income remaining stable at €120 million despite unfavourable market conditions.

The Group's management expenses dropped €36 million to €4,486 million, down 0.8% over one year.

The additional expenses generated by the cost of launching and developing new activities (local authorities, etc.) were offset by cost-cutting plans.

Gross operating income stands at €755 million, up 24.2% excluding non-recurring items⁽⁴⁾.

(1) Non-recurring items: change in home savings provision and EIC fine. The €385 million fine imposed by the Competition Authority for collusion to fix bank charges on cheque image exchanges involving 11 banks in 2010 was overturned by a Court of appeal ruling in February 2012. The share of the fine refunded to La Banque Postale amounts to €33 million and was booked under net banking income. The french competition authority has appealed to the French Supreme Court.

(2) Non-recurring items and Greece.

(3) Excluding CNP.

(4) EIC fine and home savings provision.

The cost of risk dropped €166 million compared to 2011, which had been marked by an expense of €241 million relating to Greek exposure, versus €17 million in 2012. The cost of current risk increased €58 million due to the booking of additional provisions on risks relating to overdrawn accounts, and to the moderate increase in consumer credit business.

Operating income rose sharply to €603 million. Excluding non-recurring items⁽⁵⁾, it increased 17.8%.

The equity-accounted share of CNP profits was up €16 million to €176 million.

Net income, Group share rose 39.3% in comparison with 2011, standing at €574 million after tax of €218 million.

Financial Structure

La Banque Postale's development rests on a solid balance sheet and a high solvency ratio: at December 31st 2012, La Banque Postale's *Core Tier 1* ratio (Basel 2.5) stood at 12.1%.

Thanks to the sharp increase in its *Tier 1* equity (up 42% in three years) and the low-risk profile of its assets, La Banque Postale expects to comply with the fully loaded Basel 3 *Common Equity Tier 1* ratio, which is above 9.5%⁽⁶⁾.

The loan to deposit ratio remains favourable, up slightly to 59%.

Between 2011 and 2012, direct exposure to PIIGS dropped sharply to €4,151 million, down 25.7%. There is no longer any exposure to the Greek sovereign debt in the statement of financial position.

3.3. Activities and results by business line

3.3.1. Retail banking

Commercial results

Refocus on savings products

Customer Deposits and Savings*

Closing amounts (€ billion)	2012	2011	%
Demand deposits and Savings accounts	157.5	153.2	+2.8%
<i>Of which Livret A/LDD savings accounts</i>	<i>68.2</i>	<i>61.6</i>	<i>+10.7%</i>
Financial savings	131.1	128.1	+2.3%
Life insurance ⁽⁷⁾	116.5	112.6	+3.5%
OPCVM ⁽⁸⁾	14.5	15.5	-6.3%

* Nominal book value (excl. life insurance and UCITS).

In keeping with the French market, the performance of the various savings categories varied significantly. Net inflows of cash and near-cash savings (savings accounts, term accounts and money-market UCITS) reached record highs to the detriment of life insurance and non-money market UCITS, which suffered from savers' aversion to risk and relatively low yields.

Against that backdrop, La Banque Postale recorded a sharp rise in savings accounts deposits. The raising of regulatory ceilings on

the Livret A and LDD savings accounts boosted inflows to record highs (€3.5 billion for the Livret A and €1.7 billion for the LDD).

With €651 million, La Banque Postale is one of the few players to post a net positive inflow on life insurance products, in a market which lost more than €3.4 billion as at the end of December 2012. La Banque Postale's volumes increased 3.5% to €116.5 billion for a portfolio of 4.8 million policies.

(5) EIC fine, home savings provision and Greece.

(6) Following the implementation of Basel 3 in France as anticipated by La Banque Postale.

As the CRD 4 Directive has not yet been approved by the European Parliament, its provisions are still open to interpretation.

(7) incl. Excelis policies.

(8) Retail banking.

Increased credit activity despite the market slowdown

Credit and loans

Closing amounts* (€ billion)	2012	2011	%
Home loans ⁽⁹⁾	45.0	41.8	+7.8%
Consumer credit business	2.6	1.9	+38.1%
Loans to companies and non-profit organisations	0.7	0.1	n/a
Local public sector	0.1	n/a	n/a
Other**	0.8	1.1	-30.1%
Total credit and loans	49.3	44.9	+9.7%

* Nominal book amount.

** Overdrawn demand accounts and credit card deferred.

At December 31st 2012, the overall outstanding credit totalled €49.3 billion⁽⁸⁾.

With €6.9 billion in released home loans, La Banque Postale's outstanding loans increased 7.8% at the end of 2012 to €45 billion despite a drop in output in 2012 (down 25.9%), as La Banque Postale suffered from a drop in demand, in keeping with market trends.

The development of consumer credit business resulted in a 38.1% rise in volumes in the space of one year, with outstandings of €2.6 billion at the end of 2012.

Outstanding loans to companies and non-profit organisations totalled €0.7 billion.

Concerning the local public sector, out of the €1.9 billion granted in loans (short and medium term) €112 million was drawn down.

The customer subscription rate increased with:

- over 7 million payment cards at the end of 2012;
- 5.9 million customers with multi-service packs comprising a current account, means of payment (bank card and cheque book), insurance covering the loss or theft of the means of payment and increasingly versatile multimedia access.

Financial results

In 2012, the income generated by the Group's retail banking business remained its main growth engine, accounting for 57% of the net income, Group share.

Retail banking (€ million)	2012	2011	%	Carrying amount
Net banking income	5,015	5,021	-0.1%	-6
Excluding non-recurring items ⁽¹⁰⁾	5,119	5,004	+2.3%	+115
Management fees	4,361	4,401	-0.9%	-40
Gross operating income	653	619	+5.5%	+34
Excluding non-recurring items ⁽⁹⁾	758	603	+25.8%	+155
Cost of risk	148	313	-52.7%	-165
Operating income	505	306	+64.9%	+199
Excluding non-recurring items ⁽¹¹⁾	627	527	+19.0%	+100
Net income, Group share	326	201	+62.2%	+125

Net banking income remained practically stable at €5,015 million. Excluding non-recurring items⁽¹⁰⁾, it increased 2.3%.

(9) Including La Banque Postale's interest-free loans previously managed by Crédit Foncier, taken over by La Banque Postale at the end of 2012, amounting to €876 million.

(10) EIC fine and home savings provision.

(11) EIC fine, home savings provision and Greece.

Breakdown of the NBI's retail banking (€ million)	2012	2011	%	Change
Commissions	1,881	1,886	-0.3%	-5
Net interest margin	3,193	3,201	-0.3%	-8
Net interest margin (excl. PEL)	3,331	3,184	+4.6%	+146
Other banking operating income and expenses	(60)	(67)	-10.1%	+7
Net Banking Income	5,015	5,021	-0.1%	-6

Net interest margin

The net interest margin stands at €3,193 million, down slightly (€8 million) on 2011.

A significant provision (€137 million⁽¹²⁾) was booked for the home savings scheme due to the drop in long-term interest rates. Excluding the effect of the change in the home savings provision, the net interest margin increased €146 million (4.6%). This growth was mainly attributable to the rise in credit volumes and firm margins, as well as the rise in cash management returns.

However, the net interest margin was penalised by the impacts of the drop in the average commission rate on the Livret A (down €57 million), which absorbed the net banking income stemming from the rise in volumes (up €38 million). Indeed, the average commission rate dropped from an overall rate of 0.7025% (since May 2011) to 0.6525% on January 1st 2012.

Moreover, the access-to-banking commission dropped €10 million to €250 million, in accordance with the legal provisions adopted in 2009, when the distribution of Livret A savings accounts was generalised.

Commissions

The net banking income generated by commission-bearing transactions dropped €5 million in 2012 to €1,881 million,

against the backdrop of a change in the financial equilibrium of interchange fees (interchange fees on bank cards, direct debits, interbank payment orders, and centralised savings fees). Fees on banking services dropped slightly (down €6 million) mainly because of the full-year impact of the drop in payment interchange fees applied since October 1st 2011. However, this impact was offset by the increase in the number of active customers (up 220,000) and the improvement of the product coverage rate, generating an increase in fees collected for account management and means of payment.

Despite the drop in yields in euro-denominated life insurance products (2.90 on average) in 2012 and high inflows of centralised savings (€49 billion across France for Livret A and LDD accounts), La Banque Postale continued to achieve positive performance in life insurance (up €651 million) and contingency insurance, resulting in a €27 million increase in fees.

Fees on securities and UCITS dropped €29 million due to the drop in volumes and values.

Other banking operating income and expenses

Other income and expenses improved €7 million to -€60 million, including €33 million relating to the refund of the EIC fine.

Management fees

(€ million)	2012	2011	Change
Salary and employee benefits expense	271	247	+9.7%
LBP/LP agreements	3,138	3,226	-2.7%
Other operating expenses	574	566	+1.4%
Depreciation, amortisation and impairment charges	378	362	+4.4%
Total	4,361	4,401	-0.9%

At €4,361 million, management fees dropped 0.9%, reflecting the strong cost-cutting measures initiated by La Banque Postale in 2012, despite the investments allocated to the development of new activities.

The employee benefits expense increased, mainly due to recruitment for the setting up of new activities (notably financing offers aimed at companies, non-profit organisations and local authorities).

Expenses linked to the agreements between La Banque Postale and La Poste dropped. They mainly consisted of the following:

- re-invoiced expenses under the "counter agreement" (€1,027 million), down €100 million compared with 2011. The optimisation of counter processes has helped to reduce the time taken for banking operations at post office counters;
- La Banque Postale's postale costs, which continued to drop (down €14 million in 2012) through the rationalised postage of account statements;
- expenses relating to bank advisors (up slightly by €5 million despite a drop in the total headcount);

(12) Versus a provision reversal of €17 million in 2011.

- expenses relating to personnel of the financial centers, IT Department and marketing line (up slightly by €4 million compared with 2011).

Depreciation, amortisation and impairment expenses increased €16 million due to the increase in the Bank's IT expenditure for its activities.

Gross operating income

The good operational performance of the retail banking business generated gross operating income of €653 million, up 5.5%. Excluding non-recurring items, the home savings provision and the EIC fine, gross operating income increased 25.8%.

Cost of risk

The cost of risk relating to retail banking amounted to €148 million, down €165 million on 2011, due to two countervailing effects:

- the sharp drop in the cost of risk relating to Greek exposures, 71.9% of which were covered by provisions booked in 2011

(€237 million) versus a residual cost of €17 million in 2012. Greek bonds were swapped on March 9th 2012, in keeping with the support plan laid down by the Eurogroup in February 2012. During the year, disposals took place before the the remaining Greek bonds were swapped for EFSF securities in December 2012. Following those transactions at the end of 2012, La Banque Postale is no longer exposed to the Greek sovereign debt;

- the rise in the cost of current risk (up €56 million) mainly due to the increase in overdrawn demand deposit accounts and consumer credit.

Operating income and net income

The operating income of the retail banking business stands at €505 million, up €199 million. Excluding non-recurring items⁽¹³⁾, operating income increased 19.0%.

After corporation tax and non-controlling interests, net income, Group share stands at €326 million, up €125 million compared with 2011.

3.3.2. Asset Management

(€ million)	2012	2011	%	Carrying amount
Net banking income	119.9	120.2	-0.3%	-0.3
Management fees	67.8	67.7	+0.2%	+0.1
Operating income	52.1	52.5	-0.8%	-0.4
Net income, Group share	29.8	31.2	-4.5%	-1.4

The unfavourable market environment penalised the division's activities, despite the rebound in equity markets in the second half of 2012. Business was affected by:

- very low money-market rates;
- customers shying away from equity investments;
- the sovereign debt crisis.

As costs remained contained in this depressed environment, the results of asset management activities held up well.

LBPAM's net inflow amounted to €3.5 billion in 2012, up €2.75 billion compared with 2011. This performance, combined with an increase in net asset value, generated a €13 billion increase in assets held, to €137.5 billion, mainly for bond UCITS (up €9.5 billion) and money-market UCITS (up €3.4 billion).

LBPAGP's assets under management rose €373 million to €1.6 billion, thanks to an increase in managed asset inflows and the Excelis product.

In 2012, Tocqueville Finance suffered from the effects of a difficult environment, with assets falling 14% to €1,088 million.

La Banque Postale is now the No. 7 asset management company and the No. 5 banking network for UCITS⁽¹⁴⁾.

Management fees in this sector have remained under control and practically unchanged from 2011, at €68 million. The Asset Management subsidiaries' operating ratio remained stable at 54.7%.

Profit for the period attributable to the owners of the parent for this division dropped slightly to nearly €30 million.

(13) Home savings provision, EIC fine and cost of Greek risk.

(14) Source: Europerformance, UCITS marketed under French law only.

3.3.3. Insurance

(€ million)	2012	2011	%	Carrying amount
Net banking income	106.6	89.5	+19.1%	+17.1
Management fees	57.1	53.4	+6.9%	+3.7
Gross operating income	49.5	36.1	+37.1%	+13.4
Share in profit of equity associates	176	160	+10.0%	+16
Net income, Group share	218.5	179.9	+21.5%	+38.6

The insurance business performed well in 2012. The development of health insurance and general insurance activities is continuing, while the contingency sector is developing.

Net banking income increased €17 million thanks to the good performance of the general insurance offer of LBP IARD, whose net banking income increased by nearly €14 million. At the end of the year, the portfolio reached 520,000 policies.

The revenue of La Banque Postale Prévoyance increased 5.4% to €435 million, thanks to the good performance of individual contingency insurance and loan insurance.

The successful launch of the new range of health insurance products managed by La Banque Postale Assurance Santé resulted in the sale of 42,000 policies in 2012, the first year of operation.

Net banking income of La Banque Postale Conseil en Assurance stands at €46 million, boosted by the success of means-of-payment insurance, as well as new activities and new customer groups: liability insurance for non-profit organisations and offers aimed at businesses and other legal entities.

The insurance division's management fees rose slightly to €57 million (up 6.9%), due to the rise in the activities of the newly set-up companies (LBP Assurance Santé and LBP IARD). La Banque Postale IARD thus gained 50 employees in 2012.

The division's gross operating income increased sharply (37.1%) to €49.5 million, while the operating ratio improved by 6 points to 53.6%, confirming the insurance division's good operating performance.

The equity-accounted share of the profit of CNP Assurances amounted to €176 million, up €16 million on 2011.

Including the equity-accounted share of CNP Assurances, the total contribution of the La Banque Postale Group insurance segment to the Group's net income amounted to €218.5 million, up nearly €39 million (21.5%).

3.4. Analysis of the consolidated Balance sheet

The balance sheet increased €10 billion in 2012 (up 5.4%) to €196 billion. This increase was mainly due to:

- the increase in credit and loans:
Customer receivables and loans increased sharply (up €5 billion), mainly due to the increase in home loan outstandings (up €3.2 billion), and to a lesser extent, to consumer credit and loans to businesses and other legal entities. Moreover, home loan outstandings include LBP's interest-free loans (amounting to €876 million) previously managed by Crédit Foncier de France, and taken over by La Banque Postale at the end of 2012;
- high inflows of centralised savings:
Liabilities to customers increased by more than €4 billion, including a €6.6 billion increase for the Livret A and LDD savings accounts. This rise is matched by an equivalent rise in loans and receivables to credit institutions, in respect of the full transfer of the funds collected to the CDC;

- the rise in liabilities to credit institutions is mainly due to the increase in repurchases (up €4.6 billion) and confirms the dynamic management of liquidities, boosted by the good quality of assets held by La Banque Postale;
- disparate performance of investment portfolios:
 - rise in AFS and HTM medium/long-term portfolios (up €2.2 billion). The investments made in 2012 targeted bonds issued by European countries (France in particular) as part of the portfolio of securities held to maturity,
 - drop in the portfolio of financial assets measured at fair value through profit and loss (down €4.1 billion) due to a drop in the level of very short-term bonds acquired for cash management purposes.

La Banque Postale's direct exposure to PIIGS dropped sharply (down 25.7%) to €4,151 million.

Net direct exposure to PIIGS sovereign risks (€ million)	12.31.2012	12.31.2011
Italy	1,825	2,783
Portugal	1,156	1,162
Spain	1,169	1,600
Greece	0	45
Ireland	1	1
Total	4,151	5,591

There is no longer any exposure to the Greek sovereign debt in the balance sheet.

3.5. Other accounting information

3.5.1. French Economic Modernisation Act (LME) information – suppliers' terms of payment

At December 31st 2012, trade payables booked in the separate financial statements of La Banque Postale amounted to over

€57 million, of which over €43 million was payable within one month or less.

(€ '000s)	Reminder of the closing balance	Up to 1 month	More than 1 month, up to 2 months	Over 2 months
2010	63,880	49,566	14,266	48
2011	68,236	54,427	13,809	0
2012	57,433	43,168	14,265	0

3.5.2. Amount of non-tax deductible expenses

The amount of non-tax deductible expenses, as listed in Article 39-4 of the French General Tax Code, was not material.

3.5.3. Research and development, patents and licenses

Research and development expenditure was not material.

3.6. Post-balance sheet events

None.

3.7. Recent changes and outlook for 2013

In 2013, financial tensions should continue to ease in the euro zone, thanks to a more favourable global economic environment. The euro zone's economic activity should gradually recover.

This more favourable European environment should enable France to see progressive recovery in 2013, despite the tightening of fiscal policy.

Against this backdrop, La Banque Postale will push ahead with the development of its new credit activities (*aimed at local authorities and other legal entities*) in 2013. It will continue to give priority to helping vulnerable and moderate-income customers by offering them appropriate and innovative solutions. The marketing of offers and services aimed at young people and seniors will also be a main focus of development in 2013.

Moreover, 2013 will see the ramp-up of Local public sector financing. La Banque Postale and la Caisse des dépôts created on March 27th 2013 a joint venture which will assure services offers relative to the marketing of the credits granted by La Banque Postale to local authorities and to hospitals, credits having authority to be re-financed by la Société de Financement locale (SFIL). This subsidiary, named "La Banque Postale Collectivités Locales" 65% held by La Banque Postale and 35% held by la Caisse des dépôts will have intermediary's status in bank transaction and will accommodate the telephone platform reception and the service department of studies. The creation of this subsidiary marks the end of the implementation of the public plan of financing the local public sector. On the longer term, La Banque Postale will extend its range of financing services to all local public sector players (semi-public companies, local public companies and public health establishments) and will offer debt and service management solutions, thereby truly fulfilling its role as the "Bank for all local communities".

For LBP, another major strategic focus will be the development of its high-net-worth customer base. This will involve the acquisition of BPE and identifying a dedicated private banking division.

With its 500,000 high-net-worth customers, La Banque Postale will then have a dedicated network and a comprehensive platform of products, resources, tools and know-how to pursue and step up its development in this strategic customer segment in terms of revenue generation.

In 2013, true to its postal values of providing local services to the largest number of people, La Banque Postale widened its home ownership scheme to moderate-income households, in order to give those customers further support.

Concerning vulnerable customers, La Banque Postale will step up the development of the ABRI project (focused on providing banking support and searching for intermediaries), which is one of the priorities of La Banque Postale's strategic plan, aimed at preventing or improving banking and financial difficulties.

The project's three goals are the following:

- assisting customers with banking and budget management;
- putting customers in contact with social services or organisations to enable them to assert their rights or obtain special rates;
- providing access to offers suited to the needs of customers in difficult financial situations.

After a test phase, an intermediation and guidance platform, dedicated to La Banque Postale's customers, will be launched for that purpose in the second quarter 2013. It will enable the Bank to build models of vulnerable customer "*pathways*", in order to better satisfy their needs, within a clear ethical framework shared with La Banque Postale's partners.

In 2013, "*L'initiative contre l'exclusion bancaire*" – a think-tank bringing together La Banque Postale and eight non-profit organizations⁽¹⁵⁾ focused on combating banking exclusion – will continue the work initiated in 2012 to discuss and co-design products and services with the various partners of La Banque Postale.

These initiatives fully fit into La Banque Postale's strategic project for 2011-2015, *i.e.* "Putting the customer first: making the difference".

(15) This think-tank currently brings together Adie, Crésus, the French Red Cross, La Banque Postale, Les Restos du Cœur, Le Secours Catholique, Le Secours Populaire and UNCCAS.

3.8. Information on the Statutory Auditors

Statutory Auditors of La Banque Postale	Start date of first assignment	End date of the assignment
PricewaterhouseCoopers Audit <i>(member of the Versailles regional association of statutory auditors)</i> 63, rue de Villiers 92200 Neuilly-sur-Seine Represented by Catherine Pariset for the 2010 financial year, and by Agnès Hussherr from 2011 onwards Alternate auditor: Etienne Boris	April 28 th 2004	The General meeting of shareholders called in 2016 to approve the financial statements for the year ending December 31 st 2015
KPMG Audit <i>(member of the Versailles regional association of statutory auditors)</i> Immeuble KPMG 1, cours Valmy 92923 Paris – La Défense Cedex Represented par Isabelle Goalec Alternate auditor: Pascal Brouard	May 27 th 2010	The General meeting of shareholder's called in 2016 to approve the financial statements for the year ending December 31 st 2015

Furthermore, as regards the audit of the previous accounts:

2011 financial year

2010 financial year

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine

Represented by Agnès Hussherr

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine

Represented by Gérard Hautefeuille and Agnès Hussherr

KPMG Audit

Immeuble KPMG
1, cours Valmy
92923 Paris – La Défense Cedex

Represented by Isabelle Goalec

KPMG Audit

Immeuble KPMG
1, cours Valmy
92923 Paris – La Défense Cedex

Represented by Isabelle Goalec

Mazars

Tour Exaltis
61, rue Henri-Régnauld
92175 Paris – La Défense

Represented by Guy Isimat-Mirin and Pierre Masiéri

Mazars

Tour Exaltis
61, rue Henri-Régnauld
92175 Paris – La Défense

Represented by Guy Isimat-Mirin and Pierre Masiéri

Risk management

4.1. General procedures	74
4.1.1. Combating non-compliance risk	74
4.1.2. Business Ethics	75
4.1.3. Combating money laundering and illegal activities	76
4.2. Financial management risk	77
4.2.1. Risk management policy [Audited]	77
4.2.2. General organisation of the Group Risk Management [Audited]	77
4.2.3. Structural risk factors [Audited]	77
4.2.4. Liquidity risk [Audited]	78
4.2.5. Interest rate risk [Audited]	80
4.2.6. Credit risk [Audited]	81
4.2.7. Market risk [Audited]	92
4.2.8. Operational risk	94
4.3. Legal risk	97
4.4. Insurance cover and policies	98
4.5. Prudential ratios	99
4.5.1. Prudential scope	99
4.5.2. La Banque Postale equity capital	99
4.5.3. Capital adequacy	100

4.1. General procedures

4.1.1. Combating non-compliance risk

Compliance

The Articles of CRBF (Banking and Financial Regulations Committee) Regulation 97-02 transposed the “compliance” function into French law. They took effect on January 1st 2006, *i.e.* on the same day that La Banque Postale was founded.

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 Director of which is a member of the Executive Committee.

The Compliance and Business Ethics Committee

This Committee holds monthly meetings chaired by the Chairman of the Executive Board of La Banque Postale and coordinated by the Director of Compliance. Its role is:

- to ensure that the actions taken in respect of legal and regulatory provisions that are specific to the banking and financial business are consistent and effective, particularly where the prevention of money laundering and the financing of terrorism are concerned;
- to ensure compliance with customer protection rules;
- to coordinate internal control procedures;
- to monitor the application of business ethics rules and their compliance with regulatory developments;
- to monitor the updating of the “sensitive staff” list and compliance with confidentiality rules;
- to investigate major conflict of interest cases.

The Compliance Department

The role of the Compliance Department is:

- **to manage non-compliance risk** as defined in Article 4 of CRBF Regulation 97-02 as amended* *via*:
 - the drafting, dissemination and compliance with rules of ethics,
 - compliance with the rules set forth by the French Financial Markets Authority (AMF) for investment services,
 - coordinating measures to combat money laundering and the financing of terrorism, defining procedures, controlling TRACFIN (intelligence and action aimed at combating illicit financial circuits),
 - the operational coordination of combating fraud involves identifying and managing fraud risks, ensuring the security and dissemination of fraud management processes, informing the people concerned and using appropriate tools,
 - supporting the marketing communications department in the creation of marketing materials and examining new product proposals,
 - tracking regulatory changes;

- **the coordination of local control bodies.** Its responsibilities include the functional management of banking controllers working in the Post Office network as well as the coordination of level-2 control bodies in the Financial Centres, *via* the dedicated department within the Operations Department: the Department of Operational Risk and Internal Control (DROCI);
- **supporting and monitoring the departments of the Head Office and subsidiaries** in the implementation of their internal control measures, and ensuring that the monitoring rules concerning essential service providers adhere to regulations.

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

The Director of Compliance has full responsibility for the functional operation of the Compliance Department, which primarily consists of the heads of Banking Control, who are responsible for managing the banking controllers, and of the Department of Operational Risk and Internal Control within the Operations Department (DROCI/DO), which is responsible for managing the Directors of Internal Control and Compliance and the risk supervisors in the Financial Centres. These responsibilities specifically involve managing careers in a manner consistent with the requirements of each organisation.

The Compliance Department fulfils its duties through the following departments and divisions:

- the Financial Operations Security Department;
- the Business Ethics and Investment Services Compliance Division;
- the Expert-Compliance Division;
- the Level 2 Control Management Division;
- the Permanent Control Summary Division covering the Head Office Departments, the Subsidiaries and Outsourced Essential Services.

All these systems work in a coordinated way and fulfil a dual advisory and control role, in order to ensure that the company’s best practices, culture, and values are reflected in its day-to-day activities, so as to protect:

- the customers against the risk of receiving inappropriate advice;
- the Bank and its employees against the risk of non-compliance with regulations;
- the community, by combating money-laundering and the financing of terrorism.

* *i.e.* the risk of non-compliance with legal and regulatory provisions, professional standards, business ethics, as well as the Supervisory Board’s guidelines and Executive Board’s instructions.

It is worth noting that the Bank has appointed a Personal Data Protection Officer, or Correspondant Informatique et Libertés (CIL), who operates independently of the Compliance Department and all other departments. The CIL makes sure that French data protection legislation is applied within La Banque Postale, and on behalf of the Chief executive officers of the company.

Protecting customers

From the moment it was founded, La Banque Postale has been structured so as to take the risk relating to its advisory duties into account within an overall framework. The risk relating to non-compliance with the rules intended to protect customers is handled via a dedicated process within the Bank:

- when a product is designed;
- when it is launched and marketed.

Moreover, the Bank also takes this risk into account through various processes that can play a part in managing it, namely the regulatory monitoring process, training, its compensation policy and customer segmentation.

Putting the customer's interests first is a fundamental principle for La Banque Postale. Complying with the rules protecting the customer is a way of applying this fundamental principle. This is why the Bank has set up a Product Review Committee. This Committee is required to validate all new products designed or distributed by taking into account the primacy of customers' interests as the main criterion and therefore compliance with the rules to protect them.

The Executive Board is required to rule on any unfavourable opinion, in the event that the person responsible for the product requests it. In 2012, there were 34 "written opinions" commu-

nicated to the members of the Marketing Committee authorising the product launch, one unfavourable opinion, several reservations, including "blocking" ones (i.e. which must be lifted before marketing) and no arbitration request.

The customer/product/advisor segmentation process established by La Banque Postale is used in this instance, in order to check that a product is intended for the appropriate customer category, with a suitable degree of advice, and is distributed by a marketing line that is equally appropriate.

In its Marketing Ethics Charter, La Banque Postale specifies that the contents of all information, including promotional information on financial instruments and banking and insurance products intended for its customers, must be accurate and clear, and must not be misleading.

To this end, the Bank has established a system of controls covering the dissemination of products to the distribution networks and direct customer communication.

The Expert-Compliance Division is responsible for approving all marketing materials, and also has the right to veto them. As part of this process, it is also responsible for approving employee training materials.

Lastly, besides the Control Business Line responsible for ensuring that these directives are properly applied in the field or in the operational unit, a Sales Expertise Business Line, for which the Sales Department is responsible, is in charge of supporting the sales teams as they perfect their skills.

4.1.2. 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 role, and so 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:

- La Banque Postale's Business Ethics Division, which reports to the Compliance Department;
- Business Ethics officers working in the operational units: the La Poste Retail Brand, the Financial Centres, the IT Department, the Marketing Department, the Head Office departments and the subsidiaries;
- local contacts.

The position of Business Ethics Officer, as defined by La Banque Postale, is held by employees reporting directly to the Director of Operations, the Director of Marketing, the Director of the

La Poste Retail Brand, the Director of IT for La Poste Financial Services and the Retail Brand and 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.

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 work at grass-roots level, local contacts are well-positioned to pick up any potential 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 have been set up throughout the network, reporting to the Directors of the La Poste Retail Brand. The Director of Internal Control and Compliance also acts as the local contact person in each Financial Centre.

Rules of good conduct are incorporated in the internal rules of procedure of La Banque Postale and La Poste. 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 Brand and the Financial Centres. Specific training is given to new hires.

In addition, **audits are performed** 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 La Poste Retail Brand and Financial Centre employees who have breached its business ethics guidelines. This process is managed by the Head of Business Ethics and the Director of Compliance.

4.1.3. Combating money laundering and illegal activities

Combating money laundering and the financing of terrorism is a banking process for which La Banque Postale takes full and entire responsibility. A dedicated framework designed on three levels (national, regional and local) enables the Bank to assume this responsibility both for transactions that it performs on its own account and for transactions that are performed in its name and on its behalf by the La Poste Network.

The La Poste Network is responsible for providing the necessary resources to ensure that the transactions that it performs in the name and on behalf of La Banque Postale are performed properly. These resources are specifically described in the “Measures against money laundering and financing terrorism Cooperation Platform” which was updated in August 2010. This document sets out the reciprocal obligations of the La Poste Network and La Banque Postale.

The local framework

The local framework relies on the Branch Managers where the Post Offices are concerned, as well as on the Directors of Internal Control and Compliance (DICC) in the Financial Centres.

- The Bureau Managers are in charge of “money laundering” at the Post Offices. They are responsible for managing the AML-CFT initiative.
They are responsible for Level 1 checks on anti-money laundering procedures at the Post Offices. These procedures are laid down in a fact sheet included in the Bureau Managers’ Audit Handbook. They must ensure that their staff, particularly new entrants, receive proper training on how to combat money laundering. Level 2 checks are performed by the banking supervisors. They are also responsible for setting up an alert system for any abnormalities observed in the bureau’s business activities that are likely to represent a money laundering or terrorism financing risk. These alert systems feed into the AML/CFT unit’s tools for combating money laundering.
- The DICC in the 23 Regional Financial Centres and in the six National Centres are responsible for managing and controlling risk, including the risk of money laundering and financing of terrorism. They are responsible for:
 - monitoring specific risk relating to sensitive customers and terminating business relationships;
 - level 2 controls across the whole financial centre;
 - making sure that the various departments at the Centre monitor the alert systems;
 - raising the awareness of and training the staff in the Centre.

A dedicated AML-CFT arm on two levels

The first level consists of seven AML units (*i.e.* 60 people in the Financial Centres), which are responsible for analysing all of the alerts of the Post Offices and Financial Centres, as well as the warnings generated by a dedicated software package: *SearchSpace*. One of the seven AML units is responsible for the initial filtering of financial sanctions lists using the Fircosoft tool.

Following a review of the warnings and alert systems, the AML unit analysts either close the incident with justification, or draw up an investigation file that is forwarded to the second level of the Bank’s AML-CFT arm.

The 14 TRACFIN informants and officers who have a regional authority, and the employees of the Bank’s Financial Operations Security Department (DSOF) represent the second level of the anti-money laundering arm. They receive the cases for investigation, perform another review, potentially add to the information gathered, and forward a statement to TRACFIN if the suspicion is confirmed.

Warnings that are not triggered by the filtering of the blacklists are forwarded to the financial sanctions control unit within the Department which manages the overall system.

The AML/CFT unit is managed in a centralised way within the DSOF via the functional management of the seven AML units. Where training is concerned, targeted programmes are designed and implemented for each employee Group involved in procedures to combat money laundering and the financing of terrorism, under the responsibility of the DSOF, working together with the Human Resources Department, the Operations Department and the Retail Brand’s Security Department. All staff acting in the name and on behalf of the Bank undergoes this training. All new entrants receive specific training on the issue. The DSOF also makes sure that employees and managers receive information on a regular basis so that they can update their knowledge. Workshops to raise awareness of AML-CFT have been rolled out at the same time for the Branch Managers that present major risks. Since April 2nd 2012, the Financial Operations Security Department has been in charge of the operational management and coordination of anti-fraud measures.

4.2. Financial management risk

In this section, the information identified as “Audited” forms an integral part of the Notes to the Consolidated Financial Statements certified by the Auditors, in respect of the information required under IFRS 7.

4.2.1. Risk management policy [Audited]

As regards internal control and risk management, La Banque Postale’s reference framework primarily consists of regulatory texts including:

- CRBF regulation 97-02 amended concerning internal control;
- prudential regulations (Order of 20 February 2007 pertaining to capital requirements; Regulation 93-05 concerning major risks; Order of 5 May 2009 regarding liquidity risk management; Regulation 2000-3 involving prudential surveillance on a consolidated basis);
- the General Regulations of the AMF, for business activities related to investment services.

The Executive Board lays down shared fundamentals (strategic policies, values, risk appetite, and governance) from which

each business line defines its own action priorities and the related risk management system. These fundamentals are reflected in the Risk Management Policy.

The Risk Management System fits into the three lines of defence, *i.e.*:

- a first line within the operational business lines responsible for the deployment of the risk management system which they have previously defined;
- a second line consisting of the Group Risk Management, which ensures the existence of an appropriate, uniform framework to define and improve the risk management systems;
- a last line through the control functions tasked with giving an independent assessment of the efficiency of the risk management system implemented.

4.2.2. General organisation of the Group Risk Management [Audited]

The roles of the The Group Risk Management are the following:

- lay down rules concerning risk-taking and decision-making;
- measure, analyse and monitor risks;
- track, anticipate and foresee future threats.

In 2012, in order to provide better support to La Banque Postale in its new business activities, The Group Risk Management examined ways of adapting its organisation and functions, in compliance with its regulatory obligations. This led to defining a 2-year road book to adapt its organisation in order to confront new challenges.

The Risk Department consists of four business functions and four cross-divisional functions:

- the Retail Credit Risk;
- the Sovereign, Corporate and institutional Credit Risks;
- the Financial Risk division;

- the Operational Risk division;
- a Regulatory Monitoring function which keeps track of all banking and insurance risk issues;
- a cross-divisional Project Management function to ensure professional project management;
- a Consolidated Risk Management function;
- a Modelling/Model Validation function.

In each entity, the Group Risk Management relies on delegated risk managers (from the parent company and subsidiaries) tasked with setting up the risk management system, *i.e.*:

- identifying the risks;
- evaluating and rating the risks;
- hedging the risks (including first-level control);
- setting indicators and limits.

4.2.3. Structural risk factors [Audited]

The Bank has conducted a review of the risks that could have a significant unfavourable effect on its business activities, on its financial position or its results (or on its ability to meet its targets), and believes that there are no material risks other than those presented.

La Banque Postale’s structural risk factors are primarily linked to its retail banking business: *i.e.* liquidity risk and interest

rate risk associated with converting short-term customer deposits to long-term use, **credit risk** on loans and overdrafts granted to customers and **operational risks** on banking activities.

The **market risk** is also a structural risk factor which is closely monitored by La Banque Postale.

4.2.4. Liquidity risk [Audited]

The ALM Committee is primarily responsible for monitoring liquidity risk. Chaired by an Executive Board member, the Committee consists of the Director of Financial Operations, who acts as coordinator, the Director of Retail Banking, the Chief Risk Officer and the Management Control Director.

The ALM Committee reviews customer deposit models on a regular basis, and formally validates the outflow assumptions produced.

It monitors liquidity indicators and anticipates their future development, in light of the Bank's commercial policy, and observations on customer behaviour.

Assessing risk

As of December 31st 2012, La Banque Postale's customer deposits still exceeded its uses – the most important of which is that of loans to individuals and solely accounted for one third of the funds deposited by customers.

While La Banque Postale is not dependent on the market to honour its commitments, it is nevertheless exposed to liquidity risk stemming from the conversion of sources of funds, mainly consisting of sight deposits, to long-term uses, either in the form of home loans to individuals, loans to legal entities or debt securities.

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

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

Risk management and limits

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

The cash flow risk:

- Relating to the institution's cash flow management.
- There is an operational limit that enables cash management funding requirements to be capped.
- The amount and length of time the cap applies are set by the Risk Committee.

The short-term liquidity limit is set in accordance with the future Basel III requirements. It consists of a 30-day limit which compares the liquidity requirement over a 30-day period in relation to the cushion of liquid assets. This liquidity requirement must not exceed the available cushion of liquid assets. This indicator has undergone many adjustments, in keeping with changes in French and European regulations.

The structural liquidity risk:

- Relating to the Bank's balance sheet structure.
- Takes the outflow agreements approved by the ALM Committee into account.
- Management of this risk is assigned to the ALM Committee in accordance with the principles and limits defined by the Risk Committee.

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 guarantee that the liquidity represented by the gap will be made available to it, based on an almost certain confidence interval.

The net liquidity gap (assets–liabilities) is set at zero for one-year, three-year and five-year intervals. The Bank ensures that liabilities always exceed uses.

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.

The medium-to-long-term liquidity gap is based on the following assumptions:

- equity capital net of non-current assets: *in fine*;
- debt: contractual date or call date;
- sight deposits/savings accounts/term accounts: outflow agreement;
- home loan savings scheme: the outflow is certain;
- term deposits: contractual date;
- home loans: contractual maturity + structural early repayments;
- option on home loan savings accounts: likely production over average recorded maturity;
- bonds/deposits: contractual payment schedule not eligible for ecb refinancing, net of cash buyback limit;
- off-balance sheet commitments: outflow agreement.

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 outflow assumptions based on a behavioural model that takes into account the offer conversion rate, payment periods and the effective life-span of new loans (early repayments).

Risk exposure

In 2012, La Banque Postale continued to implement a cautious liquidity management policy. 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 one-month regulatory liquidity ratio was 235% as of December 31st 2012, placing itself above the regulatory minimum of 100% again.

In 2012, an internal indicator better suited to measuring the short-term liquidity risk was introduced, confirming the short-term liquidity surplus. It is based on new Basel indicators (LCR). Stress tests were performed again in 2012 in order to verify the Bank's soundness in terms of liquidity risk.

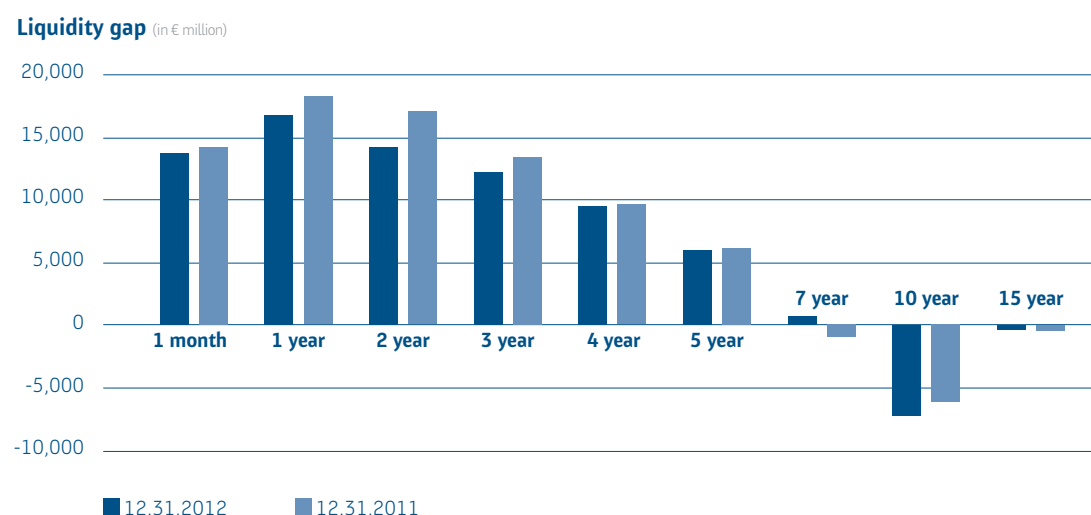
Structural liquidity risk is measured through the liquidity gap, which corresponds to the difference between the stressed static

outflows of liabilities (through outflow agreements) and assets. The limit on the structural liquidity indicator was complied with at all times in 2012.

The calculation covers the following maturities: 1 month, 1 year, 2 years, 3 years, 4 years, 5 years, 7 years, 10 years, 15 years. The liquidity gap is measured every month and presented to the Risk and ALM Committees.

Liquidity gap, measured as of December 31st 2012 and December 31st 2011

Liquidity gap (in € million)	1 month	1 year	2 year	3 year	4 year	5 year	7 year	10 year	15 year
12.31.2012	13,714	16,759	14,177	12,161	9,463	5,978	715	(7,218)	(376)
12.31.2011	14,211	18,241	17,066	13,408	9,606	6,111	(973)	(6,185)	(443)



A positive gap for a given maturity means that the Bank has more inflows than outflows with a longer maturity date.

The positive liquidity gap for maturities under five years reflects La Banque Postale's excess liquidity. This excess 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 managing its structural liquidity.

The drop in structural liquidity for the five-year interval is due to the growth in customer uses and by Caisse des dépôts' centralisation rules.

The liquidity limit system is supplemented by stress scenarios that include the drying up of the securities repo markets.

The breakdown of use and resource maturities according to their remaining term is detailed in Note 3.23. "Breakdown of balance sheet items by residual maturity".

Risk reduction technique

In addition to the prudent liquidity management system implemented by the ALM Committee and Risk Committee, La Banque Postale has diverse sources of financing:

- a €20 billion certificates of deposit programme, where the amount of the securities issued ranges between 15% and 40% of the programme, and which is designed to keep the La Banque Postale name alive in the short-term market, and satisfy institutional customers;
- a €10 billion EMTN programme set up in late 2006 and updated in mid-2012. At the end of 2012, less than 5% of this programme had been used;
- a subordinated securities issue of €750 million, eligible as additional equity capital, took place in November 2010 via a specific programme;
- a portfolio of securities held to maturity, consisting mainly of rapidly accessible high-quality Government bonds (nearly 2/3 of which stemming from the French government or equivalent bonds). At the end of 2012, this liquidity reserve amounted to €37 billion. It is a sustainable source of eligible securities providing access to ECB refinancing transactions and the repo market;
- access to the inter-bank market.

Moreover, in 2013, La Banque Postale will introduce a Covered Bonds programme through the set-up of a home financing com-

pany (Société de Financement de l'Habitat) resting on the use of home loans based on the "Collateral" Directive.

4.2.5. Interest rate risk [Audited]

The ALM Committee is primarily responsible for monitoring the interest rate risk.

It monitors interest rate risk indicators and anticipates their future development, in light of the Bank's commercial policy, and observations on customer behaviour.

Assessing 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 to 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;
- the 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.

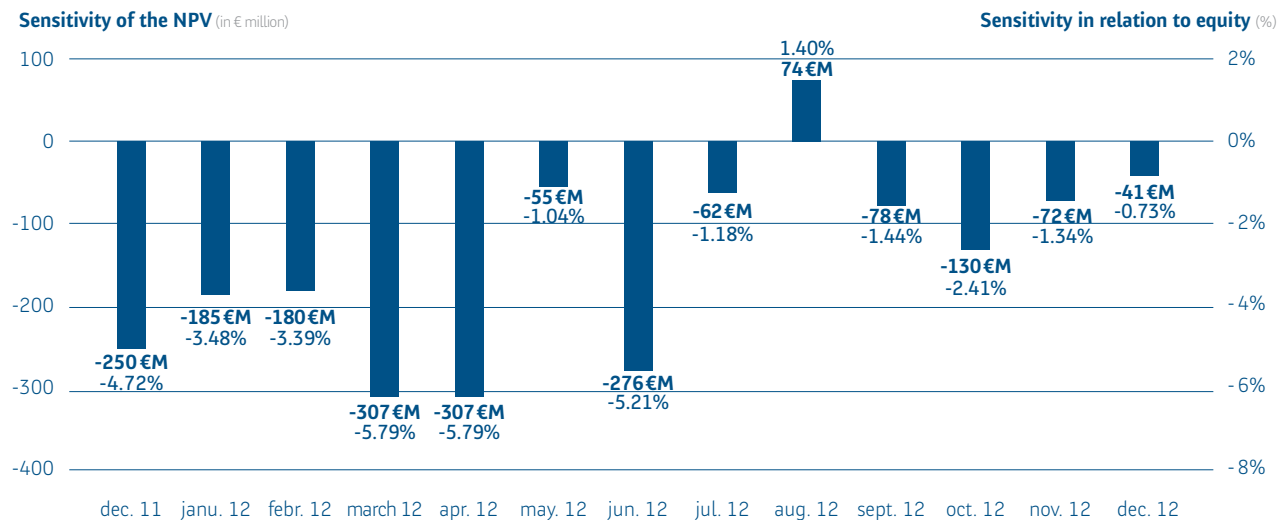
The second category of indicators includes the measurement of economic capital (EC) linked to global interest rate risk.

- 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 was to materialise.

Managing risk

The interest rate risk is managed either through investments in financial assets, by selecting their maturity dates and coupon indexation terms, or through derivative instruments, whether futures or options.

Risk exposure



In accordance with the Basel Committee's recommendations, the immediate and simultaneous interest rate rise applied for calculating the sensitivity of the economic value of the balance sheet is 200 bps. 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.

Sensitivity to global interest rate risk peaked in March 2012 when the interest rate liquidity gap reached 5.79% compared to an internal limit of 15% (this limit is set at 20% in the Basel regulations).

The level of volatility displayed by this indicator is primarily due to the size of the Group's equity capital. The second factor is the significant lowering of the yield curve which affected outflow models and the amounts invested in 2012.

4.2.6. Credit risk [Audited]

The Group Risk Management reports to the Risk Committee on the drafting and implementation of measures for monitoring and managing credit risk relating to retail credit risks customers and Sovereign, Corporate and institutional credit risks customers. In terms of risk monitoring procedures, the Credit Risk Department defines the monthly credit risk monitoring indicators approved by the Risk Committee.

The Risk Department hedges credit risk, as defined in Article 4 of Regulation 97-02 (amended), namely the risk incurred in the event that a counterparty (or counterparties considered as a single beneficiary within the meaning of Article 3 of Regulation 93-05).

Risk exposure of the La Banque Postale Group

(€ '000s)	12.31.2012	12.31.2011
Financial assets at fair value through profit and loss (excluding floating-rate securities)	6,853,217	10,953,017
Hedging derivatives	286,710	272,515
Financial assets available for sale (excluding floating-rate securities)	8,884,815	8,380,182
Loans and receivables – credit institutions	81,254,334	74,882,171
Loans and receivables – customers	49,930,597	45,082,910
Assets held to maturity	37,035,568	35,376,985
Balance sheet exposure net of impairment charges	184,245,241	174,947,780
Financing commitments given	17,382,565	14,278,192
Guarantees given	3,153,803	2,861,216
Off-balance sheet exposure net of impairment charges	20,536,368	17,139,408
Total net exposure	204,781,609	192,087,188

4.2.6.1. Credit risk stemming from transactions with retail customers

The business activities conducted by La Banque Postale that give rise to a credit risk include:

- home loans to individuals and Limited Property Investment Partnerships;
- overdrafts and means of payment granted to individuals;
- consumer credit granted by the Bank's specialist subsidiary, La Banque Postale Financement, as well as those granted to La Poste staff by La Banque Postale;
- personal micro-loans.

It monitors changes in risk thanks to the indicators that it has defined, examines the most significant commitments and makes sure that the Commitment Committees work properly; it also performs a regulatory oversight role and provides assistance to operational staff in the credit branch.

In order to fulfil its assignments within the La Banque Postale Group, the Group Risk Management manages a "credit risk function", which includes a network of contacts in the Operations Department, in the Financial Centres, in the Marketing Department and in La Banque Postale's subsidiaries.

Risk management

The Credit Risk Department is responsible for defining the rules and tools governing risk-taking and managing inherent risk, and for monitoring the effective application of these rules and the proper performance of the tools.

Directly by La Banque Postale

The Group Risk Management modifies **the rules for granting and committing to loans** after receiving advice from the Retail Banking Department, the Marketing Department, and the Operations Department, with the aim of:

- supporting the development of La Banque Postale's product range and businesses involved in granting loans;
- guaranteeing that the Bank's cost of risk on loans outstanding and new loan generation remains under control;
- guaranteeing compliance with current regulations in the customer loans area.

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

Beyond the scope of its own authority, the Risk Department has the credit risk rules approved by the **Risk Committee** (chaired by a member of the Executive Board), or by the Executive Board, if requested by the Chairman of the Risk Committee.

The Group Risk Management 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.

It is responsible for credit risk norms, and informs the Bank Marketing Line and the Financial Centres of the main developments on a regular basis.

By La Banque Postale Financement

The distribution of consumer loans is performed by a specialised subsidiary, La Banque Postale Financement (LBPF).

La Banque Postale:

- ensures that the necessary means are implemented in order to ensure that LBPF complies with the procedures relating to the application of said regulations;
- makes sure that the systems set up at La Banque Postale and at LBPF are consistent, in order to enable the assessment and monitoring of risk at the consolidated level;
- checks that LBPF has adopted appropriate procedures, which enable the information that is necessary for monitoring risk on a consolidated basis to be generated.

LBPF is responsible for drawing up the operational rules for granting, committing to, managing, and recovering risk relating to the loans that the subsidiary is authorised to grant.

La Banque Postale Financement keeps La Banque Postale's Group Risk Management informed of its risk policy and procedures, and of material changes in this area, prior to implementing them.

La Banque Postale's credit guarantee system

General principle

Any financing must be 100% hedged, except in the cases listed below:

- Pactys Simplicité, Pactys Environnement, and ECO PTZ loans are granted without a guarantee. For Pactys Environnement loans, this rule solely applies to consumer credit;
- bridging loans, if the sale agreement or the promise of sale for the asset that is the subject of the loan has been signed, and the suspensive conditions in favour of the buyer of the asset have been lifted;
- the total of the non-guaranteed loans (new loans requested and outstanding loans, regardless of the type of loan) per customer may amount to a maximum of €50,000 if the customer is low-risk. Unguaranteed loans account for 2% of loans outstanding.

Eligible guarantees

These cases fall into two categories:

- asset-backed guarantees: privilege of the money-lender, mortgage, pledge of mortgage assets granted by a third party guaranteeing the borrower's debt, pledge of financial products, pledge of REIT units marketed by La Banque Postale;
- personal guarantees: guarantees provided by a private individual, guarantees provided by a guarantee body.

Non-eligible guarantees

Equity release mortgages, informal mortgages, and pledges of mortgaged assets are not taken into account, except where the following two cases are concerned: additional guarantee at the request of a mutual guarantee company, financed by a bridging loan if the sale agreement or the promise of sale for the asset that is the subject of the loan has been signed, and the suspensive conditions in favour of the buyer of the asset have not been lifted.

4.2.6.2. Credit risk exposure on transactions with retail customers

2012 financial year

(in € million)	12.31.2012					
	Balance Sheet (gross)		Off-Balance Sheet (gross)		Total exposure	
	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
Home loans	45,155	95%	2,303	5%	47,458	75.4%
Consumer loans	2,643	98%	50	2%	2,693	4.3%
Current accounts in debit	724	6%	11,941	94%	12,665	20.1%
Other cash flow loans	64	100%	-	0%	64	0.1%
Other	28	100%	-	0%	28	0%
Total	48,614	77%	14,294	23%	62,908	100%

2011 financial year

(in € million)	12.31.2011					
	Balance Sheet (gross)		Off-Balance Sheet (gross)		Total exposure	
	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
Home loans	41,861	93%	3,200	7%	45,061	76.7%
Consumer loans	1,930	100%	4	0%	1,934	3.3%
Current accounts in debit	493	4%	10,615	96%	11,108	18.9%
Other cash flow loans	602	100%	-	0%	602	1.0%
Other	30	100%	-	0%	30	0.1%
Total	44,916	76%	13,819	24%	58,735	100%

Exposure remained relatively stable in relation to the previous year. "Home loan" exposure dropped slightly in terms of relative value in 2012 to 75.4%. Conversely, consumer loans extended by

La Banque Postale Financement continued to grow, going from 3.3% to 4.3% of total exposure.

Guarantees received

2012 financial year

(in € million)	12.31.2012									
	Security rights		Guaranteed by a legal entity		Guaranteed by a private entity		No guarantee		Balance sheet (gross)	
	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
Home loans	9,789		33,881		749		737		45,155	
- performing loans	9,707	22%	33,808	75%	749	2%	727	2%	44,990	100%
- doubtful loans	82	50%	73	44%	-	0%	10	6%	165	0.4%
Consumer loans	1		1		-		2,642		2,643	
- performing loans	1	0%	-	0%	-	0%	2,566	100%	2,566	97%
- doubtful loans	0	0%	1	1%	-	0%	76	99%	77	3%

2011 financial year

	12.31.2011									
	Security rights		Guaranteed by a legal entity		Guaranteed by a private entity		No guarantee		Balance sheet (gross)	
	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
(in € million)										
Home loans	8,773		31,601		707		780		41,861	
- performing loans	8,700	21%	31,542	76%	705	2%	771	2%	41,718	100%
- doubtful loans	73	51%	59	41%	2	1%	9	6%	143	0.3%
Consumer loans	1		-		-		1,930		1,931	
- performing loans	1	0.1%	-		-		1,984	100%	1,895	98%
- doubtful loans	-		-		-		36	100%	36	2%

The portion of home loans guaranteed by a legal entity dropped slightly (75% in December 2012 versus 76% in December 2011).

Almost all outstanding consumer loans are without guarantees.

Credit quality of financial assets that are neither doubtful nor impaired on an individual basis

	12.31.2012		12.31.2011	
	Amounts outstanding	%	Amounts outstanding	%
(in € million)				
Performing home loans	44,990	100%	41,718	100%
- without arrears	44,855	99.7%	41,582	99.7%
- with arrears	135	0.3%	136	0.3%
Performing consumer loans	2,566	100%	1,933	100%
without arrears	2,540	99%	1,895	98%
with arrears	26	1%	38	2%

The portion of performing loans with no arrears remained very stable (99.7%). The portion of consumer loans with arrears decreased to 1% of performing loans.

Doubtful financial assets

2012 financial year

	12.31.2012									
	Non-impaired loans with arrears					Doubtful loans	Guarantees			
	<30 d	>30 d <60 d	> 60 d < 90 d ⁽¹⁾	> 90 d < 180 d	Total		Security rights	Guaranteed by a legal entity	Guaranteed by a private individual	No guarantee
(in € million)										
Home loans	67	33	17	18	135	165	134	150	4	11
Consumer loans	14	12	-	-	26	77	-	1	-	102
Total	81	45	17	18	161	242	134	151	4	113

(1) Consumer loans are impaired at the latest after 90 days of unpaid.

2011 financial year

	12.31.2011								
	Non-impaired loans with arrears				Doubtful loans	Guarantees			
	< 30 d	> 30 d < 60 d	> 60 d < 180 d ⁽¹⁾	Total		Security rights	Guaranteed by a legal entity	Guaranteed by a private individual	No guarantee
(in € million)									
Home loans	68	31	37	136	143	119	142	6	12
Consumer loans	34	4	-	38	36	-	-	-	36
Total	102	35	37	174	179	119	142	6	48

(1) Consumer loans are impaired at the latest after 90 days of unpaid.

Doubtful home loans increased 15% in relation to the previous year. However, non-impaired loans in arrears remained stable as of December 31st 2012.

The balance of non-impaired consumer loans in arrears and doubtful consumer loans increased by €41 million in 2012 compared to 2011.

Breakdown of individually impaired financial assets

2012 financial year

	12.31.2012				
	Type of guarantee	Receivables	Guarantee amount retained	Updated provisions	Updated provision rate
(in € million)					
Doubtful home loans	Asset-backed guarantees	66	58	12	19%
	Guaranteed by a company	41	40	1	3%
	Guaranteed by a private individual	-	-	-	100%
	Unguaranteed	9	-	9	100%
	Loans classified as doubtful according to the contagion principle, but not in arrears	49	47	7	13%
Total doubtful home loans		165	145	29	18%
Consumer loans		77	-	27	35%
Total consumer loans		77	-	27	35%
Doubtful overdrawn current accounts		131	-	110	84%
Total overdrawn current accounts		131	-	110	84%

2011 financial year

		12.31.2011			
(in € million)	Type of guarantee	Receivables	Guarantee amount retained	Updated provisions	Updated provision rate
Doubtful home loans	Asset-backed guarantees	54	47	12	22%
	Guaranteed by a company	24	23	1	4%
	Guaranteed by a private individual	1	-	0.7	70%
	Unguaranteed	8	-	8	100%
	Loans classified as doubtful according to the contagion principle, but not in arrears	56	51	10	18%
Total doubtful home loans		143	121	32	22%
Consumer loans		36	-	11	31%
Total consumer loans		36	-	11	31%
Doubtful overdrawn current accounts		101	-	75	74%
Total overdrawn current accounts		101	-	75	74%

The home loan provision rate fell compared with the previous year, and worked out at 18%. The provision rate on ordinary accounts increase, from 74% to 84%.

The rate for consumer loans dropped to 35% compared with 31% in the previous year.

4.2.6.3. Credit risk stemming from transactions with Sovereign, Corporate and institutional customers

La Banque Postale's business activities generate credit risk on two levels:

- within the scope of its economy-financing activities: in September 2011, La Banque Postale obtained a licence from the Prudential Control Authority to offer financing to Sovereign, Corporate and institutional customers. In view of the product ranges offered, the Bank's primary customer segments are currently the following: Companies, Local Authorities, and Non-profit Associations;
- within the scope of its financial market transactions, La Banque Postale must also manage credit risk stemming from inter-bank cash transactions such as deposits, loans and buybacks (with respect to financial institutions) and issuer risk on debt securities (from Companies, Financial Institutions, and Sovereign States) traded in the trading room.

Such risks are realised as balance sheet commitments as well as off-balance sheet commitments (guarantees, collateral, investments of La Banque Postale's insurance subsidiaries, un-drawn portion of the loans granted, etc.).

La Banque Postale has retained a prudent approach and a gradual ramp-up of the business.

La Banque Postale currently offers the following financing solutions: overdraft facilities, advances on grants, equipment leasing, medium-term loans for business start-ups and buyouts, bilateral or syndicated loans to large customers, and property leasing.

In 2012, La Banque Postale developed a financing offer aimed at Social Economy and Local Community customers (social housing landlords, mutual insurance companies, local authorities, management organisations, local non-profit organisations): overdraft facilities (since June 2012), medium/long term loans (since November 2012).

During 2013, La Banque Postale's product offering will be extended to factoring, medium-term loans to small/medium-sized businesses and self-employed customers, as well as interest-rate hedging operations on behalf of third parties.

Credit risk management

1- General provisions

La Banque Postale's rules for granting and extending loans are established in accordance with CRBF Regulation 97-02 (amended) regarding internal control. They take account of the requirements of Articles 7 and 21.

The analysis and decision-making processes are based on: eligibility conditions, the analysis and determination of a credit rating, and in certain cases, securing guarantees.

The aim of the risk management measures implemented for the corporate financing business is to enable risks to be detected at

every level in each of the business processes (granting, management, recovery and provisioning). It is based on the following:

- setting up a comprehensive credit committee system at different levels of the Bank;
- setting up individual risk monitoring procedures and a management platform for global risk;
- introducing control procedures for delegations of authority;
- setting up a national unit for “special affairs and corporate lending disputes” dedicated to financing activities with non-retail customer segments. These units assess the customer’s situation and their ability to recover, negotiate a voluntary liquidation plan with the customer, take part in any “banking pool” meetings, and manage the relationship with administrators or court-appointed liquidators, and mediators or *ad hoc* agents.

For SMEs, micro-businesses and non-profit associations, the general analysis and decision-making process is supplemented by:

- a specific banking behaviour rating;
- a delegation plan based on: i) the quality of the counterparty assessed through an LBP rating (specific rating scales dedicated to these counterparties); ii) the customer’s (or group’s) total outstanding loans; iii) the type of financing considered.

Transactions involving amounts greater than or equal to €10 million must be approved by a member of the Executive Board. The same applies where individual limits are exceeded.

2- Concerning investments

For investments, third parties are systematically rated and assigned an individual limit aimed at limiting the overall amount

to be committed. 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 No. 93-05 (amended).

La Banque Postale’s scope of activities is generally limited to **investment-grade** counterparties and issuers, *i.e.* those whose rating is at least BBB-.

In certain specific cases, the minimum rating requirement is lowered to BB-*, in particular for the development of financing activities with large corporate customers, provided the Bank has ongoing business relations with them.

Before it can carry out any buyback, securities lending or futures transactions exposing it to a counterparty risk, La Banque Postale must first ensure that there is an **ISDA (International Swaps and Derivatives Association) or FBF framework agreement with clauses concerning collateral**. The quantitative data entered in those agreements (instruments concerned, margin call threshold and frequency, exemptions, etc.) are validated by The Group Risk Management.

The individual limits are supplemented with a set of limits aimed at limiting the risk of concentration on groups of counterparties classified according to their country of origin, business segment or internal rating. Those diversification limits are reviewed monthly by the Risk Committee.

4.2.6.4. Credit risk exposure stemming from market transactions with Sovereign, Corporate and institutional customers

As of December 31st 2012

(in € million)		12.31.2012				
Category	Sovereign	Bank	Corporate	Public Admin.	Securitisation	Total
Financial assets at fair value through profit and loss	848	5,392	551	-	-	6,791
Financial assets available for sale	2,714	5,422	1,708	10	1	9,855
Loans and receivables – credit institutions	711	80,125	12	-	407	81,254
Loans & receivables – customers	172	-	1,002	112	254	1,540
Financial assets held to maturity	34,668	2,280	88	-	-	37,036
Total	39,112	93,219	3,362	122	661	136,476

* According to the ACP correspondence tables, BB- corresponds to quality step 4 (BB- to BB+ for FITCH and S&P; Ba1 to Ba3 for Moody’s; 4 to 5 for COFACE; 4 to 5+ for FIBEN).

(in € million)

12.31.2012

Rating	AAA	AA	A	Other	Total
Financial assets at fair value through profit and loss	387	2,382	3,624	398	6,791
Financial assets available for sale	2,824	2,974	2,576	1,481	9,855
Loans and receivables – credit institutions	861	77,055	2,865	473	81,254
Loans and receivables – customers	141	193	133	1,073	1,540
Financial assets held to maturity	3,081	29,341	2,461	2,152	37,036
Total	7,295	111,945	11,659	5,577	136,476

(in € million)

12.31.2012

Geographical area	France	Eurozone	Non-Eurozone	Total
Financial assets at fair value through profit and loss	4,355	2,003	432	6,791
Financial assets available for sale	6,348	2,792	716	9,855
Loans and receivables – credit institutions	79,361	1,771	122	81,254
Loans and receivables – customers	1,456	84	-	1,540
Financial assets held to maturity	27,006	8,585	1,445	37,036
Total	118,526	15,235	2,714	136,476

As of December 31st 2011

(in € million)

12.31.2011

Category	Sovereign	Bank	Corporate	Securitisation	Total
Financial assets at fair value through profit and loss	1,472	9,082	312	-	10,866
Financial assets available for sale	2,434	6,212	670	3	9,319
Loans and receivables – credit institutions	1,305	73,165	12	400	74,882
Loans and receivables – customers	140	-	2	10	152
Financial assets held to maturity	32,915	2,356	106	-	35,377
Balance sheet exposure net of impairment charges	38,266	90,815	1,102	413	130,596

(in € million)

12.31.2011

Rating	AAA	AA	A	Autres	Total
Financial assets at fair value through profit and loss	2,271	3,232	5,191	172	10,866
Financial assets available for sale	5,695	1,094	1,467	1,063	9,319
Loans and receivables – credit institutions	72,171	1,735	901	75	74,882
Loans and receivables – customers	150	-	-	2	152
Financial assets held to maturity	23,798	9,056	1,299	1,224	35,377
Balance sheet exposure net of impairment charges	104,085	15,117	8,858	2,536	130,596

(in € million)

12.31.2011

Geographical area	France	Eurozone	Non-Eurozone	Total
Financial assets at fair value through profit and loss	9,805	825	236	10,866
Financial assets available for sale	7,912	948	459	9,319
Loans and receivables – credit institutions	73,489	1,020	373	74,882
Loans and receivables – customers	142	10	-	152
Financial assets held to maturity	22,685	11,703	989	35,377
Balance sheet exposure net of impairment charges	114,033	14,506	2,057	130,596

Financial assets held to maturity

These are good quality assets, essentially consisting of bonds issued or guaranteed by Eurozone countries as shown in the above tables (figures listed in millions of euros). The portion of sovereign issuers in this portfolio is 94%. In addition, 94% of portfolio positions consist of issuers with a first-class rating (AAA to A-).

Financial assets at fair value through profit and loss

The financial assets at fair value through profit and loss comprise securities. The bulk of the financial assets at fair value through profit and loss stem from bank issuers.

They consist of good quality assets mainly located in France, as shown in the above three tables (figures shown in millions of euros).

Loans and receivables – credit institutions

As part of its day-to-day business, La Banque Postale performs inter-bank transactions, including deposits and securities lending/borrowing.

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).

At the end of December 2012, La Banque Postale's inter-bank deposits amounted to €80.5 billion.

They mainly consist of deposits made to the Caisse des dépôts as a backing for the funds gathered on Livret A, Livret de Développement Durable and LEP accounts. The remaining inter-bank deposits involve French banks with a rating of at least A+.

Counterparty risk on securities lending and repos is limited by the fact that La Banque Postale only handles such instruments after signing a framework agreement which provides for collateral. As a result, the credit risk on repo/reverse repo transactions was extremely low as of December 31st 2012.

Commitments with financial institutions dropped 15% to €17.6 billion.

Sovereign risk

As of December 31st 2012, La Banque Postale's direct and indirect exposure to PIIGS amounted to €4.65 billion, including €4.15 billion in direct exposure. That amount is to be compared to an exposure of €6.06 billion as of December 31st 2011, the drop being mainly due to the repayment of certain lines that had reached maturity. The breakdown of direct and indirect sovereign exposure is as follows:

(in € million)	Total bank portfolio	Assets at fair value through p&l	Total direct exposure ⁽¹⁾	Total direct & indirect exposure ⁽²⁾	Exposure (%)
Greece	-	-	-	-	0.0%
Ireland	1	-	1	98	0.2%
Italy	1,825	-	1,825	2,020	5.1%
Portugal	1,156	-	1,156	1,328	3.3%
Spain	1,169	-	1,169	1,202	3.0%
Total PIIGs	4,151	-	4,151	4,648	11.7%
Germany	2,839	-	2,839	2,839	7.1%
Austria	68	-	68	102	0.3%
Belgium	1,879	20	1,899	1,920	4.8%
France	27,232	658	27,890	27,951	70.4%
Great Britain	1	-	1	1	0%
Luxembourg	18	-	18	18	0%
Netherlands	3	-	3	3	0%
Poland	11	-	11	11	0%
Slovakia	1	-	1	1	0%
Slovenia	2	-	2	2	0%
Supra-national	1,095	170	1,265	1,265	3.2%
Total Europe	33,149	848	33,996	34,112	85.9%
Rest of the world	958	-	958	958	2.4%
Total	38,258	848	39,106	39,718	100%

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefitting from a Government guarantee.

(1) Direct exposure: net carrying amount (including impairment) of exposure on the Bank's own account.

(2) Total exposure: direct exposure to which should be added indirect exposure in the form of guarantees provided to the Group's UCITS.

Local authority risk

Having obtained a licence to finance local authorities, La Banque Postale officially launched this new business activity at the end of 2012.

As of December 31st 2012, out of the €1.857 billion granted to local authorities, €112 million had been granted.

Corporate risk

As of December 31st 2012, La Banque Postale's exposure to the Corporate segment increased nearly 208%. This significant change reflects the launch of loans to legal entities. The weight of companies in the total credit risk exposure thus increased from 0.8% to 2.4%. La Banque Postale's corporate risk exposure essentially involves large French companies. Commitments with large companies more than doubled, reaching €5.4 billion.

Guarantees received for loans granted to legal entities

As of December 31st 2012

(in € million)	12.31.2012									
	Security rights		Guaranteed by a legal entity		Guaranteed by a private entity		No guarantee		Balance sheet (gross)	
	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
Loans to legal entities	8		78		3		638		727	
- performing loans	8	1%	78	11%	3	0.4%	638	88%	727	100%
- doubtful loans	-		-	-	-		-		-	0%
Loans to local authorities	-		-		-		112		112	
- performing loans	-		-	-	-		112	100%	112	100%
- doubtful loans	-		-	-	-		-		-	0%

Almost all outstanding loans to legal entities are without guarantees.

As of December 31st 2011

	12.31.2011									
	Security rights		Guaranteed by a legal entity		Guaranteed by a private entity		No guarantee		Balance sheet (gross)	
	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
(in € million)										
Loans to legal entities	-		-		-		141		141	
- performing loans	-		-		-		141	100%	141	100%
- doubtful loans	-		-		-		-	0%	0	0%

Credit quality of financial assets that are neither doubtful nor impaired on an individual basis

	12.31.2012		12.31.2011	
	Amounts outstanding	%	Amounts outstanding	%
(in € million)				
Performing corporate loans	727		141	100%
- without arrears	727	100%	141	100%
- with arrears	-		-	
Performing local authority loans	112			
- without arrears	112	100%	-	
- with arrears	-	100%	-	

No loan granted to legal entities or local authorities was in arrears as of the end of 2012.

The geographical breakdown of La Banque Postale's securitised assets is as follows:

Doubtful financial assets

As of December 31st 2012, 0.07% of outstanding loans to corporate and institutional customers were classed as doubtful loans, amounting to €495,000. The provisions amounted to €228,000, i.e. a hedging rate of 46%.

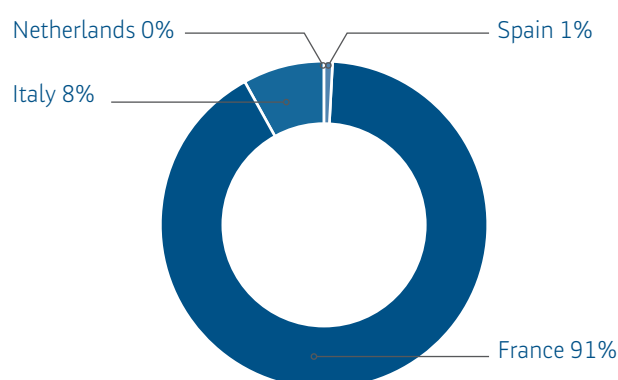
Securitisation

La Banque Postale's securitisation exposure amounted to €661 million, which breaks down between loans and receivables to credit institutions (€407 million), customer loans and receivables (€254 million) and available-for-sale financial assets (€1 million).

An investment was made with Oséo Financement in 2011, in order to back Livret A and LDD accounts. At the end of the year, La Banque Postale's trading room made another investment for which the underlying assets are receivables from the Syndicat des Transports d'Ile de France.

The other investments in this asset class were transferred to La Banque Postale when it was founded in 2006, and have since been phased out. The quality of the securitisation portfolio is therefore high: all the tranches in which La Banque Postale has invested are AAA rated, and more than 90% of positions are held in France.

Breakdown of amounts outstanding per geographic area as of December 31st 2012

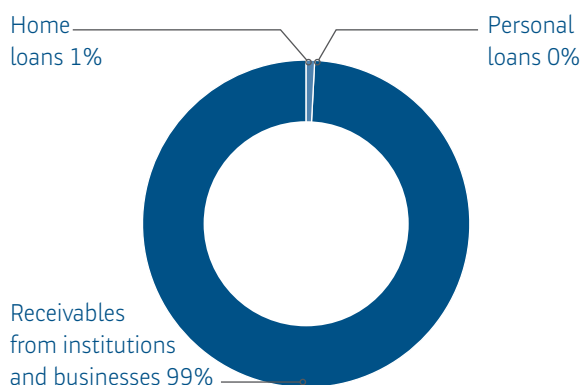


As of December 31st 2012, La Banque Postale was not aware of any potential material deterioration in the credit quality of the underlying assets of its securitisation portfolio. These underlying assets mainly consist of receivables due from French institutions and companies.

The bulk of the securitisation portfolio consists of receivables due from institutions and companies linked to the Oséo Financement securitisation process.

The breakdown of La Banque Postale's securitisation portfolio by type of underlying asset is as follows:

Breakdown of amounts outstanding according to underlying assets at December 31st 2012



Counterparty risk

According to the terminology used by La Banque Postale, counterparty risk stems primarily from forward financial instruments.

Exposure is assessed via the present value method.

These transactions primarily take place with banking counterparties. In this context, they are systematically performed as part of agreements that provide for the netting of exposure and the putting up of collateral with regular margin calls.

The residual risk, which is subject to limits and is periodically monitored by the Risk Department dedicated to Corporate, Public Sector and Institutional risks, is immaterial.

La Banque Postale is primarily exposed to counterparty risk as part of its transactions in the derivatives 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 swaps”.

4.2.7. Market risk [Audited]

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).

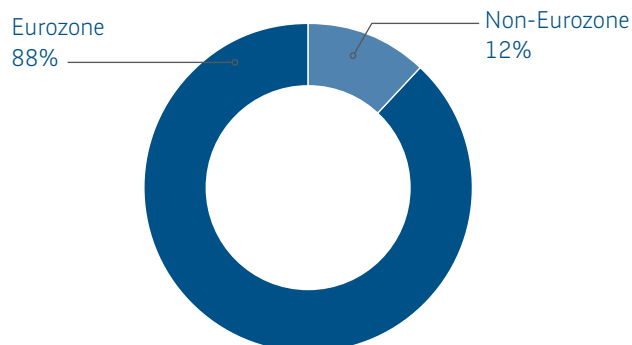
The market portfolio, which includes all transactions that are subject to market risk, not only includes the transaction portfolio, as defined in Articles 298 and 299 of the French Ministerial Decree of February 20th 2007 regarding capital requirements for credit institutions and investment firms, but also includes bank portfolio transactions, including securities available for sale and certain lending and borrowing transactions.

In terms of market risk management, La Banque Postale is first and foremost exposed to interest rate risk. Its credit spread and

At the end of 2012, total net exposure to those counterparties, after taking any collateral in place into account, was €25.6 million. All counterparties are at least A rated.

Geographical	12.28.2012	12.31.2011
Eurozone	22.6	1.2
Non-Eurozone	3	2.9
Total	25.6	4.1

Breakdown of amounts outstanding at December 28th 2012



Concentration risk

The regulations on large exposure are applied in accordance with the Decree of August 25th 2010, which specifies that institutions must comply with the following limit: the total amount of risks incurred in respect of a single beneficiary must not exceed 25% of Group net equity capital.

No beneficiary exceeded this limit as of December 31st 2012.

In addition, pursuant to Instruction 2010-I-01 issued by the *Autorité de contrôle prudentiel* (ACP - French Prudential Control Authority) La Banque Postale has declared 40 counterparties under the gross risk monitoring framework, only ten of which are considered major risks.

equity market risks are lower, and its exchange rate risk, primarily linked to international mandates and financial activities, and commodities risk, are moderate.

Assessing risk

As a cautionary measure, the Bank decided to apply a Value at Risk indicator (one-day, 99%) to all its marked-to-market positions. The limit of the indicator is reviewed by the Risk Committee on a monthly basis.

VaR is a risk indicator that is widely used for assessing a financial instrument portfolio's level of exposure to market risk in the banking and finance industry.

This indicator seeks to predict the amount of the loss that the portfolio may suffer. For instance, a one-day 99% VaR predicts the amount of the daily loss that the portfolio might experience in 1% of cases. The loss is therefore hypothetical. The aim of this risk indicator is not to calculate extremely rare losses (frequency of less than 1 per 1,000 for example). It assumes* that the positions could be unwound, or at least immunised, in less than a day. Furthermore, this indicator does not take certain aspects of the financial markets into account, such as asymmetrical distribution, fat tails, and correlated movements, or the risk relating to intra-day movements.

La Banque Postale's VaR indicator not only covers the transaction portfolio (impact on fair value through profit and loss), but also covers positions recognised as assets available for sale (impact on equity).

The VaR indicator used by La Banque Postale is a parametric VaR, calculated using a variance-covariance matrix that includes 2,835 risk factors, including interest rate, spread and exchange rate risk, volatility, and the risk of movements in the stock market indices to which the Bank is exposed. In terms of risk factors, the main approximation involves the "specific interest rate risk", *i.e.* the credit spread risk (to which bonds are sensitive) is taken into account *via* a sector-rating approach that only captures a portion of this type of risk.

This matrix is calculated using a scaling factor designed to give a higher weighting to recent movements than to older ones. La Banque Postale's implementation therefore does not cover second-degree (convex) risks, which are actually rare in its accounts.

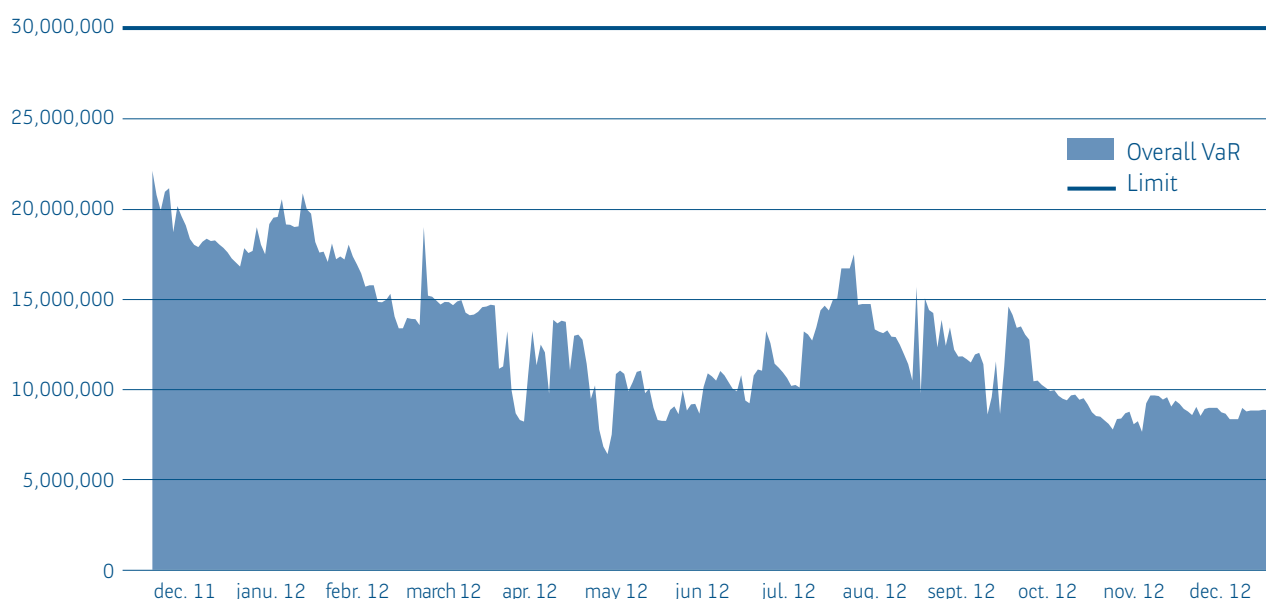
The resulting VaR partly covers option-related risks, although second-degree risks are not taken into account. Although they are not currently significant, building option positions could lead The Group Risk Management to adopt a more appropriate methodology.

The Group Risk Management back-tests the results of the model used to calculate the VaR indicator, in order to assess its quality. This testing consists of measuring compliance with certain assumptions (including normality and Markovian distribution), in addition to counting the number of overruns.

VaR assessments are supplemented by stress scenario simulations, which are run on a monthly basis in order to assess the Bank's exposure to market situations that exceed the confidence interval used for calculating the VaR.

Risk exposure

Change in VaR



Change in VaR

(in € million)

	12.31.2010	12.31.2011	12.31.2012
Overall VaR	9.3	17.0	8.3
VaR of trading portfolio transactions	9.6	2.4	2.0

* Which is another approximation, especially during a downturn.

Contributions of Risk Factors to global VaR

(in € million)	12.31.2010	12.31.2011	12.31.2012
Interest rates	6	10.6	1.9
Credit spread	2.2	3	5
Exchange rate	(0.2)	(0.1)	0.2
Equity markets	1.4	3.4	1.2
Volatility	0	0	0,0
Total	9.3	17	8.3

Statistics for 2012

(in € million)	Average	Minimum	Maximum
Overall VaR	12.7	6.4	22.1
VaR of trading portfolio transactions	2.9	0.9	6.0

In 2012, the market portfolio VaR followed fixed-income market volatility, particularly the volatility of European sovereign debt markets. This volatility eased in the second half of the year. The VaR followed that movement, ending the year at moderate levels.

The range of crisis scenarios is applied to all marked-to-market portfolios on a monthly basis. As of the end of December, the most negative impact these hypothetical scenarios could have on equity capital would be €160 million.

4.2.8. Operational risk

4.2.8.1. Governance of operational risk management procedures

Operational risk management system

La Banque Postale has adopted the following definition of operational risk, namely “the risk of loss arising from the inadequacy or failure of procedures, staff members, internal systems or external events”, as approved by the Risk Committee on January 17th 2006. This definition includes reputational risk, but excludes strategic risk.

It includes legal and non-compliance risks as defined in Paragraphs k) and p) respectively of Article 4 of the French Banking and Financial Regulation Committee Regulation 97-02.

It applies to all the business activities:

- of La Banque Postale and its subsidiaries;
- of La Poste in all sectors where it deals with transactions in the name and on behalf of La Banque Postale;
- of La Banque Postale’s service providers;
- of companies in which La Banque Postale assumes a direct and effective management role *via* an equity investment.

Functions of the Operational Risk Department

The Group Risk Management reports to the Executive Board in respect of La Banque Postale’s operational risk management and control procedures.

In this context, the Operational Risk Department, which forms part of The Group Risk Management, reports to the Risk Committee on the drafting and implementation of the operational risk management and control procedures.

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 Operational Risk Department are:

- to define the operational risk management policy;
- to supply working methods and tools to all players to enable them to identify, rate and manage operational risks;
- to make sure that the La Banque Postale Group has an operational risk map, and supply the required analyses to the following authorities: the Group Risk Committee, Audit Committee, etc.;
- to monitor the management of operational risks, in accordance with identified risk hedging plans and within the set limits;
- 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 Director of Information Systems Security (DISS) is the project manager in this area;
- to ensure that La Banque Postale Group has appropriate business continuity plans in place and conducts tests and makes the necessary improvements as required.

Its specific role is to:

- identify and monitor major risks;
- identify and monitor cross-divisional risks;
- support La Banque Postale's major projects.

In 2012, the consistency between the Operational Risk Committees and the Technical Committees (BCP, ISS, Security of Assets and Individuals) was strengthened by the Risk Managers tasked with supervising all operational risks.

Players and networks

The Operational Risk Department relies on networks of dedicated officers, staff tasked with operational activities, mainly consisting of delegated risks managers in charge of risk management procedures (risk mapping, hedging, indicators and limits) in their respective areas.

The Operational Risk Department also has appointed contact persons for IT system security, business continuity and the security of assets and individuals.

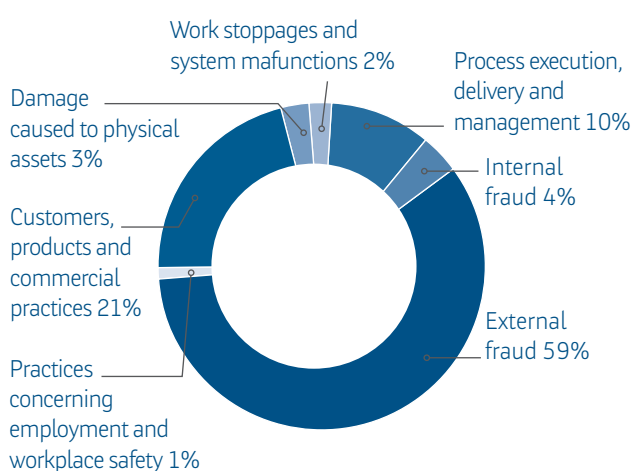
Group exposure to operational risks

In 2012, there was no significant incident within the meaning of Article 17 *ter* of CRBF Regulation 97-02.

Since 2007, the Group's main exposure has concerned "external fraud". This consists of common fraud, linked to means of payment and new distribution channels.

Financial losses linked to operational risks (average from 2009 to 2012)

Breakdown by Basel Category



Financial losses linked to operational risks (2012)

Breakdown by Business Line

Retail banking	98.96%
Commercial banking	0.86%
Asset management	0.11%
Retail brokerage	0.07%

4.2.8.2. Information systems security management guidelines

Framework

The general information systems (IS) security policy focuses its main measures on three areas:

1. taking the security policy into account across all the Bank's business line projects, and specifically adapting this policy in technical IT areas. Taking the policy into account includes end-user training and awareness-raising programmes;
2. managing major security programmes, particularly the programme involving the accreditation process that enables individuals to access the Bank's IS, and the accreditation process that enables individuals to track transactions performed on those systems;
3. assessing IS risk on an ongoing basis (ISR MAP), by identifying banking processes (e-banking, etc.) and the security criteria (DICT) affected.

4.2.8.3. Business continuity planning management guidelines

Framework

La Banque Postale's general business continuity planning (BCP) policy aims to provide a framework and consistent guidelines for business continuity, which are in line with the aforementioned issues. The policy defines the guiding principles and minimum rules to comply with at La Banque Postale.

Scenarios used

Although La Banque Postale's business continuity plan is based on one or several technical information system back-up solutions, it is not limited to just these solutions: it is a series of measures, including an organisational structure, response methods, and communication initiatives, etc.

The plan must cover extreme external stress scenarios, and be designed to cope with the crisis scenarios defined by La Banque Postale, at the very least.

The scenarios used by La Banque Postale break down into four categories:

- damage to buildings;
- information system and/or technical system failures;

- absent employees;
- unavailability of essential service providers.

The scenarios include the eight sector scenarios suggested by the marketplace “Sturdiness Group”:

- general transport strike;
- once-in-a-hundred years flood;
- pandemic;
- multiple explosive attacks;
- electricity black-out;
- NRBC (nuclear, radiation, biological, or chemical) accident or attack;
- failure of an essential marketplace supply provider;
- cyber-attack.

Organisation

The organisational structure adopted by La Banque Postale to ensure that its BCP is maintained in operating condition relies on a network of:

- Business Continuity Officers (BCOs) who are responsible for the operational roll-out of La Banque Postale’s BCP in their business lines (the Financial Centres, the IT Department, the trading business, and the Head Office departments), and for monitoring the plan and issuing related reports;
- Business Continuity Contact Persons, (BCCPs), who are the BCOs contact points in the entities and departments. The BCCPs gather information about priority processes, and implement the BCP within each entity;
- One officer per subsidiary (BCPO) who ensures the operational roll-out of the general policy and the governance of the business continuity plan under the guidance of La Banque Postale’s BCPO.

The BCPO programme has introduced a dedicated crisis management organisational structure, which enables any event that poses a threat to critical business activities to be identified on an ongoing basis (outside working hours).

Business activities covered by the BCP

In order to remain consistent with the other banks in the Paris marketplace, La Banque Postale has categorised its critical business activities according to the Banque de France’s macro-processes, and has introduced business continuity solutions for each of them.

List of processes and macro-processes:

- marketplace liquidity:
 - inter-bank lending,
 - market place systems – settlement of cross-border transactions,
 - daily liquidity management,
 - foreign exchange transactions;
- non-cash means of payment insurance management:
 - cheque transactions;
- cash management:
 - inter-bank financing and refinancing,
 - Central Bank refinancing,
 - access to Central Bank accounts and mandatory reserve management;
- financial instrument management:
 - order reception & transmission.

Management of the BCP

A summary dashboard is integrated in the dashboard presented by the Operational Risk Department to the Risk Committee. Once per year, the BCPO presents a residual risk analysis for each crisis scenario to the Risk Committee (see scenario used).

4.3. Legal risk

Legal risk is one of the risk categories covered by CRBF Regulation 97-02. It concerns banking activities, insurance activities and financial services.

With regard to legal risk management, the Legal Department has two roles: on the one hand, to provide advice to the Bank departments so they can assess the legal risk involved in their business activities and, on the other, to defend the Bank's interests.

Moreover, the Legal Department contributes to the work of the Bank's various committees:

- within the Regulatory Oversight Committee, the Legal Department defines and disseminates the policy positions concerning laws and regulations which affect the Bank's business activities;
- within the Risk Committee, Operational Risk Committee and New Products Committee, the Legal Department analyses the cases presented and issues advice;
- within the Disputes & Provisions Committee, the Legal Department discusses the litigations under way and the provisions to be booked for them;
- within the Internal Control Coordination Committee, the Legal Department takes part in reviews concerning audits and internal control activities.

Concerning interchange fees, the situation is as follows:

- Cheque Image Exchange fees (CEIC):
On September 20th 2010, the French Competition Authority* ordered 11 retail banks and the Banque de France to pay a fine

of €384.9 million for collusion regarding CEIC. The share of the fine assigned to La Banque Postale amounted to €32.9 million. On February 23th 2012, the Court of Appeal of Paris annulled the Authority's decision, deeming that no collusion had been established. The amount of the fine was reimbursed to La Banque Postale.

On March 23th 2012, the President of the Competition Authority lodged an appeal before the French Supreme Court (Cour de Cassation). The proceedings are still under way;

- Fees on other means of payment (mainly direct debits):

On February 27th 2009, the French Trade and Retailing Federation, followed by the European Means of Payment Users Defence Association on July 28th 2011, filed a claim with the Competition Authority against the imposition of fees on other means of payment by 11 banks including La Banque Postale and the Banque de France.

On July 5th 2012, the Competition Authority ruled in favour of the commitments made by the 11 banks.

To the Company's knowledge, there are no other governmental, court or arbitration proceedings, including any proceedings that are pending or threatened, likely to have or having had any significant effect on the Company and/or Group's Financial Position or profitability over the last 12 months.

* Autorité de la concurrence.

4.4. Insurance cover and policies

The insurable risks of La Banque Postale and its subsidiaries* are covered by an insurance programme that included the following policies as of December 31st 2012:

Area	Insurance policy	Comments
Cars	Car pool insurance	Staff, company, and service vehicles
	Personal vehicle insurance	Damage to an employee's personal vehicle when used during a work assignment
	Civil liability	Employer's civil liability in the event of damage to an employee's personal vehicle when used for business 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 operating civil liability	Injuries to third parties
	Professional civil liability for financial business activities	Third-party liability linked to financial business activities
	Civil liability of the directors of La Banque Postale	De facto, de jure and additional directors and officers
	Civil liability for the drafting of legal documents	Civil liability insurance for corporate lawyers
	Financial guarantee	Compulsory insurance for insurance brokers
	Civil liability of employers in relation to employee relations	-
Damages	Comprehensive – except insurance of moveable and immoveable assets/additional expenses/funds and valuables	All damages except – insurance of moveable and immoveable assets and/or additional expenses. Valuables in safes or cash dispensers and ATMs (excluding transportation)
	Comprehensive – except insurance for damages to property and/or operating losses intended for the subsidiaries	Damage to moveable and immoveable assets owned by subsidiaries of the La Banque Postale Group, regardless of their purpose
	Fraud	Internal and external fraud
	ALL IT fraud	Damage to computer data
	Banking business protection	Loss of banking business following a major incident
Transport	Civil liability and property insurance for goods being transported	Including the transportation of funds under escort.
Construction	Building defects insurance	Ten-year property damage insurance for construction projects
	All construction site risks	-
Exhibitions, sporting and cultural events	Civil liability insurance for event organisers	Civil liability insurance for events organised by the company & attendance at trade fairs and shows.
	Insurance of event attendees	Assistance & insurance for attendees of events organised by the company
	Comprehensive exhibition insurance – Door to door insurance for exhibit	-
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 set up for certain subsidiaries or business activities.

The insurance premiums paid by La Banque Postale for 2012 totalled nearly €3 million.

* Companies or equity interests in which La Banque Postale holds a stake of at least 50%; by way of exception, certain insurance coverage is extended to minority interests.

4.5. Prudential ratios

4.5.1. Prudential scope

The La Banque Postale Group is subject to prudential supervision on a consolidated basis and follows the provisions relating to additional monitoring of financial conglomerates, in accordance with Regulation 2000-03 of the Banking and Financial Regulations Committee (Comité de la réglementation bancaire et financière).

Within the prudential scope, insurance companies, the CNP Group, La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé are consolidated using the equity method.

The scope and accounting consolidation methods are presented in note 12 to the consolidated financial statements.

The La Banque Postale Group has been classified as a financial conglomerate by the French Prudential Control Authority pursuant to the terms of the EU Financial Conglomerates Directive into French law, and its equity capital must always be greater than, or equivalent to, the total solvency requirements applicable respectively to its banking and insurance business activities.

These requirements are satisfied as at December 31st 2012.

4.5.2. La Banque Postale equity capital

La Banque Postale's equity capital is managed in a way that enables it 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.

Prudential equity capital is established in accordance with Regulation 90-02 of the French Banking Regulatory Committee.

Tier 1 equity is determined using equity capital – Group share after adjustments and prudential deductions.

These adjustments and deductions consist mainly of:

- a draft dividend payout;
- deduction of goodwill and other intangible assets;
- adjustments applied to the consolidation difference between the prudential and accounting scopes relating to a financial conglomerate;
- adjustments for unrealised or deferred capital gains and losses.

At December 31st 2012, all *Tier 1* equity capital of the La Banque Postale Group was eligible for *Core Tier 1*.

Additional equity capital (*Tier 2*) is made up of specific subordinated debt underlying a discount where their residual term is less than five years (fixed-term debt).

In determining prudential equity capital, the following are deducted, half from the equity capital base and half from additional equity capital:

- other components of equity capital (investments, subordinated claims, etc.) held in entities in the insurance sector;
- other investments, subordinated claims and other components of equity capital held in financial companies exceeding the limit of 10% of equity capital of the institution holding them.

These subordinated debts and additional are limited to 50% and 100% respectively of the equity capital base.

The quality of the Bank's assets, together with the €860 million capital increase conducted in September 2011 enabled the Bank to post prudential ratios that exceeded regulatory requirements in 2012. Despite a sharp increase, the risk quality and the level of guarantees attached to the customer loan portfolio enabled the Bank to benefit from low weightings. Other assets consist primarily of a very high-quality securities portfolio, which is mainly invested in sovereign debt or similar securities.

Prudential equity capital

(€ '000s)	12.31.2012	12.31.2011
Equity capital – Group share before appropriation of income	6,465,495	5,733,844
Draft dividend payout	(258,183)	(185,471)
Minority interests	2	314
Other items and prudential deductions	(1,487,408)	(1,033,006)
Of which investments in insurance companies accounted for by the equity method	(779,234)	(712,130)
Core Tier 1 equity capital	4,719,906	4,515,681
Tier 1 equity capital	4,719,906	4,515,681
Tier 2 equity capital	897,296	885,277
Prudential equity capital	5,617,202	5,400,958

4.5.3. Capital adequacy

Pillar 1 of the solvency ratio defines the minimum capital requirements.

In accordance with Article 2.1 of the Decree of February 20th 2007 implementing the Basel II methods for calculating the solvency ratio, the following must be backed at all time by 8% of equity capital under Pillar 1: credit and counterparty risk, market risks (including exchange rate risks) and operational risks.

The solvency ratio is defined as the ratio between overall prudential equity capital and the sum of:

- total weighted exposures in respect of credit and counterparty risk;
- equity capital requirements in respect of prudential supervision of market risks and operational risks, multiplied by a factor of 12.5.

The international solvency ratio is the measure used to assess financial institutions' capacity to withstand risk. Basel regulation 2.5 has no impact on the calculation of solvency ratios of the La Banque Postale Group.

In order to calculate its equity capital requirements, the La Banque Postale Group uses a consolidated version of the standard approach for calculating credit and counterparty risk, market risk and operational risk requirements.

At December 31st 2012, the *Core Tier 1* ratio of La Banque Postale was at 12.1% (down 64 bps), the solvency ratio was at 14.4%, down 85 bps.

Prudential equity capital, weighted risks, and solvency ratios

(in € millions)	12.31.2012 (Basel 2.5)	12.31.2011 (Basel 2)
Core tier 1 equity capital	4,720	4,516
Prudential equity capital	5,617	5,401
Credit and counterparty risk	30,086	25,654
Market risk	787	1,691
Operational risk	8,268	8,160
Risk weighted assets	39,141	35,505
<i>Core Tier 1</i> ratio	12.1%	12.7%
Overall solvency ratio	14.4%	15.2%

Core Tier 1 equity capital grew €204 million in 2012, mainly due to the capitalised 2012 income.

Equity capital requirements for **credit risk** have grown €355 million in 2012 due to the development of La Banque Postale activities and in particular:

1. Home loans (including integration of the FCT Elise 2012), up €128 million;
2. Progress on securities portfolio and pensions, which rose €112 million;
3. Funding to corporate customers, up €74 million;
4. Consumer credit, up €29 million;
5. Start-up of funding to Local Authorities, up €16 million.

Market risk is down for cyclical reasons. This fall is linked to the reduction of the portfolio's duration. This is related to the implementation of the new management policy for limits on banking institutions aimed at adapting to the new Basel 3 standard. This standard provides for the attachment of SFH (covered entities) to the head of their banking group.

Financial statements as at December 31st 2012

5.1. Consolidated statement of financial position as at December 31st 2012	102
5.1.1. Income statement 2012	102
5.1.2. Consolidated balance sheet as at December 31 st 2012	103
5.1.3. Statement of net profit and gains and losses recognised directly in equity capital	104
5.1.4. Statement of changes in equity capital	105
5.1.5. Cash flow statement for the 2012 financial year	106
5.2. Notes to the consolidated financial statements	107
5.2.1. Legal and financial framework	107
5.2.2. Highlights of the period	107
5.3. Statutory Auditors' report on the consolidated financial statements as at December 31st 2012	162
5.4. Separate financial statements as at December 31st 2012	164
5.4.1. Statement of financial position	164
5.4.2. Parent company net profit	165
5.4.3. Off-balance sheet statement	166
5.4.4. Information on subsidiaries and affiliates of La Banque Postale as of December 31 st 2012	200
5.4.5. Table featuring key financial data for the past five years	202
5.5. Statutory Auditors' report on the separate financial statements	203

5.1. Consolidated statement of financial position as at December 31st 2012

5.1.1. Income statement 2012

(€ '000s)	Notes	12.31.2012	12.31.2011
Interest and similar income	4.1	6,103,047	5,650,346
Interest and similar expenses	4.1	(3,292,318)	(2,754,025)
Commissions (income)	4.2	2,156,461	2,174,311
Commissions (expenses)	4.2	(237,426)	(268,011)
Net gains or losses on financial instruments at fair value through profit and loss	4.3	244,422	83,514
Net gains and losses on assets available for sale	4.4	163,117	263,234
Income from other activities	4.5	391,674	582,307
Expenses from other activities	4.5	(287,946)	(500,984)
Net banking income		5,241,030	5,230,692
General operating expenses	4.6	(4,311,992)	(4,365,202)
Net depreciation, amortisation and impairments of tangible and intangible non-current assets		(174,176)	(157,390)
Gross operating income		754,862	708,100
Cost of risk	4.7	(151,844)	(318,223)
Operating income		603,019	389,877
Share of income from associates	3.12	176,028	160,365
Net gains and losses on other assets	4.8	(1,556)	(806)
Goodwill	4.9	14,362	(4,722)
Profit (loss) before tax		791,854	544,714
Income tax	4.10	(218,086)	(134,653)
Profit (loss) of the consolidated entity		573,767	410,061
Non-controlling interests		(257)	(2,096)
Profit (loss) for the period attributable to the owners of the parent		574,024	412,157

5.1.2. Consolidated balance sheet as at December 31st 2012

(€ '000s)	Notes	12.31.2012	12.31.2011
Assets			
Cash and central banks	3.1	2,725,691	2,643,973
Financial assets at fair value through profit and loss	3.2	6,899,791	11,016,356
Hedging derivatives	3.3	286,710	272,515
Financial assets available for sale	3.4	10,003,185	9,474,603
Loans and receivables – credit institutions	3.5	81,254,334	74,882,171
Loans and receivables – customers	3.6	49,930,597	45,082,910
Revaluation differences on interest rate risk hedged portfolios	3.8	293,386	145,129
Financial assets held to maturity	3.9	37,035,568	35,376,985
Current and deferred tax assets	3.10	294,784	377,125
Accruals and other assets	3.11	3,829,673	3,613,519
Non-current assets held for sale		-	-
Deferred profit-sharing		-	-
Investments in associates	3.12	2,333,961	1,952,180
Property, plant and equipment	3.13	500,128	487,511
Intangible assets	3.13	345,383	333,294
Goodwill	3.14	53,655	53,655
Total		195,786,844	185,711,926
Liabilities			
Financial liabilities at fair value through profit and loss	3.2	110,569	249,710
Hedging derivatives	3.3	563,290	234,123
Due to credit institutions	3.15	15,811,870	10,865,606
Due to customers	3.16	161,193,891	156,749,470
Debt securities	3.17	4,537,187	5,463,758
Current and deferred tax liabilities	3.10	24,319	8,833
Accruals and other liabilities	3.18	5,068,469	4,793,838
Underwriting reserves of insurance companies	3.19	674,214	530,496
Provisions	3.20	557,118	399,199
Subordinated debt	3.21	849,569	796,475
Equity attributable to the owners of the parent		6,416,671	5,637,618
Subscribed capital		3,185,735	3,185,735
Consolidated reserves and others		2,072,251	1,867,577
Unrealised or deferred gains or losses		584,661	172,149
Profit (loss) for the period		574,024	412,157
Non-controlling interests		(20,323)	(17,200)
Equity		6,396,348	5,620,418
Total		195,786,844	185,711,926

5.1.3. Statement of net profit and gains and losses recognised directly in equity capital

(€ '000s)	12.31.2012	12.31.2011
Profit (loss) for the period attributable to the owners of the parents	574,024	412,157
Foreign exchange gains and losses	-	-
Revaluation of financial assets available for sale	207,127	(123,180)
Revaluation of hedging derivatives	7,698	10,039
Revaluation of non-current assets	-	-
Share of gains or losses recognised directly in equity of associates	197,687	(80,256)
Total gains or losses recognised directly in equity net of tax, attributable to the owners of the parents ⁽¹⁾	412,512	(193,397)
Net profit and gains and losses recognised directly in equity, attributable to the owners of the parent	986,536	218,760
Net profit and gains and losses recognised directly in equity, non-controlling interests	7	(2,105)
Net profit and gains and losses recognised directly in equity	986,543	216,655

The amounts shown here are net of tax.

(1) Detailed information regarding the recycling of gains and losses recognised directly in equity capital, together with the tax charge for these various items is provided in Note 3.22.

5.1.4. Statement of changes in equity capital

(€ '000s)	Equity attributable to the owners of the parent						Equity attributable to the owners of the parent	Equity, non-controlling interests	Total consolidated equity
	Capital (1)	Issue premium	Legal reserves, retained earnings and other reserves	Consolidated reserves	Unrealised or deferred gains or losses net of tax, attributable to the owners of the parent (2) and (3)	Profit (loss) for the period attributable to the owners of the parent			
IFRS equity as at 12.31.2010	2,342,454		771,333	663,111	365,548	651,317	4,793,763	(9,836)	4,783,927
Allocation of 2010 net profit			534,483	116,834		(651,317)	0		0
Capital increase	843,281	16,719					860,000		860,000
Dividend 2011 paid for 2010 net profit			(292,910)				(292,910)	(2,822)	(295,732)
Sub-total of movements linked to relations with shareholders	843,281	16,719	241,573	116,834	0	(651,317)	567,090	(2,822)	564,268
Movements in gains and losses recognised directly in equity					(113,141)		(113,141)	(9)	(113,150)
2011 net profit						412,157	412,157	(2,096)	410,061
Sub-total				0	(113,141)	412,157	299,016	(2,105)	296,911
Share in movements in the equity of associates consolidated using the equity method				647	(80,256)		(79,609)		(79,609)
Other movements				57,358			57,358	(2,437)	54,921
IFRS equity as at 12.31.2011	3,185,735	16,719	1,012,906	837,950	172,151	412,157	5,637,618	(17,200)	5,620,418
Allocation of 2011 net profit			308,318	103,839		(412,157)	0		0
Capital increase							0		0
Dividend 2012 paid for 2011 net profit			(185,600)				(185,600)	(3,129)	(188,729)
Sub-total of movements linked to relations with shareholders	0	0	122,718	103,839	0	(412,157)	(185,600)	(3,129)	(188,729)
Movements in gains and losses recognised directly in equity					216,769		216,769	264	217,034
2012 net profit						574,024	574,024	(257)	573,767
Sub-total				0	216,769	574,024	790,793	7	790,800
Share in movements in the equity of associates consolidated using the equity method				(6,299)	197,687		191,388		191,388
Other movements ⁽⁴⁾				(15,585)	(1,944)		(17,529)		(17,529)
IFRS equity as at 12.31.2012	3,185,735	16,719	1,135,624	919,908	584,661	574,024	6,416,671	(20,322)	6,396,348

(1) As at December 31st 2012, the share capital of La Banque Postale consisted of 27,702,042 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 2012, unrealised or deferred gains or losses primarily included €392 million in net unrealised gains on assets available for sale recorded by the CNP Assurances Group, compared with €170 million as at December 31st 2011.

(4) The other changes noted in consolidated reserves in 2012 are mainly a result of the change in debts for put options on non-controlling interests which resulted in a loss of €17 million, and a €1.9 million gain from restatement unrealised AFS La Banque Postale prevoyance benefit profits presented in 2011, in the consolidated reserves.

Estimated dividend to be paid on the 2012 profit: €258.183 million or €9.32 per share.

5.1.5. Cash flow statement for the 2012 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, of financial assets held to maturity and of 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 the "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)	12.31.2012	12.31.2011
Profit (loss) before tax	791,854	544,714
+/- Net depreciation and amortisation of tangible and intangible non-current assets	174,175	157,390
- Change and impairment of goodwill and other non-current assets	(14,362)	4,722
+/- Net provision charges	226,594	298,065
+/- Net losses or gains on investment activities	1,356	826
+/- Net losses or gains on financing activities		
+/- Share of income from associates	(176,028)	(160,365)
+/- Other movements	(296,604)	640,463
= Total non-cash items included in net pre-tax profit and other adjustments	(84,868)	941,101
+/- Cash flows relating to transactions with credit institutions	(1,172,482)	3,292,199
+/- Cash flows relating to customer transactions	(394,621)	(168,960)
+/- Cash flows relating to other transactions that have an impact on financial assets or liabilities	2,932,215	(5,495,593)
+/- Cash flows relating to other transactions that have an impact on non-financial assets or liabilities	108,571	(268,481)
- Taxes paid	(177,765)	(170,002)
= Net increase/decrease in assets and liabilities from operating activities	1,295,918	(2,810,837)
Total net cash flows generated by operating activities (A)	2,002,904	(1,325,022)
+/- Flows linked to financial assets and investments	(1,513,269)	1,894,769
+/- Flows linked to tangible and intangible non-current assets	(199,771)	(230,876)
Total net cash flows generated by investment activities (B)	(1,713,040)	1,663,893
+/- Cash flows from or to shareholders	(188,737)	571,086
+/- Other net cash flows from financing activities	230,000	(439,469)
Total net cash flows generated by financing activities (C)	41,263	131,617
Impact of changes in exchange rates and methods on cash (D)		
Net increase (decrease) in cash and cash equivalents (A+B+C+D)	331,127	470,488
Opening cash and cash equivalents	2,569,173	2,098,685
Cash and central banks	2,643,973	2,149,998
Current accounts and overnight loans with credit institutions	(74,800)	(51,313)
Closing cash and cash equivalents	2,900,300	2,569,173
Cash and central banks	2,725,691	2,643,973
Current accounts and overnight loans with credit institutions	174,609	(74,800)
Change in net cash	331,127	470,488

5.2. Notes to the consolidated financial statements

The Group's consolidated financial statements for the financial year ending December 31st 2012 were approved by the Executive Board on February 25th 2013. They will be submitted for approval to the General Shareholders' Meeting of May 28th, 2013.

5.2.1. Legal and financial framework

Founding of La Banque Postale

La Banque Postale is the result of Efiposte, which was originally an investment company, becoming a body approved to operate as a credit institution.

This change was in line with Law No. 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 Nationale d'Épargne were transferred to La Poste on December 31st 2005. On the same date, these items, together with the assets, rights and obligations

linked to La Poste's financial services, were transferred to Efiposte, 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 investments in SF2, which acts as a holding company (including for its indirect holdings in the Caisse National de Prévoyance [National Contingency Insurance 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.

5.2.2. Highlights of the period

Changes in scope of consolidation

The "FCT Elise 2012" mutual fund entered the scope of consolidation in October 2012. La Banque Postale holds 95% of this fund's debt, while 5% is held by Crédit Foncier de France. The assets of this fund include interest free loans granted prior to 2010 to individual Banque Postale customers (when the interest-free loan was first included in the Bank's statement of financial position). It accounts for a total of around €0.9bn. This fund is fully consolidated.

The share of the Tocqueville sub-consolidation underwent a slight change during the second half of the year, rising from 90.43% to 90.97% following the redemption of units held by minority shareholders.

As a result of the CNP's dividend distribution in the form of stock options in July 2012, Sopassure acquired 20,600,619 new CNP securities. This capital increase subscribed by only some of the shareholders resulted in a dilution of shareholders who had not opted for payment in shares. Sopassure now holds 35.96% of the CNP (excluding 2% stock options). La Banque Postale's share in the CNP is now 19.98% (compared to 19.71% at the end of 2011). This additional acquisition has given the Bank a €14 million gain on acquisition in its earnings.

There were no other changes to the scope during the year.

Other highlights

Exposure to Greek sovereign debt

La Banque Postale took part in the support programme which was approved in February 2012 by the Eurogroup. La Banque Postale contributed €363 million of par value securities on March

9th 2012, most of which came from securities held to maturity by the Bank and exposures acquired from the Group's UCITs.

As a result of exchange conditions, La Banque Postale:

- has noted a debt write-off of 53.5% of the par value contributed to the support programme;
- received 15% of the par value it contributed to the support programme in the form of new securities issued by the European Financial Stability Facility (EFSF);
- received 31.5% of the par value it contributed to the support programme in the form of new securities issued by the Republic of Greece, which will be amortised linearly between the 11th and the 30th year;
- received a certificate, of the same notional value as the par value of the Greek securities received, indexed to Greece's GDP performance.

The new securities were estimated under the "financial assets available for sale" category.

The financial consequences were valued at 71.9% of the par value contributed to the support programme when the 2011 financial statements were approved.

In the days following the exchange, the newly issued Greek securities were listed on an active market. As such, La Banque Postale has recorded these Greek securities at fair market value on the day of the exchange, i.e. their value on March 12th 2012. As this value is below the value estimated the last time the financial statements were approved, an additional impairment of €18 million was recorded under cost of risk. La Banque Postale recorded

additional impairments to take into account the drop in value of the securities as at June 30th, 2012. The decrease in value continued until September 2012.

Finally, in the last quarter, La Banque Postale disposed of, then exchanged, the remainder of the securities held in its portfolio in December 2012. The exchange involved returning the assets issued by the Republic of Greece last March (for a par value of €42 million) at 34% of their par value in exchange for new EFSF assets reaching maturity after six months. This transaction led to capital gains on sale of €4 million.

At the end of December 2012, the La Banque Postale Group held no more exposure to the Republic of Greece.

Cheque image exchange fees

The €385 million fine imposed on 11 banks in 2010 by the French Competition Authority as a result of an agreement on the pricing of cheque image exchanges, was cancelled in the Paris Court of Appeal ruling of February 2012. The share paid back to La Banque Postale was €33 million, which was recorded under net banking income, under the sub-heading "income from other activities". The Competition Authority has lodged an appeal with the Court of Cassation.

Interbank fees on withdrawals (TIPs)

Following a commitment procedure supervised by the French Competition Authority, French banks have committed to abolishing interbank fees on withdrawals and TIPs. According to the terms of the agreement, the bank had initially reduced these fees by 50% at September 1st 2012.

Corrective Finance Law 2012, Finance Law 2013 and Social Security Financing Law 2013

In 2012, certain social and tax payments were reviewed in light of various finance laws. The most significant ones relate to the increase in the tax on systemic risks, the increase of the obligatory and optional social profit-sharing fee and the introduction of a wage tax on these. All of these measures result in a €10 million increase in operating expenses, including €7.8 million for "taxes and levies" and €2.2 million for employee benefits expenses.

Financing the local public sector

On February 10th 2012, La Banque Postale's Supervisory Board and the Board of Directors of La Poste Group approved the local authority financing model drawn up in the negotiations between La Banque Postale, the Caisse des dépôts et Consignations, Dexia SA, Dexia Crédit Local and the French State.

On May 25th 2012, La Banque Postale obtained approval from the Prudential Control Authority to launch a new local authority financing activity.

The launch took place in two stages:

- June: a short-term financing offer in cash credit;
- November: a medium-term financing offer in start-up loans.

In November 2012, La Banque Postale began marketing a fixed- or variable-rate, medium- to long-term loan for local authorities, for up to 15 years. The first loans are offered entirely by La Banque Postale, while it awaits final approval from the European Com-

mission for the plan for a new bank for local authorities, which would be jointly owned by La Banque Postale and the Caisse des dépôts. To refinance these new loans, the joint venture will receive support from the Société de Financement local (SFIL), which was founded on January 23rd 2013. As of January 31st 2013, 75% of the SFIL is owned by the French State, 20% is owned by the Caisse des dépôts and 5% is owned by La Banque Postale. Operational since February 1st 2013, the SFIL will refinance, via its subsidiary CFFL (an entity with the status of an entity with the covered bond label) the medium- and long-term loans offered by La Banque Postale, and subsequently by the joint venture, to local authorities, their non-profit associations and public health institutions.

Asset management

The memorandum of understanding which joined La Banque Postale and Oddo & Cie in La Banque Postale Gestion Privée was terminated in the first half of 2012. In accordance with the memorandum of understanding, the termination of the agreement led to the minority stakeholder exercising its put option. Therefore, a mediation/arbitration procedure is under way to assess the resale value of the minority shareholder's assets. This procedure should be completed in the first half of 2013. During this time, La Banque Postale Gestion Privée is continuing its set-up work independently.

La Banque Postale is developing its products and services for high net worth customers. Therefore, La Banque Postale's Supervisory Board and the Board of Directors of La Poste Group authorised La Banque Postale to buy all of La Banque Privée Européenne's capital, which had previously been owned by Crédit Mutuel Arkea. The securities' transfer was due to take place during the first half of 2013, after obtaining approvals from the regulatory authorities and after the conditions precedent in the share transfer agreement had been lifted. La Banque Postale has committed to receiving the securities in exchange for payment of an unspecified price. Also, in a previous transaction, La Banque Postale agreed to refinance the BPE debt with Crédit Mutuel Arkea at a variable rate. At December 31st 2012, this debt was estimated at approximately €1,242 million.

CNP Assurances highlights

Greek sovereign debt securities exchange plan

CNP Assurances took part in the Greek finance ministry's sovereign debt securities exchange programme. In exchange for each security held, the Group received a selection of new Greek debt securities, issued by the EFSF (European Financial Stability Facility) and warrants indexed to the performance of Greek economic growth in excess of a specified GDP target.

Since the IAS 39 derecognition criteria were met, the old securities were derecognised: the exchange transaction resulted in the recognition of a gross loss of €125 million in the income statement.

This capital loss reflects the difference between the value of securities net of impairment recorded on December 31st 2011, based on an internal valuation model taking into account the lack of liquidity in the markets observed at the time, and the market value of the new securities received in exchange.

The new securities have been named according to the following IAS 39 categories:

- new Greek sovereign securities and EFSF securities: classification in AFS and fair value equity accounting;
- GDP linked securities (warrants): recorded as drift and recorded at fair value in the income statement.

In the second quarter, the Group disposed of the new Greek sovereign securities it had obtained in the exchange, which generated an additional net capital loss of €34.2 million in the consolidated financial statements.

Dividend payment on 2011 earnings in shares

The combined general meeting of the Company's shareholders, which took place on June 29th 2012, approved the dividend proposed for the 2011 financial year, *i.e.* €0.77 per share, and decided that each shareholder could opt for their dividend payment to be made either in cash or new Company shares.

Shareholders were able to exercise this option to be paid in new Company shares from 3 to 17 July 2012 inclusive. They had until July 24th 2012 if they wanted to be paid in cash or shares.

The issue price of new Company shares as dividend payments was €7.88, *i.e.* 100% of the average first prices listed on the NYSE Euronext Paris regulated market at the 20 trading sessions prior to June 29th 2012, when the combined general meeting was held, minus the dividend amount and rounded up to the next euro cent.

The option for dividend payments in new shares was popular among the Company's shareholders, particularly its key shareholders: 86.2% of shareholders opted for share payments.

This operation resulted in 49,348,883 new shares being created on July 24th 2012, with a par value of €1 each, *i.e.* a share capital increase of €49.3 million and issue premiums of €339.5 million.

Issue of a perpetual subordinated debt

On October 18th 2012, CNP Assurances issued a perpetual subordinated debt with the following features:

- par value of \$US500 million;
- interest fixed at 7.5% until 2018, then at a fixed rate to be revised every six years, based on six-year mid swap interest rates in dollars.

An analysis of the contractual conditions has led to the perpetual subordinated debt instrument being treated as equity pursuant to the provisions of IAS 32. Therefore, it generates no exchange rate gains or losses to be recorded in the income statement, as these will be recorded as equity when interest is paid and when the debt is repurchased if this option is exercised.

Goodwill impairment test for the Italian subsidiary

The Group valued its Italian subsidiary – CNP Unicredit Vita (CUV) – and the related residual goodwill (€170 million) according to its economic environment and the volatility of interest rates and the Italian insurance market. The forecasts for the Italian economy in 2013 have been downgraded and a significant contraction in GDP is now expected. This contraction will require new budgetary measures to meet the austerity targets, against a backdrop of political uncertainty due to the forthcoming elections. The Basel 3 requirements have led banks to favour balance sheet savings products, compounding the grim economic outlook.

As regards the pronounced decreases in the banking and insurance market in recent years (17% in 2011 and 16% in 2012 – data from the end of November) the Group preferred to make cautious assumptions when forecasting CNP Unicredit Vita's future cash flows, building in, in particular, an exceptional risk premium (+500 basis points). This valuation leads us to note impairment of €170 million in CNP Unicredit Vita *i.e.* all of the existing goodwill.

Note 1

Principal valuation and presentation rules applying to the consolidated financial statements

1.1. Regulatory framework

EC Regulation 1606/2002 of July 19th 2002 requires companies whose debt securities are listed on a regulated market to apply the benchmark guidelines 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 therefore allows certain macro-hedging transactions performed as part of asset & liability management (including customer demand deposits) to be treated as fair value hedges.

The full guidelines for the standards adopted within the European Union can be consulted on the European Commission's website, at the following address:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The consolidated financial statements are presented in thousands of euros.

Presentation of the financial statements

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 Council.

1.2. Standards and interpretations applied by the Group as of January 1st 2012

Standards or interpretations	Date of adoption by the European Union (publication in the Official Journal)
Amendment to IFRS 7 "Disclosure of transfers of financial assets"	November 23 rd 2011

The application of this new provision has had no major effect.

1.3. Standards and interpretations adopted by the European Union which have not yet been applied

The IASB and the IFRIC have published standards and interpretations which were not obligatory as at December 31st 2012, but which could be applied in advance, either because they have

been adopted by the European Union, or because they provide clarification and do not contradict existing standards.

The Group has not applied these new standards and interpretations.

Standards or interpretations	Date issued by the IASB	Date of adoption by the European Union (publication in the Official Journal)	Date of entry into force
Amendment to IAS 12 – Recovery of underlying assets	December 20 th 2010	December 29 th 2012	January 1 st 2013
Amendment to IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time adopters	December 20 th 2010	December 29 th 2012	January 1 st 2013
IFRS 13 – Fair value measurement	May 12 th 2011	December 29 th 2012	January 1 st 2013
IFRS 10 – Consolidated financial statements	May 12 th 2011	December 29 th 2012	January 1 st 2014
IFRS 11 – Joins arrangements	May 12 th 2011	December 29 th 2012	January 1 st 2014
IFRS 12 – Disclosure of interests in other entities	May 12 th 2011	December 29 th 2012	January 1 st 2014
IAS 27 R – Separate financial statements	May 12 th 2011	December 29 th 2012	January 1 st 2014
IAS 28 R – Investments in associates and joint ventures	May 12 th 2011	December 29 th 2012	January 1 st 2014
Amendment to IAS 1 – Presentation of items of other comprehensive income	June 16 th 2011	June 6 th 2012	July 1 st 2012
Amendment to IAS 19 – Employee benefits	June 16 th 2011	June 6 th 2012	January 1 st 2013
Amendment to IFRS 1 – Government loans	March 13 th 2012	Not adopted	January 1 st 2013
Amendment to IFRS 7 – Disclosure – Offsetting Financial Assets and Financial Liabilities	December 16 th 2011	December 29 th 2012	January 1 st 2013
Amendment to IAS 32 – Offsetting of financial assets and financial liabilities	December 16 th 2011	December 29 th 2012	January 1 st 2014
Annual IFRS improvement – 2009-2011 cycle	May 17 th 2012	Not adopted	January 1 st 2013
IFRIC 20 – Stripping costs in the production phase of a surface mine	October 19 th 2011	December 29 th 2012	January 1 st 2013

The Group is currently reviewing the potential impact of these texts on its financial statements.

1.4. Principles adopted for the preparation of the consolidated financial statements

1.4.1. 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 as at December 31st 2012 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. Entities that are excluded even though they meet the control criteria are left out in view of three non-cumulative criteria, corresponding to an expressed percentage of the balance sheet, net banking income and net profit, as well as depending on their multi-year financial histories.

1.4.2. 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. That 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, or 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 the clauses in that company's articles of association.

Proportional consolidation

Jointly-controlled 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 target-related decisions require 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.

Particular case of special purpose vehicles

Distinct legal entities that are specifically created to manage an operation or a group of similar transactions ("special purpose vehicles") 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; those powers may have been delegated through the introduction of a self-governing system;
- 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.

1.4.3. Consolidation rules

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.

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".

At the time when the Group prepared its first consolidated financial statements according to IFRS guidelines, it made use of the option provided by IFRS 1 to transfer the exchange rate differences accumulated as at that date to equity capital. This option only applied to foreign entities that are part of the CNP Assurances Group, which adopted IFRS for the first time in 2005. In the event that these entities are subsequently sold, the sale proceeds will only include the write-back of exchange rate differences generated from January 1st 2006 onwards.

Business combinations

Business combinations that occurred before January 1st 2010

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 (2004) – 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 is 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 of value occurs.

When the recoverable value of the underlying asset, defined as the higher of the market or value in use of the underlying asset concerned, is lower than its book value, a terminal impairment is charged to the net income statement.

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

In cases where minority shares 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. Likewise, a fall in the percentage of the Group's interest in an entity over which it retains exclusive control is treated as a transaction within equity capital.

Business combinations that occurred as of January 1st 2010

The adoption of IFRS 3 (revised) changes some of the rules described above. The main changes are as follows:

- costs that are directly attributable to the business combination transaction represent a separate transaction and are recorded in the profit and loss statement;
- any potential additions to the price paid are included in the acquisition cost at fair value, as estimated at the time of acquisition, and subsequent adjustments are recorded in the profit and loss statement;
- the potential liabilities of the acquired entities are only recognised on the consolidated balance sheet if they represent an actual obligation (and no longer a potential obligation as was previously the case) at the time of the combination, and if their fair value can be estimated on a reliable basis;
- at the takeover date, minority interests may be valued either at fair value or according to their share in the fair value of the identifiable assets and liabilities of the acquired entity. The second method corresponds to the former method described above. A choice between these two methods is made for each business combination.

At the time an entity is taken over, the potential share formerly held in the latter is revalued at market value through the profit and loss statement.

Purchase undertakings granted to minority shareholders of fully consolidated subsidiaries

Minority interests correspond to investments that do not give rise to control as defined by IAS 27 and include instruments that are current shares, and grant the right to a share of net assets in the event of liquidation, and other equity instruments issued by the subsidiary and not held by the Group.

The current IAS 27 – Consolidated and separate financial statements, and IAS 32 – Financial Instruments: disclosures and presentation require the Group to record a debt offset by a reduction in minority assets under commitments to purchase minority interests. The Group has chosen to deduct the difference between the amount of the commitment and the minority interests offsetting the debt from equity capital.

Subsequent movements are recognised under reserves, Group share.

The share of net profit attributable to minority shareholders who hold purchase options is shown under “Minority interests” in the consolidated profit and loss statement.

Consolidation of the 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 contingency 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 involves 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 share of gains to which policyholders are entitled is determined according to the specific features of the policies likely to benefit from such gains.

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.

1.4.4. Segment information

The Group is divided into three separate units for management purposes:

- the Retail Banking Unit, which includes the banking or credit institution businesses, as well as the Limited Property Investment Partnerships (SCIs), and the Group holding company;
- the Asset Management Unit, which includes the Group's UCITS management companies, as well as the discretionary asset management business for high net-worth customers;
- the Insurance Unit, which includes the individual or collective casualty, contingency, life and health insurance companies.

The segment information in the Appendix is shown without any reallocation of shareholders' equity or return on this equity. The segment results are presented by breaking down the segment's internal and external income and expenditure. The tax shown is the real tax charge for each segment. Potential goodwill impairment charges are shown in the segment that the entity involved belongs to. Asset and liability items are shown after elimination of reciprocal transactions.

No presentation by geographical segment is provided, since the Group's business activities outside the domestic French market are not material.

1.5. Presentation and valuation rules

1.5.1. 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 gains and losses are recognised in the profit and loss statement.

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 the profit and loss statement if the gain or loss on the non-monetary item is recorded in the profit and loss statement, and in equity capital if the gain or loss on the non-monetary item is recognised in equity capital.

1.5.2. 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).

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

1.5.2.1. 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, if required.

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 and ancillary income such as application costs, commitment commissions, as soon as the drawdown is more likely than not, or investment commissions directly linked to the issue of the loans, which are viewed as an integral part of credit returns.

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

In addition to the information required by IAS and IFRS, La Banque Postale has continued to provide the information that was previously required and applied to individual accounts.

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

Downgrading methods for doubtful receivables

The downgrading process applies to unauthorised overdrafts, home loans and consumer credit business, lease finance and loans to corporate and institutional customers.

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.

Downgrading to bad-debt status occurs within three months of the occurrence of one or more missed payments (six months for home loans), or in cases where an over-indebtedness plan has been requested from the Banque de France even though these loans present no payment default.

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 to 'doubtful receivables' as soon as one loan to that beneficiary is downgraded within the Group.

Doubtful home loans can be reclassified as good debts once all missed payments have been made and when regular payments have resumed for at least the two following monthly instalments.

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 group of loans – was granted that is likely to lead to a loss of value. These may be loans that are at least two months in arrears, outstanding debts that are already the object 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 loans, 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 the impairment is recognised in “Cost of risk” in the profit and loss statement, and the value of the financial asset is reduced through recording an impairment charge.

Collective loan impairment

In addition, loans that are not impaired on an individual basis are analysed and impaired on a collective basis, where required. This process involves a group of “sensitive loans” that form a sub-category of performing loans: they show preliminary signs of default, but they have not yet been downgraded to bad debts.

These cases are provisioned on the basis of a likely downgrade, which is calculated based on historical observations. The risk of loss that takes the nature of the guarantee into account is calculated in the same way as for doubtful cases, and is the subject of a provision, based on the discounted recoverable cash flows.

The amount of the impairment is recognised in “Cost of risk” in the profit and loss statement, and the value of the financial asset is reduced through recording an impairment charge.

Impairment of overdrafts

Provisions recorded for doubtful loans on active accounts factor in the loan recovery performance for the year just ended according to the level of risk. For doubtful loans on closed accounts, the provisions are calculated according to a customer recovery rate based on longer track records.

Financing commitments

Financing commitments that are not viewed as derivative instruments are not shown on the balance sheet.

Guarantees

Guarantee commitments are valued according to the likelihood of these guarantees being exercised. Provisions are charged under liabilities.

1.5.2.2. 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 beginning, pursuant to the option provided by IAS 39, subject to compliance with the conditions set out in that standard, namely:

- eliminating or significantly reducing accounting mismatch. This is how the Group assesses the fair value of certain structured issues through profit or loss;

- group of financial assets/liabilities whose performance is assessed at fair value;
- compound financial instruments containing one or several embedded derivatives. The Group has specifically chosen to register some portions of compound financial instruments as financial assets at fair value through profit and loss, without separating out the embedded derivatives that should be recognised separately.

Movements in fair value are recorded in profit (or loss) for the period under “Net gains or losses on financial instruments at fair value through profit or loss”. The same applies to dividends from variable-rate securities and capital gains or losses on disposals. Income received on fixed-rate securities is recorded in “Interest and similar income”.

1.5.2.3. Financial assets held to maturity

Financial assets held to maturity are 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 or 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.

Interest-rate risk hedging transactions on this category of securities are not eligible for hedge accounting as defined by IAS 39.

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. This impairment charge is offset against the cost of risk. In the event of a subsequent improvement, the excess provision, which is redundant, is written back.

1.5.2.4. 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 they 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.

When the securities are sold, unrealised gains and losses that were previously recorded in equity capital are recycled through the profit and loss statement in "Net gains or losses on financial assets available for sale".

Impairment charges

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 an 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.

Moreover the CNP Assurances Group uses specific criteria to determine evidence of impairment on securities available for sale as part of its insurance company management process. These criteria are not re-estimated when CNP is included in the Group's consolidated financial statements via the equity method, in order to take account of the management and risk framework inherent to CNP's business activity.

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.

1.5.2.5. Date of entry

Securities are recorded on the balance sheet at their settlement and delivery date, while derivative instruments are entered at their negotiation date. Movements in fair value between the negotiation date and the settlement and delivery date are entered in profit and loss or in equity capital, depending on their accounting classification. Loans and receivables are recorded on the balance sheet at their payment date.

1.5.2.6. Reclassification of financial assets

A financial asset with a fixed or determinable yield, which was initially recorded in the "Financial Assets Available-for-Sale" category, but which, following its acquisition, can no longer be traded on an active market, and which the Group intends and is able to hold for the foreseeable future or until maturity may be reclassified in the "Loans and Receivables" category.

Reclassifications are carried out at market value on the date of reclassification and financial assets transferred in this way are then valued according to the rules applicable to their new category. The transfer price at the reclassification date represents the initial cost of the asset when determining potential impairment charges. A new EIR is then calculated in order to enable the new depreciated cost to converge towards the repayment value of the instrument. At the same time, profits and losses that were previously recorded in equity capital are amortised in the profit and loss statement over the residual life of the instrument using the effective interest rate method.

1.5.2.7. Debt

Debt that is not classified in financial liabilities at fair value is initially recorded at cost, which corresponds to the fair value of the amounts borrowed net of transaction costs. At year-end, the debt is valued at amortised cost according to the effective interest rate and recorded in the balance sheet under "Debt payable to credit institutions", "Debt payable to customers", "Debt represented by a security" or "Subordinated debt", except in cases where it has been hedged at fair value.

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, *i.e.* overnight debt (overnight deposits, ordinary accounts) or long-term debt (special scheme savings accounts). This debt includes securities and shares assigned under buyback agreements.

Debt represented by a security

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

The debt is initially recognised at face value and is then valued at amortised cost using the effective interest rate method at subsequent year-ends.

Subordinated debt

Subordinated debt includes debt where repayment is only possible once other senior or secured creditors have been repaid in the event that the debtor's assets are liquidated. This debt is valued according to the amortised cost method, except where it has been hedged at fair value.

1.5.2.8. Distinction between debts and equity: Super-subordinated, unspecified term notes

A debt instrument or a financial liability amounts to a contractual obligation to remit cash or other financial assets, or to exchange instruments under potentially unfavourable conditions. An equity capital instrument is a contract that highlights a residual interest in the net assets of an entity.

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 CNP Group are classified as “debt instruments”.

1.5.2.9. 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, a price or share price index, a credit rating 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.

Financial derivatives are broken down into two categories:

Derivatives held for transaction purposes

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 IAS 39 criteria are classified in the “Fair value hedges” or “Cash flow hedges” category, depending on the circumstances. They are recognised among “Hedging derivatives” on the balance sheet. 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 covered, the derivative financial instrument is designated as a fair value hedge, a cash flow hedge, or as 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-rate assets and liabilities and on overnight 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” while the remeasurement 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 hedging component is recognised in “Revaluation differences on portfolios hedged against interest rate risk”.

Cash flow hedges

Cash flow hedges are used to hedge exposure to movements in cash flows from financial assets or liabilities, firm commitments or future transactions. More specifically, they are used to cover interest-rate risk on reviewable-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 net 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 a net foreign currency investment

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 recorded separately when, from the beginning of the contract, 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 or loss.

Day one profit

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

1.5.2.10. 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. In the event of objective evidence of impairment, the financial guarantees given are the subject of a provision under

balance sheet liabilities. The provision is offset against the cost of risk.

1.5.2.11. 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 price quoted on 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 (multiple inputs), an intermediary or a regulatory agency, and if those prices represent real transactions (volume and price range) under normal competition conditions. 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, or 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 or of variable-income securities and futures is determined by using quoted prices. The use of valuation techniques that are based on market data usually concerns over-the-counter derivatives, securities where income is taxed at source (treasury notes, certificates of deposit, etc.) and repo deposits.

Three levels of financial instruments are shown in Note 6.2, based on the decreasing level of observability of the prices and parameters used for their valuation:

- level 1: instruments valued according to the (non-adjusted) prices quoted for identical assets or liabilities on an active market. This level primarily includes listed shares and derivatives on organised markets (futures, options, etc.);
- level 2: instruments valued according to data other than the prices listed under Level 1 and that can be observed for the asset and liability in question, either directly (prices) or indirectly (derivative price data). This level includes instruments valued using techniques that involve observable parameters and standard models, or instruments that are valued based on similar instruments listed on an active market. This category includes, interest rate swaps, caps, and floors, etc.;
- level 3: instruments valued using data that are not based on observable market data (non-observable data). This category mainly includes unlisted investment securities.

The market value of unlisted investment securities 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 price quoted for an asset held or a liability to be issued is usually the bid price, and it is the offer price for a liability held or an asset to be acquired.

1.5.2.12. 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 so as 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 on 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 cannot be treated as a financial asset transfer according to IFRS. Therefore, these transactions cannot result in derecognition of the loaned securities. They remain recognised in their original accounting category and valued according to the rules of that category.

1.5.2.13. Offsetting of financial assets and liabilities

A financial asset and liability are offset and a net balance is shown on the balance sheet only if the Group has a legally enforceable right to offset the amounts recognised, and if it has the intention either to settle the net amount or to realise the asset and settle the liability simultaneously. Repo transactions where the operating principles meet both the criteria required by the standard are offset on the balance sheet.

1.5.3. Capital lease transactions

Lease transactions are classified as capital lease transactions when they substantially result in the transfer of the risk and benefits relating to the leased asset to the lessee. They are analysed as a financing granted to the lessee for the purchase of an asset.

The present value of the payments due in respect of the agreement, plus the residual value, where applicable, is recorded as a receivable and is shown under customer loans and receivables on the balance sheet.

The interest included in the lease payments is recorded under Interest and similar income in the profit and loss statement.

The lease payments received are spread over the term of the capital lease agreement, by dividing them into amortisation of the principal and interest, so as to generate a regular and constant rate of return on the net investment. The interest rate used is the implicit interest rate in the agreement.

In the event of a decrease in the value of the unguaranteed residual values selected to calculate the net investment, the discounted value of this decrease is recorded under expenses relating to other business activities through a reduction in the property lease loan receivable under balance sheet assets.

1.5.4. 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 property.

Fixed assets are recognised at their acquisition cost plus acquisition expenses that are directly related and required to put them in working order so that they can be used.

Following their initial recognition, fixed assets are valued at cost less accumulated depreciation and any potential loss of 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 measured and is significant.

Fixed assets are depreciated in accordance with the estimated consumption rate of the 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, buildings are therefore amortised over periods ranging between 10 and 80 years:

- structural work: 80 years;
- roofing: 60 years;
- joinery and external work: 40 years;
- major equipment items: 20 years;
- minor equipment items, 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 a period of between three and seven years, depending on their useful life.

Fixed assets that are depreciated are subject to impairment tests in cases where evidence of a loss of value is identified at year-end. Fixed assets that are not depreciated are subject to impairment tests in cases where potential evidence of a loss of value is identified at year-end, and at least once a year.

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 of 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 the evidence of impairment disappears.

Depreciation, amortisation and impairment charges 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.

1.5.5. Special savings accounts

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 for PEL accounts opened before February 28th 2011, and at a rate that is reviewed annually for new generation accounts;
- an obligation to grant customers who request it a fixed rate loan when signing 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 plans, in order

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

Provisions are calculated for each generation of home loan savings schemes, without offsetting commitments for different generations of home loan savings schemes, 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 on 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 on 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 that have the same term as the deposits and were agreed on the same day.

1.5.6. 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.

Provisions and provision reversals are recorded in profit and loss on the lines that correspond to the nature of the future expenditure involved.

1.5.7. 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.

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.

1.5.8. Commission income and expenses

The Group recognises commissions in profit and loss depending on the services 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 means of payment);
- 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.

1.5.9. Cost of risk

The cost of credit risk includes impairment charges and reversals on fixed-income securities, and customer loans and receivables, as well as charges and reversals of impairment relating to guarantee commitments given, losses on receivables, and the recovery of amortised receivables.

1.5.10. Income tax

Tax payable

La Banque Postale and nine of its French subsidiaries of which it holds, directly or indirectly, 95% of the capital, are part of the La Poste Group's scope of fiscal integration: SF2, La Banque Postale Conseil en Assurances, the limited property investment partnerships CRSF DOM et CRSF Métropole, La Banque Postale Crédit Entreprises, Easybourse, OFC Finance, La Banque Postale Asset Management and La Banque Postale Structured Asset Management.

Following the amendment to the 2012 French Finance Act, the corporate income tax rate applied varies according to the level of the companies' revenues. A tax rate of 36.10% will apply to companies with revenues in excess of €250 million, while the tax rate in other cases will be 34.43%.

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, except in exceptional cases.

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 the tax within a determined time frame.

The Group uses the losses carried forward by its subsidiaries only inasmuch as these entities demonstrate their ability to make them up over a determined and reasonable timeframe via a multi-year business plan.

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 for movements in the value of derivatives classified as cash flow hedges, for which deferred tax is charged directly to equity capital.

Due to the introduction of an exceptional corporate tax and its temporary nature, the deferred tax rate applied to the financial statements as at December 31st 2012 will be kept at 34.43%, unless temporary differences definitely materialise in 2013.

1.5.11. Employee benefits

The La Banque Postale Group provides different types of benefits to its employees, civil servants and contract staff. These benefits fall into four categories:

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 end of the financial year and relate to that year. They are recognised as expenses for the financial year, including amounts still owing at year-end.

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 end of the financial year, like Working Hours Savings Accounts, for example.

A provision equivalent to the value of these commitments is recorded at year end.

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 indemnities payable more than 12 months after year-end.

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’s financial statements. Contributions paid to independent bodies are expensed in the period concerned.

A provision is recorded in balance sheet liabilities for Group employee commitments that are 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 third-party 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 rates, and the rate of increase in 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 2012 and 2011 actuarial valuations, based on private top-tier bonds, are as follows:

Commitment length	5 years	10 years	15 years	20 years
2012 discount rates (euro zone)	1.3%	2.2%	2.7%	3.0%
2011 discount rates (euro zone)	3.7%	4.7%	4.8%	4.7%

1.5.12. Share-based payments

Share-based payments involve transactions where payment takes the form of shares issued by some Group subsidiaries, 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.

The share-based payment plans introduced by these subsidiaries are the kind of plans that unwind through cash payments. An expense equivalent to the fair value of the liability is recognised under "Employee benefits expenses" in the Group financial statements from the date the employee share plans are granted. The amount is spread over the length of the entitlement period and offset by a debt, which is revalued at fair value at each year-end.

1.5.13. Non-current assets held for sale and discontinued activities

When the Group decides to sell non-current assets, and when it is highly likely that the sale will occur within 12 months, these assets are shown separately on the balance sheet under "Non-current assets held for sale".

In this context, the assets are no longer depreciated and are valued at the lower of their book value or estimated sale price.

1.5.14. Use of estimates in the preparation of the financial statements

The preparation of the financial statements involves making assumptions and estimates that may or may not prove accurate in the future. These estimates, which are based on the information available at year-end, call upon the judgement of managers and the parties involved in preparing the financial statements, particularly where assessing the fair value of financial instruments is concerned.

Whether these assumptions and estimates turn out to be accurate depends on a number of factors: fluctuations in interest and foreign exchange rates, the economic environment, and changes in regulations or legislation, etc., which means that the final outcome of the transactions concerned may differ from these estimates and have an impact on the financial statements.

The main valuation processes that require the use of assumptions and estimates are as follows:

- the valuation of financial instruments that are not listed 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 certain cases, rely on parameters that are deemed to be non-observable;
- determining the market value of unlisted investment securities 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 on the likelihood of default and general use of expert judgements;
- calculations relating to expenses linked to future employee benefits are based on discount rate assumptions, 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 is not accurately determined, and where it is likely or certain that there will be an outflow of funds for the benefit of this third party, with no consideration in an amount that is at least equivalent expected from that beneficiary. Notably, the valuation of the Home Savings provision uses assumptions of changes in customer behaviour based on historical observations which are not necessarily accurate;
- the value of the goodwill recorded when business combinations occur;
- performing goodwill impairment tests involves a certain number of assumptions;
- assessing the effectiveness of hedges in place requires the use of assumptions on changes to the hedged risks and estimates of their impact on the hedging;
- valuing commitments to buy out minority shareholders.

Note 2

La Banque Postale's risk exposure

Preamble: The note on risk exposure and regulatory ratios can now be found in the Risk Management section of the Registration Document.

The disclosures required by IFRS 7 included in this section – and which are an integral part of the notes to the consolidated financial statement – have been approved by the statutory Auditors.

2.1. La Banque Postale Group's risk exposure

(€ 000's)	12.31.2012	12.31.2011
Financial assets at fair value through profit and loss (excluding floating-rate securities)	6,853,217	10,953,017
Hedging derivatives	286,710	272,515
Financial assets available for sale (excluding floating-rate securities)	8,884,815	8,380,182
Loans and receivables – credit institutions	81,254,334	74,882,171
Loans and receivables – customers	49,930,597	45,082,910
Assets held to maturity	37,035,568	35,376,985
Balance sheet exposure net of impairment charges	184,245,241	174,947,780
Financing commitments given	17,382,565	14,278,192
Guarantees given	3,153,803	2,861,216
Off-balance sheet exposure net of impairment charges	20,536,368	17,139,408
Total net exposure	204,781,609	192,087,188

2.2. Additional information on sovereign exposure

Sovereign exposure has been identified in accordance with the scope defined by the European Banking Authority (EBA), *i.e.* by selecting exposure to regional authorities, central authorities and to companies that benefit from a Government guarantee among the data.

The exposure shown below summarises the exposure for subsidiaries in which La Banque Postale owns an interest of 50% or more. The information regarding CNP's exposure is specifically shown in the Highlights section and in the financial information issued by that company.

Sovereign exposure 2012

(€ '000s)	Total bank Portfolio	Assets at fair Value through P&L	Total direct Exposure ⁽¹⁾	Total direct & Indirect exposure ⁽²⁾	Exposure (%)
Greece	-		-	-	0.0%
Ireland	1,094		1,094	98,139	0.2%
Italy	1,825,215		1,825,215	2,020,022	5.1%
Portugal	1,156,112		1,156,112	1,327,572	3.3%
Spain	1,168,722		1,168,722	1,201,930	3.0%
Total PIIGs	4,151,143	-	4,151,143	4,647,663	11.7%
Germany	2,839,045		2,839,045	2,839,045	7.1%
Austria	68,434		68,434	101,647	0.3%
Belgium	1,879,283	19,999	1,899,282	1,919,995	4.8%
France	27,231,586	658,012	27,889,598	27,951,158	70.4%
Great Britain	577		577	577	0.0%
Luxembourg	18,360		18,360	18,360	0.0%
Netherlands	2,627		2,627	2,627	0.0%
Poland	10,946		10,946	10,946	0.0%
Slovakia	580		580	580	0.0%
Slovenia	2,399		2,399	2,399	0.0%
Supra-national	1,094,695	169,824	1,264,519	1,264,519	3.2%
Total Europe	33,148,531	847,835	33,996,366	34,111,852	85.9%
Rest of the world	958,476	-	958,476	958,476	2.4%
Total	38,258,150	847,835	39,105,985	39,717,991	100.0%

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefitting from a Government guarantee.

(1) Direct exposure: net carrying amount (including impairment) of exposure on the Bank's own account.

(2) Total exposure: direct exposure to which should be added indirect exposure in the form of guarantees provided to the group's UCITS.

Reminder of sovereign exposure 2011

(€ '000s)	Total bank Portfolio	Assets at fair Value through P&L	Total direct Exposure ⁽¹⁾	Total direct & Indirect exposure ⁽²⁾	Exposure (%)
Greece	45,351	0	45,351	96,320	0.2%
Ireland	917	0	917	86,797	0.2%
Italy	2,732,566	50,491	2,783,057	2,959,497	7.6%
Portugal	1,162,092	0	1,162,092	1,287,114	3.3%
Spain	1,599,544	0	1,599,544	1,631,809	4.2%
Total PIIGs	5,540,470	50,491	5,590,960	6,061,536	15.5%
Germany	4,491,973	0	4,491,973	4,491,973	11.5%
Austria	247,367	0	247,367	281,060	0.7%
Belgium	1,315,808	0	1,315,808	1,315,808	3.4%
France	24,111,709	1,421,560	25,533,269	25,592,981	65.5%
Great Britain	1,253	0	1,253	1,253	0.0%
Luxembourg	21,537	0	21,537	21,537	0.1%
Netherlands	13,495	0	13,495	13,495	0.0%
Poland	6,960	0	6,960	6,960	0.0%
Slovakia	511	0	511	511	0.0%
Slovenia	2,248	0	2,248	2,248	0.0%
Sweden	679	0	679	0	0.0%
Supra-national	347,279	0	347,279	347,279	0.9%
Total Europe	30,560,820	1,421,560	31,982,380	32,075,785	82.1%
Rest of the world	955,292	0	955,292	955,292	2.4%
Total	37,056,582	1,472,050	38,528,632	39,092,613	100.0%

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefitting from a Government guarantee.

(1) Direct exposure: net carrying amount (including impairment) of exposure on the Bank's own account.

(2) Total exposure: direct exposure to which should be added indirect exposure in the form of guarantees provided to the group's UCITS.

Change in sovereign exposure to PIIGs 2012

Change in direct exposure ⁽¹⁾ (€ '000s)	Dec. 2011 nominal value	Dec. 2011 Balance sheet value	Impair- ment	Maturity	Disposals	Exchange	Acquisi- tions ⁽⁴⁾	Dec. 2012 nominal value	Dec. 2012 Balance sheet value
Greece	1,673	1,673	-	-	(19,117)	(10,566)	28,010	-	-
Ireland	1,000	917	-	-	-	-	-	1,000	1,094
Italy	184,466	180,652	-	(150,000)	(7,000)	-	-	27,466	27,431
Portugal	8,500	5,272	-	-	(8,500)	-	-	-	-
Spain	5,000	4,490	-	-	(2,500)	-	-	2,500	2,269
Financial assets available for sale	200,639	193,005	-	(150,000)	(37,117)	(10,566)	28,010	30,966	30,794
Greece	42,147	43,678	-	-	(42,147)	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-
Italy ⁽²⁾	2,480,660	2,551,914	-	(733,860)	-	-	-	1,746,800	1,797,783
Portugal	1,143,800	1,156,820	-	-	-	-	-	1,143,800	1,156,112
Spain	1,570,937	1,595,053	-	(424,115)	-	-	-	1,146,822	1,166,453
Financial assets available held to maturity	5,237,544	5,347,465	-	(1,157,975)	(42,147)	-	-	4,037,422	4,120,348
Greece	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-
Italy	-	-	-	-	-	-	-	-	-
Portugal	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-
Loans & receivables	-	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-
Italy ⁽³⁾	50,491	50,491	-	-	(50,491)	-	-	-	-
Portugal	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-
Financial assets at fair value through P&L	50,491	50,491	-	-	(50,491)	-	-	-	-

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefitting from a Government guarantee.

(1) Direct exposure: amount (including impairment) of exposure on the Bank's own account, not including indirect exposure from guarantees provided to the Group's UCITS.

(2) Adjusted opening balance for the nominal value of Italian sovereign securities held to maturity to the value of €126 million.

(3) Amounts representing the balance sheet value (fair value including accrued interest).

(4) Amount corresponding to the initial fair value of the securities acquired.

Sovereign exposure that has been the subject of a support arrangement (Greece, Ireland, and Portugal)

As the exposure of the Insurance sector is not material, it is not shown separately from the banking exposure portfolio.

Identification by category

(€ '000s)	Bank Portfolio ⁽¹⁾				Assets at fair value through P&L	Balance Sheet total after impairments	Off-Balance Sheet ⁽²⁾	Total, Balance Sheet & Off-Balance Sheet
	Loans & receivables	Assets available for sale	Assets held to maturity	Total Bank Portfolio				
Greece	-	-	-	-	-	-	-	-
Ireland	-	1,094	-	1,094	-	1,094	97,045	98,139
Portugal	-	-	1,156,112	1,156,112	-	1,156,112	171,460	1,327,572
Total	-	1,094	1,156,112	1,157,206	-	1,157,206	268,505	1,425,711

(1) The values shown are expressed according to the net book value on the Balance Sheet.

(2) The off-balance sheet amounts correspond to indirect exposure through the guarantees granted to some of the Group's UCITS.

Breakdown of unrealised gains and losses recorded in reserves

(€ '000s)	Assets available for sale	Unrealised gains & losses recorded in reserves	Fair value ranking
Greece	-	-	
Ireland	1,094	53	N1
Portugal	-	-	
Total	1,094	53	

Impact of impairment charges

(€ '000s)	Total, Balance sheet & Off balance sheet	Of which impairments	Total before impairments
Greece	-	-	-
Ireland	98,139	-	98,139
Portugal	1,327,572	-	1,327,572
Total	1,425,711	-	1,425,711

Breakdown by maturity

(€ '000s)	Total, Balance sheet & Off balance sheet	Years remaining						
		1	2	3	4	5	≤10	≥10
Greece	-	-	-	-	-	-	-	-
Ireland	98,139	-	97,045	-	1,094	-	-	-
Portugal	1,327,572	82,350	272,476	558,220	414,526	-	-	-
Total	1,425,711	82,350	369,521	558,220	415,620	-	-	-

Note 3

Balance sheet notes

3.1. Cash and central banks

(€ '000s)	12.31.2012	12.31.2011
Cash	247,376	263,319
Central banks	2,478,315	2,380,654
Cash and central banks	2,725,691	2,643,973

3.2. Financial assets and liabilities at fair value through profit or loss

Assets and liabilities at fair value through profit and loss

(€ '000s)	12.31.2012			12.31.2011		
	Trading	Fair value option	Total	Trading	Fair value option	Total
Government paper and similar securities	288,991		288,991	264,268		264,268
Bonds and other fixed-income securities	6,455,074		6,455,074	10,538,659		10,538,659
Equities and other floating-rate securities	46,574		46,574	63,339		63,339
Financial assets at fair value through profit and loss	6,790,639		6,790,639	10,866,266		10,866,266
Debt securities		5,658	5,658		5,603	5,603
Financial liabilities at fair value through profit and loss		5,658	5,658		5,603	5,603

Derivatives held for transaction purposes

(€ '000s)	12.31.2012		12.31.2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	104,413	76,939	135,305	219,782
Exchange rate derivatives	2,784	7,107	13,643	9,870
Other derivative instruments	1,955	20,865	1,142	14,455
Derivatives held for transaction purposes	109,152	104,911	150,090	244,107

(€ '000s)	12.31.2012		12.31.2011	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Conditional transactions	1,955	20,865	1,142	14,455
Interest rate options	1,955	20,865	1,142	14,455
Other derivatives	107,197	84,046	148,948	229,652
Exchange rate contract	2,784	7,107	13,643	9,870
Interest rate swaps	104,413	76,939	135,305	219,782

3.3. Hedging derivatives

Fair value hedging derivatives

(€ '000s)	12.31.2012		12.31.2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	161,004	563,290	160,915	234,123
Fair value hedging derivatives	161,004	563,290	160,915	234,123

(€ '000s)	Interest rate swaps		
	Notional	Positive fair value	Negative fair value
Interest rate swaps 12.31.2012	12,749,096	161,004	563,290
Interest rate swaps 12.31.2011	11,470,824	160,915	234,123

Cash flow hedge derivatives

(€ '000s)	12.31.2012		12.31.2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	125,706		111,600	
Cash flow hedge derivatives	125,706		111,600	

(€ '000s)	Interest rate swaps		
	Notional	Positive fair value	Negative fair value
Interest rate swaps 12.31.2012	900,000	125,706	
Interest rate swaps 12.31.2011	900,000	111,600	

3.4. Financial assets available for sale

(€ '000s)	12.31.2012	12.31.2011
Government paper and similar securities	1,959,998	1,560,288
Bonds and other fixed-income securities	6,924,817	6,819,894
Equities and other floating-rate securities	1,006,774	957,925
Non-consolidated equity investments	111,596	136,496
Financial assets available for sale	10,003,185	9,474,603
• including net unrealised gains and losses on fixed-income securities	107,081	(105,076)
• including net unrealised gains and losses on floating-rate securities	13,043	(3,440)

Details of non-consolidated equity investments

	12.31.2012					12.31.2011
(€ '000s)	Book value of securities	Related advances & receivables	Impairment charges	Net Value	Share capital in %	Net value of securities
Crédit Logement	81,142			81,142	6%	108,269
AM Lab	5,387			5,387	100%	5,070
Thiriet Gestion	4,049			4,049	33%	4,259
Ciloger	3,055			3,055	45%	3,055
Oséo	3,924			3,924	0.15%	3,000
Transactis	2,474			2,474	50%	2,474
Securities	2,200			2,200	50%	2,200
Europay	1,339			1,339	6%	1,339
XAnge Private Equity	1,237			1,237	90%	1,237
Vernier Roosevelt	1,134			1,134	100%	1,134
Other	6,978	700	(2,023)	5,655		4,459
Total equity investments and consolidatable advances	112,919	700	(2,023)	111,596		136,496

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 €20.009 million as at December 31st 2012.

3.5. Loans and receivables – credit institutions

(€ '000s)	12.31.2012	12.31.2011
Current accounts in debit	240,062	87,480
Deposits and loans	77,219,627	71,749,102
Securities received under repurchase agreements	407,895	680,930
Subordinated and participating loans	182,984	183,980
Doubtful receivables	0	22
Accounts and loans – credit institutions	78,050,568	72,701,514
Securities equivalent to loans and receivables	3,203,766	2,180,657
Securities equivalent to loans and receivables	3,203,766	2,180,657
Loans and receivables – credit institutions	81,254,334	74,882,171

Securities equivalent to 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, securities from the “Assets available for sale” category now represent only €24.5 million (€18 million of which matures in 2013).

The Livret A, Livret de Développement Durable and the Livret d’Epargne Populaire centralised in the Caisse des dépôts et Consignations shown on the “Accounts and Loans” line amounted to €74,747 million as at December 31st 2012, compared with €68,487 million as at December 31st 2011.

3.6. Loans and receivables – customers

(€ '000s)	12.31.2012	12.31.2011
Current accounts in debit – customers	579,826	391,202
Short-term credit facilities	2,625,004	2,492,126
Home loans	44,993,364	41,839,766
Corporate loans	666,251	139,805
Other customer loans	41,085	54,911
Securities received under repurchase agreements	140,252	-
Doubtful receivables	402,628	309,097
Impairment charges	(216,151)	(156,573)
Loans and receivables – customers	49,232,259	45,070,334
Capital lease transactions	171,807	1,180
Doubtful receivables	495	-
Impairment charges	(228)	-
Capital lease transactions	172,074	1,180
Securities equivalent to loans and receivables	526,264	11,396
Securities equivalent to loans and receivables	526,264	11,396
Loans and receivables – customers	49,930,597	45,082,910

Securities equivalent to 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, securities from the “Assets available for sale” category now represent only €0.2 million.

Capital lease transactions

(€ '000s)	12.31.2012	12.31.2011
Amount of gross investments	174,176	1,265
• less than one year	22,239	291
• between one and five years	74,085	963
• over five years	77,852	11
Discounted value of minimum payments receivable	152,596	1,160
• less than one year	21,833	286
• between one and five years	67,233	865
• over five years	63,530	9
Unearned financial income	20,626	94
Unguaranteed residual values accruing to the lessor	954	11

3.7. Impairment of assets

(€ '000s)	12.31.2011	Provisions	Reversals	Other	12.31.2012
Loans and receivables – customers	(156,573)	(373,450)	308,246	5,398	(216,379)
• of which collective provisions	(21,332)	(86,677)	59,186	1,115	(47,708)
Assets available for sale ⁽¹⁾	(15,553)	(532)	5,374	-	(10,710)
• of which equity investments	(2,023)	-	-	-	(2,023)
Financial assets held to maturity ⁽¹⁾	(107,853)	-	107,853	-	-
Other impairment charges	(3,994)	(5,116)	1,242	(13)	(7,881)
Impairment of assets	(283,973)	(379,098)	422,715	5,385	(234,970)

(1) Reversal of impairment losses are due to Greek sovereign debt.

3.8. Revaluation differences on interest rate risk hedged portfolios

(€ '000s)	12.31.2012	12.31.2011
Revaluation differences on interest rate risk hedged portfolios	293,386	145,129
Revaluation differences on interest rate risk hedged portfolios	293,386	145,129

3.9. Financial assets held to maturity

(€ '000s)	12.31.2012	12.31.2011
Government paper and similar securities	33,162,055	31,233,423
Bonds and other fixed-income securities	3,873,513	4,143,562
Financial assets held to maturity	37,035,568	35,376,985

3.10. Current and deferred tax assets and liabilities

(€ '000s)	12.31.2012	12.31.2011
Deferred tax assets	103,054	153,565
Other tax receivables	191,731	223,560
Tax assets	294,785	377,125
Deferred tax liabilities	15,138	2,759
Other tax payables	9,181	6,074
Tax liabilities	24,319	8,833

Deferred tax assets primarily involve the home loan savings provision, temporary differences on swap provisions and on the spreading of loan commissions at the EIR.

In 2012, deferred taxes were recorded at the 34.43% rate, except where it is certain that they will unwind in 2013.

Breakdown of deferred taxes by type

(€ '000s)	12.31.2012	12.31.2011
Home Loans Savings provision	114,032	66,794
Retirement provisions	4,016	2,673
Other non-deductible provisions	18,263	60,116
Other sources of timing differences	36,972	27,910
Deferred taxes arising from timing differences	173,283	157,493
Fair value of financial instruments	(85,367)	(6,687)
Deferred taxes relating to IFRS guidelines valuation methods	(85,367)	(6,687)
Net deferred tax	87,916	150,806

3.11. Accruals and other assets

(€ '000s)	12.31.2012	12.31.2011
Prepaid expenses and income receivable	283,272	251,211
Collection accounts	61,128	79,592
Other accruals	2,266,986	1,772,632
Accruals	2,611,386	2,103,435
Sundry debtors	1,046,300	1,395,953
Securities transaction settlement accounts	6,804	7,735
Impairment	(7,881)	(3,994)
Sundry assets	1,045,223	1,399,694
Reinsurance companies share of underwriting reserves	1,248	715
Other insurance assets	171,816	109,675
Other insurance assets and reinsurance companies share of underwriting reserves	173,064	110,390
Accruals and sundry assets	3,829,673	3,613,519

3.12. Investments in associates

	12.31.2012		12.31.2011	
(€ '000s)	Equity value	Of which profit	Equity value	Of which profit
CNP Assurances Group	2,333,961	176,028	1,952,180	160,365
Investments in associates	2,333,961	176,028	1,952,180	160,365

The data published by the CNP Assurances Group show a balance sheet total of €353,216 million, revenue of €26,460 million and a net profit of €951 million as at December 31st 2012. The market value of CNP Assurances was €7,468 million as at December 31st 2012. Lastly, the MCEV (Market Consistent Embedded Value) calculated and published by CNP remains markedly higher than its value in the Group's financial statements, as accounted for via the equity method.

3.13. Tangible and intangible fixed assets

	12.31.2012			12.31.2011		
	Gross amount	Depreciation, amortisation & impairment	Net amount	Gross amount	Depreciation, amortisation & impairment	Net amount
(€ '000s)						
Software and IT development costs	750,592	(509,798)	240,794	665,409	(429,338)	236,071
Intangible assets in progress	62,986		62,986	57,947		57,947
Other intangible assets	47,608	(6,005)	41,603	42,888	(3,612)	39,276
Intangible assets	861,186	(515,803)	345,383	766,244	(432,950)	333,294
Land	72,719		72,719	72,719		72,719
Buildings	304,009	(84,841)	219,168	286,337	(68,755)	217,582
Plant, equipment and tools	86,375	(28,773)	57,602	78,094	(30,530)	47,564
IT hardware	3,655	(3,301)	354	3,383	(2,704)	679
Property, plant and equipment in progress	6,412		6,412	10,338		10,338
Other property, plant and equipment	503,743	(359,870)	143,873	467,513	(328,884)	138,629
Property, plant and equipment	976,913	(476,785)	500,128	918,384	(430,873)	487,511
Total intangible assets and property, plant and equipment	1,838,099	(992,588)	845,511	1,684,628	(863,823)	820,805

3.14. Goodwill

Movements during the period:

(€ '000s)	12.31.2012	12.31.2011
Net value as at January 1st	53,655	53,439
Goodwill arising on investments	-	-
Disposals	-	-
Impairments during the period ⁽¹⁾	-	(4,722)
Other movements	-	4,938
Net value as at December 31st	53,655	53,655

(1) Impairment in 2011 of the Easybourse goodwill.

Breakdown of goodwill:

(€ '000s)	12.31.2012	12.31.2011
Tocqueville Finance Group	27,498	27,498
La Banque Postale Asset Management	24,810	24,810
La Banque Postale Prévoyance	1,347	1,347
Easybourse	4,722	4,722
Total goodwill (gross)	58,377	58,377
Impairment of goodwill	(4,722)	(4,722)
Total goodwill (net)	53,655	53,655

3.15. Due to credit institutions

(€ '000s)	12.31.2012	12.31.2011
Current accounts in credit	58,856	83,956
Accounts and loans	786,647	401,513
Securities assigned under repo agreements	14,947,623	10,371,561
Other amounts payable	18,744	8,576
Due to credit institutions	15,811,870	10,865,606

3.16. Due to customers

(€ '000s)	12.31.2012	12.31.2011
Livret A accounts	61,755,821	56,989,529
Home loan savings schemes and accounts	26,466,507	26,250,565
Other special accounts	23,191,424	22,685,305
Special savings accounts	111,413,752	105,925,399
Current accounts in credit – customers	45,383,637	46,840,505
Securities loaned	2,875,117	2,230,788
Accounts in credit	1,253,496	1,123,263
Customer borrowings	12,055	320,004
Other amounts payable	255,834	309,511
Due to customers	49,780,139	50,824,071
Customer transactions	161,193,891	156,749,470

3.17. Debt securities

(€ '000s)	12.31.2012	12.31.2011
Bond borrowings	273,312	-
Certificates of deposit	4,263,875	5,463,758
Debt securities	4,537,187	5,463,758

3.18. Accruals and other liabilities

(€ '000s)	12.31.2012	12.31.2011
Expenses payable & advances	310,379	242,309
Other accruals	2,695,379	2,920,811
Accruals	3,005,758	3,163,120
Securities-related payables	513,545	496,254
Guarantee deposits received	385,611	337,778
Sundry payables	1,092,017	749,593
Securities transaction settlement accounts	10,229	11,178
Sundry liabilities	2,001,402	1,594,803
Other insurance liabilities	61,310	35,915
Other insurance liabilities	61,310	35,915
Accruals and sundry liabilities	5,068,469	4,793,838

3.19. Underwriting reserves of insurance companies

(€ '000s)	12.31.2011	Provisions	Reversals	Unused reversals	12.31.2012
Life insurance technical reserves	262,062	288,442	(262,062)	-	288,442
Non-life insurance technical reserves	140,882	173,025	(102,907)	-	211,001
Equalisation reserves	7,338	7,650	(7,338)	-	7,649
Other provisions	118,284	132,088	(116,639)	-	133,732
Technical reserves	528,566	601,204	(488,946)	-	640,824

(€ '000s)	12.31.2012	12.31.2011
"Shadow accounting" insurance accounts	33,390	1,930
Shadow⁽¹⁾	33,390	1,930

(1) These are reserves built up by La Banque Postale Prévoyance.

3.20. Provisions

(€ '000s)	12.31.2011	Provisions	Reversals	Unused reversals	Other	12.31.2012
Provisions for employee benefits	7,770	3,941	(18)	-	-	11,693
Provisions for risk on Home Loan Savings	194,000	137,200	-	-	-	331,200
Provisions for employee litigation and expenses	3,068	2,939	(3,006)	-	-	3,001
Provisions for signed commitments	128,295	3,938	-	(5,037)	-	127,196
Other provisions	66,066	32,798	(4,863)	(9,956)	(17)	84,028
Provisions	399,199	180,816	(7,887)	(14,993)	(17)	557,118

Home savings information (in millions of euros)

Generations	Deposits collected	Loans granted in respect of PEL and CEL accounts	2012 Provisions	2011 Provisions	Net movements
More than 10 years	8,074	-	118	80	38
4 to 10 years	4,945	-	35	2	33
Less than 4 years	7,166	-	115	5	110
Total Home Loan Savings Scheme	20,185	208	268	87	181
Total Home Loan Savings Account	6,282	1,053	63	106	(43)
Total	26,467	1,261	331	194	137

3.21. Subordinated debt

(€ '000s)	12.31.2012	12.31.2011
Subordinated debt	849,569	796,475
Subordinated debt	849,569	796,475

(€ '000s)	Date of issue	Maturity date	Rate	Currency of origin	12.31.2012
Long-term subordinated debt	11.30.2010	11.30.2020	4.375% ⁽¹⁾	Euro	750,000
Total					750,000

(1) The issue includes a mechanism for conversion to senior debt with a 30 basis point reduction in the coupon in the event that the instrument is disqualified by the regulatory authorities.

3.22. Detailed information on gains and losses recognised directly in equity

Information on the recycling of gains and losses recognised directly in equity

(€ '000s)	Movements in 2012	Movements in 2011
Exchange rate differences		
• Reclassification in net profit		
• Other movements		
Revaluation of financial assets available for sale	330,734	(187,278)
• Reclassification in net profit	61,338	19,464
• Other movements	269,396	(206,742)
Revaluation of hedging derivatives	11,740	15,311
• Reclassification in net profit		
• Other movements	11,740	15,311
Share of gains or losses recognised directly in equity of associates	323,199	(109,210)
Income tax	(253,161)	87,780
Total	412,512	(193,397)

Information on tax relating to the breakdown of gains and losses recognised directly in equity capital

	12.31.2012			12.31.2011		
(€ '000s)	Gross	Tax	Net	Gross	Tax	Net
Exchange rate differences						
Revaluation of financial assets available for sale	330,734	(123,607)	207,127	(187,278)	64,098	(123,180)
Revaluation of hedging derivatives	11,740	(4,042)	7,698	15,311	(5,272)	10,039
Share of gains or losses recognised directly in equity of associates	323,199	(125,512)	197,687	(109,210)	28,954	(80,256)
Total	665,673	(253,161)	412,512	(281,177)	87,780	(193,397)

3.23. Breakdown of balance sheet items by residual maturity

La Banque Postale's structural liquidity gap complies with its one, three and five-year limits (see *Registration Document*, "Financial management risks" chapter, "Liquidity risk exposure"), reflecting excess liquidity of €17 billion, €12 billion and €7 billion respectively.

The financial liabilities to total liabilities ratio was 11.6% at the end of 2012 (compared with 10.1% as at the end of 2011, see Note 3.23, Breakdown of balance sheet items by residual maturity).

As was the case at December 31st 2011, almost 90% of the financial liabilities mature in less than one year (issue of certificates of deposit, repurchase agreements and unsecured borrowing) and are covered by a larger liquidity reserve (€17 billion based on the one-year structural liquidity gap) arising in particular from the high-quality financial assets portfolio mentioned above.

The financial commitments (€17 billion) mostly have an overnight drawdown date. However, the cash facilities (€12 billion) may be revoked by the bank at any time provided that the notification requirements are fulfilled (see Note 5 Off-balance sheet at December 31st 2012).

As at December 31st 2012, the drawdown ratio for these cash facilities was 4.5%.

Where transactions with the European Central Bank are concerned, La Banque Postale deposits funds with the ECB in order to build mandatory reserves, as well as its short-term excess liquidity, on a marginal basis (€2.5 billion as at December 31st 2012, which corresponds to the reserve amount to be provided for; see Note 3.1 Cash and central banks), while it gathers the regulatory minimum enabling the market settlement systems to operate via the 3G pool.

In 2012, La Banque Postale did not participate in tenders enabling institutions to obtain resources from the ECB (MRO and LTRO), as it had no need, or interest in doing so.

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 date.

Investment securities and UCITs have been entered in the "Undetermined" column.

Overnight receivables and debt are shown in the "Less than three months" column.

Breakdown of balance sheet items by residual maturity as at December 31st 2012

ASSETS						
(€ '000s)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Cash and central banks	2,725,691	-	-	-	-	2,725,691
Financial assets at fair value through profit and loss	4,020,140	2,603,505	247,103	11,531	17,512	6,899,791
Hedging derivatives – Assets	13,355	1,951	124,863	146,541	-	286,710
Financial assets available for sale	146,368	625,457	6,939,217	1,262,953	1,029,191	10,003,185
Loans and receivables – credit institutions	75,908,287	1,106,781	3,270,709	958,883	9,674	81,254,334
Loans and receivables – customers	2,121,138	3,153,991	13,866,134	30,789,334	-	49,930,597
Revaluation differences on interest rate risk hedged portfolios	68	16,281	44,343	103,020	129,674	293,386
Financial assets held to maturity	196,054	2,876,663	14,515,724	19,447,127	-	37,035,568
Total	85,131,101	10,384,629	39,008,093	52,719,388	1,186,051	

LIABILITIES						
(€ '000s)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Financial liabilities at fair value through profit and loss	7,066	6,637	78,523	18,344		110,569
Hedging derivatives – Liabilities	3,324	32,854	333,697	193,415		563,290
Due to credit institutions	11,306,505	3,482,228	840,227	182,910		15,811,870
Due to customers	152,102,483	2,314,994	6,508,916	267,500		161,193,891
Debt securities	2,736,607	1,527,267	230,121	43,192		4,537,187
Subordinated debt	-	-	-	849,569		849,569
Total	166,155,985	7,363,980	7,991,483	1,554,929	-	

Breakdown of balance sheet items by residual maturity as at December 31st 2011

ASSETS						
(€ '000s)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Cash and central banks	2,643,973	-	-	-	-	2,643,973
Financial assets at fair value through profit and loss	7,438,062	2,852,258	654,856	33,251	37,929	11,016,356
Hedging derivatives – Assets	13,012	50,387	56,475	152,641	-	272,515
Financial assets available for sale	266,527	1,055,482	5,392,449	1,744,269	1,015,876	9,474,603
Loans and receivables – credit institutions	70,073,911	282,624	3,081,408	1,444,228	-	74,882,171
Loans and receivables – customers	2,187,659	2,624,059	12,080,081	28,191,111	-	45,082,910
Revaluation differences on interest rate risk hedged portfolios	-	-	-	-	145,129	145,129
Financial assets held to maturity	1,580,705	3,567,608	14,708,273	15,520,399	-	35,376,985
Total	84,203,849	10,432,418	35,973,542	47,085,899	1,198,934	

LIABILITIES						
(€ '000s)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Financial liabilities at fair value through profit and loss	11,347	11,916	158,341	68,106		249,710
Hedging derivatives – Liabilities	-	1,086	96,935	136,102		234,123
Due to credit institutions	9,408,172	1,273,659	-	183,775		10,865,606
Due to customers	149,110,859	1,035,432	6,279,140	324,039		156,749,470
Debt securities	5,204,601	259,157	-	-		5,463,758
Subordinated debt	-	-	-	796,475		796,475
Total	163,734,979	2,581,250	6,534,416	1,508,497	-	

Note 4

Notes to the profit and loss statement

4.1. Interest income and expense, and similar items

(€ '000s)	12.31.2012		12.31.2011	
	Income	Expenses	Income	Expenses
Interest and similar income on cash and inter-bank transactions	2,426,913	(22,746)	2,312,634	(83,538)
Interest and similar income on customer transactions	1,856,362	(2,727,885)	1,683,922	(2,356,670)
Interest on hedged transactions	286,888	(436,663)	79,557	(74,512)
Interest on assets available for sale and held to maturity	1,532,884	-	1,574,233	(41,529)
Interest on debt represented by a security	-	(105,024)	-	(197,776)
Interest income and expense	6,103,047	(3,292,318)	5,650,346	(2,754,025)
Net interest income and expense	2,810,729		2,896,321	

Interest income received in respect of the centralising of the Livret A, LDD and LEP funds mounted to €2,278 million as at

December 31st 2012, compared with €2,137 million as at December 31st 2011.

4.2. Commissions

(€ '000s)	12.31.2012		12.31.2011	
	Income	Expenses	Income	Expenses
Commissions on cash and inter-bank transactions	3,104	(2,139)	334	(1,586)
Commissions on customer transactions	1,325,411	(57,302)	1,319,999	(65,445)
Commissions on financial services supplied	518,844	(167,825)	542,225	(188,274)
Commissions on securities transactions	240,108	(2,537)	257,687	(1,913)
Commissions on insurance services supplied	53,638	(6,786)	37,416	(4,743)
Commissions on financial instruments	-	(838)	587	(6,050)
Other commissions	15,356	-	16,063	-
Commission income and expenses	2,156,461	(237,426)	2,174,311	(268,011)
Net commissions	1,919,035		1,906,300	

4.3. Net gains and losses on financial instruments at fair value through profit and loss

(€ '000s)	12.31.2012	12.31.2011
Net income from financial instrument held for trading (excluding derivatives)	141,751	105,568
Net income from trading derivatives	100,386	(26,809)
Net income from the revaluation of hedged items and hedge derivatives	821	6,136
Net income from financial assets designated at fair value through profit and loss	1,793	141
Net income from financial liabilities designated at fair value through profit and loss	(329)	(1,522)
Net gains and losses on financial instruments at fair value through profit and loss	244,422	83,514

4.4. Net gains and losses on assets available for sale

(€ '000s)	12.31.2012	12.31.2011
Gains on disposals of fixed-income securities	170,467	237,099
Losses on disposals of fixed-income securities	(45,835)	(17,839)
Dividends and similar income	36,354	38,857
Gains on disposals of floating-rate securities	3,819	7,099
Losses on disposals of floating-rate securities and loss of value	(1,749)	(124)
Net gains and losses on disposals of loans and receivables	60	(1,858)
Net gains and losses on assets available for sale	163,117	263,234

4.5. Income and expenses from other activities

(€ '000s)	12.31.2012		12.31.2011	
	Income	Expenses	Income	Expenses
Income paid out, re-invoiced expenses and transfers of expenses	35,781	-	34,597	-
Other sundry operating income and expenses ⁽¹⁾	80,267	(85,059)	310,477	(340,494)
Insurance income and expense	265,256	(185,112)	221,918	(153,101)
Provisions and other operating expenses	10,370	(17,775)	15,315	(7,389)
Income and expense from other activities	391,674	(287,946)	582,307	(500,984)
Net income and expense from other activities	103,728		81,323	

(1) In 2012, it recorded €33 million, which was repaid to La Banque Postale by the Competition Authority after the cancellation of the fine for cheque image exchanges in a ruling by the Paris Court of Appeal in February 2012. The Competition Authority has lodged an appeal with the Court of Cassation.

4.6. General operating expenses

(€ '000s)	12.31.2012	12.31.2011
Employee benefits expenses	(330,073)	(304,368)
Taxes and duties	(60,627)	(48,102)
External services	(3,744,765)	(3,849,344)
Other expenses	(176,527)	(163,388)
Other general operating expenses	(3,981,919)	(4,060,834)
General operating expenses	(4,311,992)	(4,365,202)

General sub-contracting expenses mainly include expenses of €3,109 million relating to the service agreements between

La Poste and La Banque Postale as at December 31st 2012. These expenses amounted to €3,200 million as at December 31st 2011.

4.7. Cost of risk

(€ '000s)	12.31.2012	12.31.2011
Impairments on customer accounts	(378,360)	(97,541)
Reversals of impairment on customer accounts	309,420	67,786
Losses on unrecoverable impaired receivables	(178,943)	(57,353)
Losses on unimpaired unrecoverable receivables	(23,267)	(18,776)
Recovery of amortised receivables	5,247	4,826
Impairment on past-due financial assets	-	(113,175)
Reversals of impairment on past-due financial assets	113,000	24,292
Other impairment charges and/or reversals	1,060	(128,282)
Cost of risk	(151,844)	(318,223)

4.8. Gains and losses on other assets

(€ '000s)	12.31.2012	12.31.2011
Gains and losses on disposals of intangible & tangible non-current assets	(890)	(1,360)
Gains and losses on disposals of consolidated investments	(666)	554
Gains and losses on other assets	(1,556)	(806)

4.9. Goodwill

(€ '000s)	12.31.2012	12.31.2011
CNP ⁽¹⁾	14,362	-
Easybourse	-	(4,722)
Goodwill	14,362	(4,722)

(1) The gain on acquisition of €14.362 million is a result of the CNP dividend distribution in the form of shares (by option) in July 2012. This capital increase subscribed by only some of the shareholders resulted in a dilution of shareholders who had not opted for payment in shares. Sopassure now holds 35.96% of the CNP (excluding 2% stock options). La Banque Postale's share in the CNP is now 19.98% (compared to 19.71% at the end of 2011).

4.10. Income tax and deferred taxes

(€ '000s)	12.31.2012	12.31.2011
Current tax	(296,380)	(172,027)
Deferred tax	78,294	37,374
Income tax	(218,086)	(134,653)

Breakdown of the tax charge

(€ '000s)	12.31.2012	12.31.2011
Profit (loss) for the period attributable to the owners of the parent	574,024	412,157
Non-controlling interests	(257)	(2,096)
Share of income from equity associates	(176,028)	(160,365)
Negative goodwill	(14,362)	-
Income tax expense	218,086	134,653
Accounting result before tax	601,463	384,349
Theoretical income tax expense	(217,128)	(132,331)
Impact of permanent timing differences	6,921	(934)
Impact of tax rates	(1,506)	(5,247)
Impact of dividend taxation	(891)	(3,960)
Other impacts	(5,482)	7,819
Recognised income tax expense	(218,086)	(134,653)

The other effects primarily consist of the net balance between the unused losses generated by some subsidiaries, which were not used during the financial year, and the use of prior losses carried forward by other subsidiaries in 2012.

Note 5

Commitments given and received

Contractual value of commitments given and received:

(€ '000s)	12.31.2012	12.31.2011
Financing commitments		
• to credit institutions	70,168	43,640
• to customers	17,312,397	14,234,552
Total financing commitments given	17,382,565	14,278,192
• from credit institutions	2,038,448	4,024,913
• from customers	-	-
Total financing commitments received	2,038,448	4,024,913
Guarantees		
• to credit institutions	382,927	355,221
• to customers ⁽¹⁾	2,770,876	2,505,995
Total guarantees given	3,153,803	2,861,216
From credit institutions	25,727,297	23,932,416
Total guarantees received	25,727,297	23,932,416
Commitments on securities		
Deliverable securities	218	2,775
Total commitments given on securities	218	2,775
Securities receivable	2,720	677
Total commitments received on securities	2,720	677
Other commitments		
Other commitments given	1,677,019	2,731,656
Total other commitments given	1,677,019	2,731,656

(1) Including the capital and performance guarantees granted to holders of UCITS units issued by Group entities.

Crédit Logement commitment

La Banque Postale has committed to maintain Crédit Logement's basic equity capital at a level equivalent to their holding in the company, i.e. 6%, so that the company can maintain its solvency ratio. La Banque Postale has agreed to replenish Crédit Logement's mutual guarantee fund if required, which underwrites 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 €383 million as at December 31st 2012.

La Banque Privée Européenne commitment

As part of the La Banque Privée Européenne purchase plan, La Banque Postale agreed to receive securities in exchange for an indeterminate price. Furthermore, in a previous operation, La Banque Postale had agreed to refinance La Banque Privée Européenne's variable-rate debt with Crédit Mutuel Arkea. At December 31st 2012, this debt was estimated at approximately €1.242 billion.

Fair value of assets received as guarantees and which are available to the Group

The fair value of the securities received under repo arrangements amounted to €2,591,601 thousand as at December 31st 2012.

Note 6

Fair value of balance sheet items

6.1. 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.

ASSETS				
(€ '000s)	12.31.2012		12.31.2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables – credit institutions	81,254,334	81,367,740	74,882,171	74,973,670
Loans and receivables – customers	49,930,597	55,669,365	45,082,910	49,141,216
Financial assets held to maturity	37,035,568	40,200,835	35,376,985	35,774,088

LIABILITIES				
(€ '000s)	12.31.2012		12.31.2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Due to credit institutions	15,811,870	15,811,563	10,865,606	10,863,617
Due to customers	161,193,891	161,195,650	156,749,470	156,436,196
Debt securities	4,537,187	4,537,733	5,463,758	5,466,697
Subordinated debt	849,569	899,901	796,475	651,199

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 assumptions underlying the determination of fair value are as follows for the loans marketed by the bank:

- the fair value of overnight overdrafts is presumed to correspond to the book value. This assumption seems conservative given the customer rate (12%) and the very short term (less than one month);
- the fair value of loans is determined on the basis of internal models, which consist in discounting future recoverable capital and interest flows over the residual maturity, which are discounted based on the rate of internal disposals.

Fair value of deposits

The main underlying assumptions for the calculation are as follows:

- for deposits where the remuneration rate is regulated, Livret B accounts, savings accounts for young people, national savings accounts and term deposits, fair value is assumed to be the carrying amount of the amount outstanding;
- the fair value of overnight deposits is assumed to correspond to the net book value of the amount outstanding, net of the fair cost value of the swaps used to hedge overnight deposits (via the carve-out option).

Held or issued debt instruments

The fair value of listed financial instruments corresponds to the closing price. The fair value of unlisted financial instruments is determined by discounting future cash flows at current year-end market rates.

6.2. Ranking of the financial assets and liabilities recognised on the balance sheet by fair value

The definitions of the valuation methods according to Levels 1, 2 or 3 are specified on page 119.

Financial assets

(€ '000s)	12.31.2012			12.31.2011		
	Value determined using listed prices on an active market (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Value determined using listed prices on an active market (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)
Government paper and similar securities	288,991			264,268		
Bonds and other fixed-income securities	2,437,709	4,017,365		2,433,062	8,105,597	
Equities and other floating-rate securities	46,574			63,339		
Financial assets at fair value through profit and loss	2,773,274	4,017,365		2,760,669	8,105,597	
Equities and other floating-rate securities						
Financial assets designated at fair value through profit and loss						
Interest rate derivatives		104,413			135,305	
Exchange rate derivatives		2,784			13,643	
Equity and equity-index derivatives		1,955			1,142	
Transaction derivatives		109,152			150,090	
Interest rate derivatives		161,004			160,915	
Fair value hedging derivatives		161,004			160,915	
Interest rate derivatives		125,706			111,600	
Cash flow hedge derivatives		125,706			111,600	
Government paper and similar securities	1,919,066	40,932		1,560,288		
Bonds and other fixed-income securities	6,468,408	456,409		6,512,890	307,004	
Equities and other floating-rate securities	1,006,774			945,633	12,292	
Non-consolidated equity investments	3,924	87,663	20,009		114,355	22,141
Financial assets available for sale	9,398,172	585,004	20,009	9,018,811	433,651	22,141

Transfers from Level 1 to Level 2: nil.

Transfers from Level 2 to Level 1: €23,941,000. This transfer corresponds to a bond-type security for which there was no market price in 2011; prices are now available as at December 31st 2012.

Financial liabilities

	12.31.2012			12.31.2011		
	Value determined using listed prices on an active market (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Value determined using listed prices on an active market (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)
(€ '000s)						
Debt securities		5,658			5,603	
Financial liabilities designated at fair value through profit and loss		5,658			5,603	
Interest rate derivatives		76,939			219,782	
Exchange rate derivatives		7,107			9,870	
Other derivative instruments		15,943			14,043	
Equity and equity-index derivatives		4,922			412	
Transaction derivatives		104,911			244,107	
Interest rate derivatives		563,290			234,123	
Fair value hedging derivatives		563,290			234,123	

Transfers from Level 1 to Level 2: nil.

Transfers from Level 2 to Level 1: nil.

Level 3 fair value valuations: reconciliation of opening and closing balances

	12.31.2012					
	Financial assets at fair value through profit and loss	Financial assets designated at fair value through profit and loss	Transaction derivatives	Hedging derivatives	Financial assets available for sale	Total
(€ '000s)						
Opening					22,141	22,141
Total gains and losses recorded in profit and loss					-	-
Total gains and losses recorded in equity					-	-
Purchases					523	523
Sales					(144)	(144)
Issues					-	-
Repayments					-	-
Other movements					490	490
Transfers to or outside of the Level 3 category					(3,000)	(3,000)
Transfers within the Level 3 category					-	-
Closing					20,009	20,009
Total gains and losses recorded in profit and loss for assets held as at 12.31.2012						

Level 3 fair value valuations: gains and losses for the period recorded in profit and loss

None.

Note 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 as "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.

There were no reclassifications during 2012 and 2011.

Amounts reclassified

(€ '000s)	12.31.2012		12.31.2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets available for sale reclassified in loans and receivables	24,820	23,913	117,142	114,467

These assets mature between 2013 and 2016.

Amounts recognised in profit and loss and equity capital in respect of reclassified assets (before tax)

(€ '000s)	12.31.2012		12.31.2011	
	Net profit	Equity	Net profit	Equity
Assets available for sale reclassified in loans and receivables				
• Interest and similar income on cash and inter-bank transactions	275		2,969	
• Impairment charges				
• Unrealised gains and losses on assets available for sale				

Amounts that would have been recognised in profit and loss and equity capital if the assets had not been reclassified (before tax)

(€ '000s)	12.31.2012		12.31.2011	
	Net profit	Equity	Net profit	Equity
Assets available for sale reclassified in loans and receivables				
• Impairment charges				
• Unrealised gains and losses on assets available for sale		(912)		(3,481)

Note 8

Segment information

La Banque Postale Group is structured around the following divisions:

- **Retail Banking**, which includes the business activities of La Banque Postale, the CRSF Métropole and CRSF Dom Limited Property Investment Partnerships that own the business premises of the Bank, La Banque Postale Financement, Easy-bourse, La Banque Postale Crédit Entreprises, as well as the SF2 holding company and the Elise 2012 mutual fund;
- **The insurance division** consists of the CNP Assurances Group, La Banque Postale Prévoyance, La Banque Postale Assurance Santé, La Banque Postale Assurances IARD, La Banque Postale Conseil en Assurances and Sopassure;

- **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.

8.1. Breakdown of results by business segment

Net banking income by business segment as at December 31st 2012

	Retail banking		Insurance		Asset management	
	External activity	Inter-segment eliminations	External activity	Inter-segment eliminations	External activity	Inter-segment eliminations
(€ '000s)						
Interest and similar income	6,096,572	6,364	6,397	173	78	80
Interest and similar expenses	(3,290,095)	(80)	(2,223)	(6,294)		(243)
Commission income	1,863,260	151,387	53,835	7,960	239,366	12,656
Commission expenses	(199,644)	(20,475)	(7,725)	(47,644)	(30,057)	(103,884)
Net gains and losses on financial instruments at fair value through profit and loss	242,472		1,938		12	
Total net gains and losses on AFS assets	140,160		19,996		2,961	
Total income and expense from other activities	25,336	(729)	79,654	525	(1,262)	204
Internal/external net banking income	4,878,061	136,467	151,871	(45,280)	211,098	(91,187)
Net banking income by segment	5,014,528		106,591		119,911	
Net banking income			5,241,030			

Net banking income by business segment as at December 31st 2011

	Retail banking		Insurance		Asset management	
(€ '000s)	External activities	Inter-segment activities	External activities	Inter-segment activities	External activities	Inter-segment activities
Interest and similar income	5,644,219	1,068	6,125		3	371
Interest and similar expenses	(2,752,676)	(42)	(1,349)	(995)		(402)
Commissions (income)	1,880,646	158,463	36,962	7,555	256,703	11,879
Commissions (expenses)	(229,270)	(18,827)	(5,330)	(41,174)	(33,411)	(117,896)
Net gains or losses on financial instruments at fair value through profit and loss	83,080		415		19	
Gains or losses on assets available for sale	242,024		17,951		3,259	
Income and expense from other activities	13,080	(795)	69,029	310	(786)	484
Internal/external net banking income	4,881,103	139,867	123,803	(34,304)	225,787	(105,564)
Net banking income by segment	5,020,970		89,499		120,223	
Net banking income			5,230,692			

Net profit by business segment as at December 31st 2012 (excluding the remuneration cost of equity capital for each segment)

(€ '000s)	Retail banking	Insurance	Asset management	Total
Net banking income	5,014,528	106,591	119,911	5,241,030
General operating expenses	(4,190,372)	(55,816)	(65,804)	(4,311,992)
Net depreciation, amortisation and impairments of tangible and intangible non-current assets	(170,833)	(1,350)	(1,993)	(174,176)
Gross operating income	653,323	49,425	52,114	754,862
Cost of risk	(147,880)	(3,964)	-	(151,844)
Operating income	505,443	45,462	52,114	603,019
Share of income from equity associates		176,028		176,028
Gains and losses on other assets	(1,557)	-	1	(1,556)
Goodwill		14,362		14,362
Earnings before tax	503,886	235,853	52,115	791,854
Income tax	(173,432)	(25,530)	(19,124)	(218,086)
Profit (loss) of the consolidated entity	330,454	210,322	32,991	573,767
Non-controlling interests	(4,812)	8,216	(3,147)	257
Profit (loss) for the period attributable to the owners of the parent	325,642	218,538	29,844	574,024

Net profit by business segment as at December 31st 2011 (excluding the remuneration cost of equity capital for each segment)

(€ '000s)	Retail banking	Insurance	Asset management	Consolidated profit (loss)
Net banking income	5,020,970	89,499	120,223	5,230,692
General operating expenses	(4,246,578)	(52,383)	(66,241)	(4,365,202)
Net depreciation, amortisation and impairments of tangible and intangible non-current assets	(154,902)	(982)	(1,506)	(157,390)
Gross operating income	619,490	36,134	52,476	708,100
Cost of risk	(313,120)	(5,103)		(318,223)
Operating income	306,370	31,031	52,476	389,877
Share of income from equity associates		160,365		160,365
Gains or losses on other assets	(775)	(3)	(28)	(806)
Impairment of goodwill	(4,722)			(4,722)
Earnings before tax	300,873	191,393	52,448	544,714
Income tax	(95,981)	(21,453)	(17,219)	(134,653)
Consolidated profit (loss)	204,892	169,940	35,229	410,061
Non-controlling interests	3,806	(9,913)	4,011	(2,096)
Profit (loss) for the period attributable to the owners of the parent	201,086	179,853	31,218	412,157

8.2. Balance sheet items by business segment

Balance sheet items by business segment as at December 31st 2012

	Retail banking	Insurance	Asset management	Inter-segment eliminations	Total
(€ '000s)					
Segment assets					
Cash and central banks	2,725,691				2,725,691
Financial assets at fair value through profit and loss	6,868,047	31,744			6,899,791
Hedging derivatives	286,710				286,710
Financial assets available for sale	10,600,978	710,636	58,279	(1,366,708)	10,003,185
Loans and receivables	131,176,889	795	39,017	(31,771)	131,184,931
Investments in associates		2,333,961			2,333,961
Segment liabilities					
Financial liabilities at fair value through profit and loss	110,569				110,569
Hedging derivatives	563,290				563,290
Inter-bank transactions and similar: Payables – credit institutions	15,810,199	1,670	(112)	113	15,811,870
Customer transactions	161,205,929		19,846	(31,884)	161,193,891
Debt securities	4,537,187				4,537,187

Balance sheet items by business segment as at December 31st 2011

	Retail banking	Insurance	Asset management	Intra-group and intersegment	Total
(€ '000s)					
Segment assets					
Cash and central banks	2,643,973				2,643,973
Financial assets at fair value through profit and loss	10,985,763	30,593			11,016,356
Hedging derivatives	272,515				272,515
Financial assets available for sale	10,198,047	572,652	60,260	(1,356,356)	9,474,603
Loans and receivables	119,961,216	752	35,765	(32,652)	119,965,081
Investments in associates		1,952,180			1,952,180
Segment liabilities					
Financial liabilities at fair value through profit and loss	249,710				249,710
Hedging derivatives	234,123				234,123
Inter-bank transactions and similar: Payables – credit institutions	10,860,360	5,604		(358)	10,865,606
Customer transactions	156,761,919		19,846	(32,295)	156,749,470
Debt securities	5,463,758				5,463,758

Note 9

Related parties disclosure

The parties related to La Banque Postale include the main directors of Le Groupe La Poste and the companies consolidated by that Group, wholly or jointly controlled subsidiaries and companies on which the Group has a significant influence. La Banque Postale is an entity controlled by Le Groupe La Poste.

9.1. Relationships between consolidated entities

As transactions between La Banque Postale's fully consolidated entities are eliminated on consolidation, the data provided below refer only to reciprocal transactions with companies over which the

Group exercises joint control in respect of the portion of those activities not eliminated on consolidation and to those companies over which it exercises a material influence.

	12.31.2012			12.31.2011		
	With La Poste Group entities ⁽¹⁾	With La Banque Postale Group entities		With La Poste Group entities ⁽¹⁾	With La Banque Postale Group entities	
(€ '000s)		Proportional consolidation	Equity method		Proportional consolidation	Equity method
Interest income and expenses	(5,644)			(5,283)		
Commissions	12,918	47,765	537,610	12,136	40,676	525,919
Net income from other activities	16,397			22,659	6	
NBI items shared with related parties	23,671	47,765	537,610	29,512	40,682	525,919
Loans	8,326			54,983		
Other financial assets						
Other assets	123,912	21,360	47,062	202,706	16,394	90,332
Total assets with related parties	132,238	21,360	47,062	257,689	16,394	90,332
Debt	800,790	16	51,925	512,979	458	50,630
Other financial liabilities						
Other liabilities	38,426			83,200		
Total liabilities with related parties	839,216	16	51,925	596,179	458	50,630
Commitments given	573,406			527,867		
Commitments received						
Total commitments shared with related parties	573,406	-	-	527,867	-	-

(1) These are almost entirely transactions with La Poste.

9.2. 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.

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

Philippe Wahl received a remuneration amount from La Poste due to the fact that he has an employment contract, which was made necessary by the Post Office Banking system that appointed him Head of La Poste Financial Services Department (Financial Centres). This remuneration has been included in the amounts presented below.

The remuneration of Management Board members consists of a yearly fixed remuneration component, which may be increased by a yearly capped variable component.

The total gross remuneration paid to members of the Management Board was €1,225,000 as at December 31st 2012 and €2,318,000 at December 31st 2011.

The remuneration paid to members of the Executive Committee other than members of the Executive Board, is detailed below:

(€ '000s)	2012	2011
Remuneration and benefits in kind	4,805	3,948
Post-employment benefits	500	650
Total	5,305	4,598

These items may be supplemented by severance payments in the event that their appointments at La Banque Postale are terminated.

Note 10

Statutory Auditors' fees

In respect of the 2012 financial year

	Statutory Auditors of La Banque Postale				Other auditor occurring in a significant way for the audit of La Banque Postale	
	PricewaterhouseCoopers Audit		KPMG		Mazars	
	Amount	%	Amount	%	Amount	%
(€ '000s)						
Statutory audit duties, review of the separate and consolidated financial statements	544	54%	369	91%	287	62%
Parent company	328	33%	328	81%	-	0%
Fully consolidated subsidiaries	216	22%	41	10%	287	62%
Other services relating directly to the Statutory Auditors' remit	459	46%	36	9%	-	0%
Parent company	459 ⁽¹⁾	46%	36	9%	-	0%
Fully consolidated subsidiaries	-	0%	-	0%	-	0%
Other services	-	0%	-	0%	178	38%
Parent company	-	0%	-	0%	178	38%
Total	1,003	100%	405	100%	465	100%

(1) Consists principally of fees for work relating to the purchase of a company.

In respect of the 2011 financial year

	Statutory Auditors of La Banque Postale					
	PricewaterhouseCoopers Audit		KPMG		Mazars	
	Amount	%	Amount	%	Amount	%
(€ '000s)						
Statutory audit duties, review of the separate and consolidated financial statements	512	88%	214	80%	593	91%
Parent company	385	66%	190	71%	380	58%
Fully consolidated subsidiaries	127	22%	24	9%	213	33%
Other services relating directly to the Statutory Auditors' remit	72	12%	54	20%	62	9%
Parent company	72	12%	54	20%	62	9%
Fully consolidated subsidiaries	-	0%	-	0%	-	0%
Other services	-	0%	-	0%	-	0%
Total	584	100%	268	100%	655	100%

Note 11

Events after the reporting period

None.

Note 12

Scope of consolidation

				2012		2011	
Companies	Nationality	Method ⁽¹⁾	Movements ⁽³⁾	% Control	% Interest	% Control	% Interest
Retail banking							
La Banque Postale	French	Parent		100.00	100.00	100.00	100.00
SCI CRSF DOM ⁽²⁾	French	Full		99.94	99.94	99.94	99.94
SCI CRSF MÉTROPOLE ⁽²⁾	French	Full		100.00	100.00	100.00	100.00
SF2	French	Full		100.00	100.00	100.00	100.00
La Banque Postale Financement	French	Full		65.00	65.00	65.00	65.00
La Banque Postale Crédit Entreprises	French	Full		100.00	100.00	100.00	100.00
Easybourse	French	Full		100.00	100.00	100.00	100.00
FCT Elise 2012	French	Full	Acquisition	95.00	95.00		
Insurance							
Groupe CNP ASSURANCES	French	Equi.	Add. acquis.	35.96	19.98	35.48	19.71
La Banque Postale Prévoyance	French	Prop.		50.00	50.00	50.00	50.00
La Banque Postale Conseil en Assurances	French	Full		100.00	100.00	100.00	100.00
Sopassure	French	Prop.		50.02	50.02	50.02	50.02
La Banque Postale Assurances IARD	French	Full		65.00	65.00	65.00	65.00
La Banque Postale Assurance Santé (formerly EF PRIMO)	French	Full		65.00	65.00	65.00	65.00
Asset management							
La Banque Postale Gestion Privée	French	Full		51.00	51.00	51.00	51.00
La Banque Postale Asset Management	French	Full		100.00	100.00	100.00	100.00
La Banque Postale Structured Asset Management	French	Full		100.00	100.00	100.00	100.00
OFC finance	French	Full		100.00	100.00	100.00	100.00
Tocqueville Finance Holding	French	Full	Add. acquis.	90.97	90.97	90.43	90.43
Tocqueville Finance SA	French	Full	Add. acquis.	99.89	90.87	99.84	90.28

(1) Consolidation methods:

FULL: Full consolidation

PROP: Proportional consolidation

EQUI: Consolidation using the equity method

(2) Limited Property Investment Partnerships that own the bank's business premises.

(3) Add. acquis.: additional acquisition.

5.3. Statutory Auditors' report on the consolidated financial statements as at December 31st 2012

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it 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 audit 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 balances, transactions or disclosures.

Financial year ending December 31st 2012

LA BANQUE POSTALE S.A.

Registered office: 115 rue de Sèvres - 75275 Paris Cedex 06

Equity capital: €3,185,734,830

To the Shareholders,

In accordance with the terms of the assignment entrusted to us by your Annual General Meeting, we hereby submit our report on the financial year ending December 31st 2012, 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.

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. It also involves assessing the accounting principles used, the significant estimates made, and the overall presentation of the financial statements.

We hereby certify that the consolidated financial statements for the financial year 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.

2 Justification of assessments

In accordance with the provisions of Article L. 823-9 of the Commercial code pertaining to the documentation supporting our findings, we would like to bring to your attention the following information:

Impairment charges and provisions for direct and indirect credit risk

Your Group recognises impairments and provisions to cover the direct and indirect risk that is inherent to its business activities (*Notes 1.5.2.1, 3.7 and 4.7 in the notes to the financial statements*). We have examined the control procedures for monitoring risk, for the processes for identifying exposure, for impairment and provision methods, for risk assessment and the hedging of those risks via individual and collective impairment charges and provisions.

Valuation and impairment of financial instruments

Your Group holds positions in securities and other financial instruments. Notes 1.5.2.2 to 1.5.2.9 in the notes to the consolidated financial statements set out the accounting rules and policies relating to securities and financial instruments. We have examined the control procedures for the accounting classification of these positions, and for determining the parameters used to value them. We have verified the appropriateness of the accounting policies selected by the Group and of the information provided in the notes to the financial statements, and have satisfied ourselves that they are applied correctly.

Your Group recognises impairment charges on financial assets available for sale: for equity instruments classified as available for sale (*Notes 1.5.2.4 and 3.7 of the notes to the financial statements*) 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 for assessing these risks and for identifying evidence of loss of value, the valuation of the most significant accounting items, and the estimates that resulted in using impairments to cover losses of value, where applicable.

Provision for home loan savings products

Your Group records a provision to cover the risk of unfavourable outcomes in respect of commitments relating to Home Loan Savings contracts (*Notes 1.5.4 and 3.20 in the notes to the financial statements*). We have examined the control procedures for checking the models and determining the parameters used.

As part of our assessment, we satisfied ourselves regarding the reasonable nature of all of these estimates.

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.

3 Specific checks

In accordance with the professional standards applicable in France, we have also performed specific checks on the information provided in the Group management report, in accordance with French law.

We have no observation to make regarding the fair presentation of this information, and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris La Défense, on February 28th 2013

KPMG Audit

Isabelle Goalec

Associate

Neuilly-sur-Seine, on February 28th 2013

PricewaterhouseCoopers Audit

Agnès Hussherr

Associate

5.4. Separate financial statements as at December 31st 2012

5.4.1. Statement of financial position

(€ '000s)	Notes	12.31.2012	12.31.2011
ASSETS			
Cash and central banks	2.1	2,726,379	2,643,973
Government paper and similar securities	5	35,178,301	33,054,371
Receivables - credit institutions	3.1	80,946,133	74,463,093
Customer transactions	4.1	45,741,502	43,057,166
Bonds and other fixed-income securities	5	20,739,845	22,824,894
Equities and other floating-rate securities	5	844,373	839,027
Equity investments and other long-term holdings in securities	6.2	7,237	5,995
Holdings in related companies	6.1	1,364,297	1,364,297
Intangible assets	7	320,640	312,842
Property, plant and equipment	7	476,815	467,717
Other assets	8.1	1,194,987	1,013,659
Accruals	8.1	2,395,767	2,744,047
Total		191,936,276	182,791,083

(€ '000s)	Notes	12.31.2012	12.31.2011
LIABILITIES			
Central banks	2.2		
Payables - credit institutions	3.2	16,300,512	11,088,328
Customer transactions	4.2	160,997,190	156,400,790
Debt represented by a security	5.3	4,499,116	5,468,990
Other liabilities	8.2	1,073,473	959,579
Accruals	8.2	3,123,501	3,258,578
Provisions	9	569,238	516,865
Subordinated debt	11	752,997	752,869
General banking risk fund (gbrf)		22,000	22,000
Parent company equity capital (excluding gbrf)	13	4,598,250	4,323,084
• Capital subscribed		3,185,735	3,185,735
• Issue and transfer premiums		16,719	16,719
• Reserves		411,075	401,711
• Revaluation differences			
• Regulated provisions and investment subsidies		3	194
• Earnings carried forward		523,948	535,265
• Profit for the period		460,769	183,460
Total		191,936,276	182,791,083

5.4.2. Parent company net profit

(€ '000s)	Notes	12.31.2012	12.31.2011
Interest and similar income			
• Cash and inter-bank transactions	18	2,408,032	2,289,463
• Customer transactions	19	1,718,745	1,613,424
• Bonds and other fixed-income securities	20	1,792,513	1,619,436
• Other interest and similar income	21	37,459	32,163
Interest and similar expenses			
• Cash and inter-bank transactions	18	(39,148)	(107,524)
• Customer transactions	19	(2,666,530)	(2,331,073)
• Bonds and other fixed-income securities	20	(366,229)	(247,645)
• Other interest and similar expenses	21	(131,562)	(41,384)
Income from floating-rate securities	22	85,175	157,574
Commissions (income)	23	2,030,572	2,053,771
Commissions (expenses)	23	(235,484)	(240,201)
Gains or losses on trading portfolio transactions	24	234,420	95,468
Gains or losses on investment portfolio transactions and similar	25	256,265	121,882
Other bank operating income	26	89,637	67,391
Other bank operating expenses	26	(90,715)	(144,823)
Net banking income		5,123,152	4,937,921
General operating expenses			
• Employee benefits expenses	27	(255,578)	(239,752)
• Other general operating expenses	28	(3,952,802)	(4,021,102)
• Re-invoicing	29	54,402	50,976
Depreciation, amortisation and provisions for impairment of Intangible assets and property, plant and equipment	30	(154,581)	(140,072)
Gross operating income		814,593	587,971
Cost of risk	31	(124,281)	(302,690)
Operating income		690,312	285,281
Gains or losses on non-current assets	32	(459)	309
Earnings before tax		689,853	285,590
Exceptional income (expense)	33		
Income tax	34	(229,083)	(102,022)
Allocations to the general banking risk fund and regulated provisions			(108)
Parent company net profit		460,769	183,460
Parent company net earnings per share (in euros)		16.63	6.62

5.4.3. Off-balance sheet statement

(€ '000s)	12.31.2012	12.31.2011
Financing and guarantee commitments and commitments on securities given		
Financing commitments:		
• To credit institutions	70,168	10,164
• To customers	17,196,177	14,229,656
Guarantees:		
• To credit institutions	382,927	355,221
• To customers	2,770,876	2,505,995
Commitments on securities:		
• Securities to be delivered	435,349	1,324,924
Commitments given by insurance companies		
Financing and guarantee commitments and commitments on securities received		
Financing commitments:		
• From credit institutions	2,038,448	4,024,913
• From customers		
Guarantees:		
• From credit institutions	25,721,971	23,932,182
• From customers		
Commitments on securities		
• Securities receivable	74,140	56,579
Autres engagements donnés et reçus		
Autres engagements donnés	1,667,888	2,721,676
Autres engagements reçus		

Off-balance sheet commitments relating to cash and forward foreign exchange transactions, and to loans and/or borrowings are described in Note 14.

Off-balance sheet commitments relating to forward financial transactions are described in Note 15.

Crédit Logement commitment: La Banque Postale has committed to maintain the Crédit Logement'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. Furthermore, La Banque Postale, has undertaken to replenish Crédit Logement'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 Poste network, amounted to €382.927 million as at December 31st 2012.

La Banque Privée Européenne commitment: As part of the plan to acquire La Banque Privée Européenne, La Banque Postale has undertaken to receive securities against payment of an undetermined amount. Moreover, as a prior transaction La Banque Postale has undertaken to refinance the debt of La Banque Privée Européenne subscribed from Crédit Mutuel Arkea at a floating rate. The amount of this debt is estimated at €1,242 million as at December 31st 2012.

Note 1

Valuation principles and accounting policies

1.1. Main valuation and presentation rules applying to parent company financial statements

The parent company financial statements have been drawn up in accordance with the general accounting principles applicable to credit institutions in France.

La Banque Postale, which is wholly owned by La Poste, is consolidated in that company's financial statements and is part of its tax consolidation scope. Given the terms of the agreement, the tax charge recorded in La Banque Postale's financial statements is identical to the charge that would be recorded in the absence of any tax consolidation.

Policy changes and comparability

1 – Policy changes

There were no policy changes in the year just ended. The regulations that came into effect in 2012 had no impact on the financial statements.

2 – Comparability of financial years

Where the balance sheet, profit and loss statement and off-balance sheet statement are concerned, the data shown for the 2012 financial year are directly comparable to those for the previous financial year; amounts for the previous financial year have been restated, where applicable.

Presentation and valuation rules

1 – Foreign currency transactions

In accordance with CRBF Regulation 89-01 as amended by Regulation 90-01 of February 23rd 1990 and No. 95-04 of July 21st 1995 of the committee of banking Regulation and No. 00-02 of July 4th 2000 of the committee accounting regulation regarding the recognition of foreign currency transactions, assets, liabilities and off-balance sheet commitments denominated in foreign currencies are converted at the cash exchange rate on the last day of the accounting period.

Foreign exchange gains and losses arising on day-to-day transactions entered into in foreign currencies are recorded in the profit and loss statement.

Forward currency hedging transactions are recognised in the off-balance sheet statement. The position is originally recorded on the basis of the cash exchange rate, then the swap points (the difference between the forward rate and the cash rate) are recognised in profit and loss on a pro rata basis.

2 – Credit institution and customer receivables – Signed commitments

Credit institutions and customer receivables are broken down according to their initial maturity, or the nature of the receivable: overnight receivables (ordinary accounts and day-to-day transactions) and long-term receivables for credit institutions; commercial receivables, ordinary receivables and other customer loans. These receivables include loans granted and overdrawn current accounts, as well as securities received via repo agreements and borrowed securities.

CRC Regulation 2002-03, which was amended by Regulation 2005-03 of November 3rd 2005 regarding the accounting treatment of credit risk in companies governed by the CRBF (French Banking and Finance Regulatory Committee) has been applied since January 1st 2003.

This regulation concerns all transactions that give rise to a credit risk (credit institution and customer receivables, fixed-income securities, signed commitments, and financial instruments).

The credit risk for a given counterparty is characterised by the existence of a potential loss relating to the possibility of that counterparty defaulting on the commitments that it has entered into.

Loans

Loans are recorded under assets at their repayment value. The corresponding interest is recorded in the profit and loss statement on a *pro rata basis*.

Receivables for which the institution views the risk of not receiving all or part of the amounts payable in respect of the commitments entered into by the counterparty are classified as doubtful. Classification under doubtful loans occurs under all circumstances for loans that are at least three months in arrears (over six months in arrears for home loans), outstanding debts that are already the object 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.

Receivables where the recovery outlook has deteriorated significantly are specifically identified as doubtful non-performing loans within the doubtful loans category.

They must be identified when their term expires or when the relationship with the counterparty is terminated (in the case of undated receivables).

In other cases, a review of the potentially non-performing nature of the receivable is performed at the latest one year after it is classified as a doubtful loan, and then on a regular basis thereafter. Loans that are deemed definitely unrecoverable are recorded under losses, while the corresponding impairment charges are reversed.

Doubtful home loans can be reclassified in performing loans when all arrears have been paid and regular payment of the amounts corresponding to the contractual instalments have been made again, for a period of at least two months.

Impairment charges for likely proven losses cover all discounted forecast losses, calculated based on the difference between the principal remaining due and the forecast cash flows, determined by taking the debtor's financial situation, and the current value of the guarantees received into account.

Interest on doubtful loans is recorded in net banking income and is fully impaired.

Securities received under repo agreements and borrowed securities

These securities are recorded under assets in an account that represents the receivable arising from them. The corresponding income is recorded in profit and loss for the financial year on a *pro rata basis*.

Securities received under repo agreements that are subsequently sold are recorded under securities-related debt under liabilities. They are valued at their market value at that point.

3 – Securities

Securities are recorded on the balance sheet in accordance with their type:

- government paper (Treasury bills and similar securities);
- bonds and other fixed-income securities (negotiable debt securities, and inter-bank market securities);
- equities and other floating-rate securities.

Pursuant to Regulation 90-01 (amended) issued by the French Banking and Financial Regulatory Committee, these securities are recognised according to the destination portfolio, *i.e.* investment, held-for-sale, or transaction, which corresponds to the economic purpose of holding them. They are subject to specific valuation rules for each portfolio category, as described below. In the event of proven credit risk, fixed-income securities recorded in the held-for-sale or investment portfolio are identified as doubtful, according to the same criteria as those applicable to doubtful receivables and commitments.

Against the backdrop of the financial downturn, La Banque Postale has not made any transfers from the "transaction securities" and "held-for-sale securities" categories following the amendment of Regulation 90-01 issued by the French Banking and Financial Regulatory Committee by Regulation 2008-17 of December 10th 2008.

Transaction securities

Transaction securities include Treasury bills and negotiable debt securities, in addition to marketable securities. They are purchased or sold with the intention of reselling them or buying them back in the short term. They are traded on active markets.

Transaction securities are recognised at their acquisition price on the date of acquisition, excluding expenses and including accrued interest, where applicable. They are valued at their latest market price at each accounting period. Any revaluation differences arising from this valuation are recorded in profit and loss.

Held-for-sale securities

Held-for-sale securities include securities that do not meet the conditions for classification in the transaction or investment portfolios.

Held-for-sale securities are recorded at their acquisition price, excluding expenses, at the date they are acquired. They are managed on a "first-in, first-out" basis and valued as follows, according to homogeneous security groups and without off-setting the gains recorded on other securities categories:

- bonds: unrealised losses compared with market value, calculated on the basis of the closing price, are recorded as an impairment;
- treasury bills, negotiable debt securities and inter-bank market securities: impairment charges are recorded depending on the issuers' solvency and according to market indicators.

Gains on micro-hedging transactions are taken into account when calculating the impairment charges.

Potential premiums or discounts are spread over the residual life of the security on an actuarial basis.

Investment securities

Investment securities consist of fixed-income securities, or securities reclassified from the "held-for-sale securities" category, with the clear intention of holding them until maturity. They are recorded at their acquisition price at the date they are acquired, excluding expenses.

Any unrealised losses that may exist between the book value of the securities and their market price are not impaired. Conversely, when it is likely that the institution will not receive all or part of the repayment value when the securities mature, an impairment charge is recorded. The difference between the acquisition and repayment price of the securities (premium or discount) is amortised on an actuarial basis.

Equity holdings

Equity holdings correspond to investments that are made on a regular basis, with a view to realising a medium-term capital gain, without any intention of investing in the expansion of the business assets on a long-term basis, or playing an active role in the operating management of the company issuing the securities. They are recognised at their acquisition price.

An impairment charge is recorded to cover a permanent impairment in the value of the securities due to the intrinsic deterioration of the company's situation.

Equity investments

Equity investments are valued at their acquisition cost. They are valued at their value in use, which is estimated based on various criteria, such as net assets, the profitability outlook, and discounted future cash flows. An impairment charge is recorded in the event of permanent impairment of the company's value in use. Charges net of write-backs, and gains or losses on the disposal of these securities are recognised in the "Gains and losses on tangible assets" item.

4 – Tangible and intangible fixed assets

Fixed assets are valued at their acquisition cost, to which initial fixtures and fittings costs may be added in the case of buildings. Six components have been selected for the Bank's operating properties, within the application framework of CRC Regulation 2004-06: structural works, roofs, joinery and external works, major equipment items, small equipment items, fixtures and fittings, and land.

Depreciation is calculated on a straight-line basis over the likely useful life. Depending on their components, buildings are therefore amortised 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 items, and fixtures and fittings: 10 years.

Installations, and fixtures and fittings are usually depreciated over 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 to five years.

5 – Debt payable to credit institutions, and customer accounts in credit

This debt includes deposits, agreed borrowings, securities assigned under repo agreements, and loaned securities.

Borrowings

Borrowings are recorded under liabilities at their repayment value. The corresponding interest is recorded in the profit and loss statement on a *pro rata basis*.

Securities assigned under repo agreements

The arising liability is recorded under liabilities. The securities are kept in their original portfolio and continue to be valued according to the rules applicable to that portfolio. The corresponding interest is recorded in the profit and loss statement on a *pro rata basis*.

6 – Debt represented by a security

Debt represented by a security consists of negotiable debt securities issued by La Banque Postale.

Interest accrued and not received attached to these securities is included in a related debt account through profit and loss.

7 – Provisions

The following items are currently included under this heading:

- provisions recorded in order to meet employee-related commitments, which mainly correspond to retirement indemnities;
- other provisions recorded pursuant to the provisions of CRC Regulation 2000-06 regarding the recognition of liabilities. These provisions are intended to cover contingencies and charges where the purpose is clearly specified, and where the amount or maturity cannot be accurately determined; the recording of such provisions is conditional on the existence of an obligation towards a third party at the year-end, and to the absence of an expected consideration in an amount that is least equivalent from that third party;
- provisions to cover signed commitments, where the likelihood of a guarantee call has become very high;
- provisions for home loan savings agreement commitments: the PEL home loan savings schemes and accounts offered to retail customers under the provisions of the Law of July 10th include two stages: one stage involves gathering funds in the form of remunerated savings, and the other stage involves using those funds for home loans.

Decree No. 2006-02 issued by the French National Accounting Council specifies that commitments that have unfavourable consequences for credit institutions that are licensed to receive home loan savings deposits and to grant home loan savings loans must be provisioned at every year-end. These commitments relate to an obligation to remunerate future savings at a rate fixed at the opening of the account for an indefinite period, and to grant a loan at a rate set when the agreement is signed.

8 – Subordinated debt

This item includes debt where repayment is only possible once other senior or secured creditors have been repaid in the event that the debtor's assets are liquidated.

Interest accrued and payable is included in a related debt account through profit and loss.

9 – General Banking Risk Fund

The aim of this fund is to counter operational risk and the expenses inherent to the banking and financial asset management business that cannot be covered elsewhere.

10 – Transactions on futures

Transactions involving interest rate, foreign exchange, or equity futures are recorded in accordance with the provisions of Regulations Nos. 90-15, 92-04 and 95-04 issued by French Banking Regulatory Committee. Commitments relating to these transactions are recorded in the off-balance sheet financial statements at the nominal value of the contract.

The recognition of income or losses on these instruments depends on the management intention.

Macro-hedging transactions

Income and expense relating to macro-hedging transactions are recorded in the profit and loss account on a *pro rata basis*. An amount offsetting this entry is recorded in accruals until the date when the funds are received or disbursed.

The balances recorded when interest-rate futures arrangements are terminated are immediately recognised in the profit and loss statement.

Micro-hedging transactions

The income or expense from instruments that are assigned to hedge an item or a homogeneous group from the outset are recorded in profit and loss in a manner that is symmetrical to the hedged item's income or expense.

The balances recorded when interest-rate futures arrangements are terminated are immediately recognised in the profit and loss statement.

Other transactions

These transactions are valued based on their market value at the closing date.

Where over-the-counter transactions are concerned, the income or loss is recorded on a *pro rata basis*, or when the contract unwinds, depending on their nature. Unrealised gains are not recognised. Potential unrealised losses, defined as the difference between estimated market value and book value, are subject to a provision charge.

Unrealised or realised gains or losses on transactions performed on an organised market are recorded directly in net profit for the financial year.

11 – Employee-related commitments

Employee-related commitments are usually covered by contributions that are expensed.

In the case of employees' rights to retirement indemnities, which are not covered by insurance policies, pursuant to the preferential method specified in CNC Recommendation No. 03-R-01, these rights are provisioned according to an actuarial method that factors in the age and the seniority of the staff, life expectancies, and their likelihood of remaining at the Group until retirement age, as well as the estimated increase in remuneration.

The pension scheme for contracted staff is characterised by payments to bodies that release the employer from any subsequent obligation, as the body is responsible for paying the amounts due to the employee. Therefore, once the contributions have been paid, no liability or commitment is shown in the Group's financial statements. Contributions paid to independent bodies are expensed in the period concerned.

The Amending Finance Act of 2006 introduced a reform of the way in which the pensions for Government employees attached to the La Poste Group were financed, which was applied retroactively as at January 1st 2006.

Under the scheme introduced in 2006, the Group pays an employer contribution, which discharges it of its liabilities. As a result, no provision for the retirement of civil servants is recorded in the financial statements.

12 – Commission income and expenses

La Banque Postale recognises commissions in profit and loss depending on the services 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 means of payment);
- 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 (commissions on mandates, and commissions on payment incidents).

Note 2

Note 2.1. Breakdown of cash and central banks

(€ '000s)	12.31.2012	12.31.2011
Cash	247,376	263,319
Central banks	2,478,419	2,379,312
Receivables relating to central banks	584	1,342
Cash and central banks	2,726,379	2,643,973

Note 2.2. Central banks

	12.31.2012	12.31.2011
Central banks		
Receivables relating to central banks (creditors)		
Central banks		

Note 3

Note 3.1. Receivables – credit institutions

(€ '000s)	12.31.2012	12.31.2011
Current accounts in debit	171,656	42,815
Overnight accounts and loans		
Securities borrowed overnight		
Securities received under repo agreements	399,769	673,820
Other securities borrowed		
Non-allocated securities	957	4,172
Doubtful receivables	4	22
Related receivables	8,127	7,113
Gross total	580,513	727,943
Impairment charges	(5)	
Receivables repayable on demand – credit institutions	580,508	727,942
Term accounts and loans ⁽¹⁾	80,150,866	73,519,076
Securities received under repo agreements		
Other securities borrowed		
Subordinated loans ⁽²⁾	182,314	183,310
Doubtful receivables		
Related receivables	32,445	32,765
Gross total	80,365,625	73,735,151
Impairment charges		
Long-term receivables – credit institutions	80,365,625	73,735,151
Receivables - credit institutions	80,946,133	74,463,093

(1) Accounts opened with the CDC. The balances transferred to the CDC include Livret A, Sustainable Development and National Savings account balances.

The balances transferred to the Caisse des dépôts et Consignations amounted to a total of €74,747,208 thousand as at December 31st 2012 compared with €68,487,400 thousand as at December 31st 2011.

(2) These are subordinated loans granted to Crédit Logement in order to enable that company to comply with its prudential equity capital commitments.

Note 3.2. Payables – credit institutions

(€ '000s)	12.31.2012	12.31.2011
Current accounts in credit	333,757	306,738
Overnight accounts and borrowings		73,473
Securities loaned on overnight basis		
Securities assigned under repo agreements		
Other amounts payable	18,659	8,517
Related liabilities		52
Amounts payable on demand – credit institutions	352,416	388,779
Term accounts and loans	995,910	327,310
Securities loaned		
Securities assigned under repo agreements	14,947,583	10,360,824
Related liabilities	4,603	11,415
Long-term payables – credit institutions	15,948,096	10,699,549
Payables – credit institutions	16,300,512	11,088,328

Note 4

Note 4.1. Receivables – customer transactions

(€ '000s)	12.31.2012	12.31.2011
Current accounts in debit ⁽¹⁾	566,538	381,767
Doubtful receivables	132,441	101,849
Impairment charges	(110,437)	(75,512)
Related receivables	13,468	11,082
Current accounts in debit	602,010	419,186
Commercial receivables		
Doubtful receivables		
Impairment charges		
Interest accrued		
Commercial receivables		
Loans to financial customers		
Short-term credit facilities	152,158	626,841
Home loans ⁽²⁾	44,080,857	41,619,717
Equipment leases	34,164	0
Export credits	0	0
Other loans	465,418	139,790
Non-allocated securities ⁽³⁾	40,830	53,879
Securities received under repo agreements	140,250	
Doubtful receivables	189,336	166,818
Impairment charges	(72,149)	(69,575)
Related receivables	108,628	100,512
Other customer loans, and lease transactions and similar	45,139,492	42,637,981
Customer transactions	45,741,502	43,057,166
Of which doubtful non-performing receivables before provision charges	193,541	134,754
Of which restructured receivables	4,930	4,376

(1) Amount of receivables relating to subsidiaries or related companies: €23,000.

(2) The loan amount now includes the amount of commissions received and the acquisition cost of the remaining loans to be spread following the implementation of CRC 09-03.

(3) This item primarily represents receivables relating to transactions on mandates.

Note 4.2. Payables – customer transactions

(€ '000s)	12.31.2012	12.31.2011
Special overnight accounts	84,660,217	78,831,979
Long-term special accounts	26,753,535	27,093,420
Related liabilities		
Special savings accounts	111,413,752	105,925,399
Current accounts in credit ⁽¹⁾	45,175,370	46,470,407
Related liabilities	23,757	21,489
Customer current accounts in credit	45,199,127	46,491,896
Customer financial borrowings	160	320,000
Term deposits in credit	1,240,723	1,108,508
Securities loaned		
Securities assigned under repo agreements	2,874,926	2,229,972
Other amounts payable to customers	255,537	309,440
Related liabilities	12,965	15,575
Other customer liabilities	4,384,311	3,983,495
Customer transactions	160,997,190	156,400,790

(1) Including €22.467 million with subsidiary companies vs €26.915 million in 2011.

Note 5

Note 5.1. Financial transactions – breakdown by category

(€ '000s)	12.31.2012				
	Securities				
	Transaction	Held-for-sale	Investment	Equity holdings	Total
Government paper and similar securities⁽¹⁾					
Repayment value	288,991	1,805,667	31,615,845		33,710,503
Residual premiums and/or discounts		71,469	553,338		624,807
Related receivables		81,218	761,772		842,990
Impairment charges					
Net book value	288,991	1,958,354	32,930,956		35,178,301
• Of which loaned securities					
• Of which listed securities	288,991	1,887,811	32,745,255		
Bonds and other fixed-income securities⁽¹⁾					
Repayment value	6,452,405	8,442,671	5,763,070		20,658,146
Residual premiums and/or discounts		(89,997)	(34,787)		(124,785)
Related receivables		106,119	106,271		212,390
Impairment charges		(5,906)			(5,906)
Net book value	6,452,405	8,452,887	5,834,553		20,739,845
• Of which loaned securities					
• Of which listed securities	2,437,709	6,161,311	4,765,010		
Equities and other floating-rate securities					
Gross value	17,511	795,035		53,765	866,310
Related receivables					
Impairment charges		(21,937)			(21,937)
Net book value	17,511	773,098		53,765	844,373
• Of which loaned securities					
• Of which listed securities	17,511	773,098		53,765	
Net total by portfolio type	6,758,906	11,184,339	38,765,509	53,765	56,762,520

The amount of transaction securities is indicated in "market value".

(1) The counterparty risk attached to fixed-income securities is described in Note 17.

During the 2012 financial year, no held-for-sale securities were transferred into investment portfolios.
No sale of investment securities before maturity occurred during the 2012 financial year.

12.31.2011					
	Securities				
	Transaction	Held-for-sale	Investment	Equity holdings	Total
Government paper and similar securities⁽¹⁾					
Repayment value	264,268	1,492,375	30,391,961		32,148,604
Residual premiums and/or discounts		37,741	171,773		209,514
Related receivables		76,441	741,467		817,907
Impairment charges		(13,801)	(107,853)		(121,654)
Net book value	264,268	1,592,756	31,197,348		33,054,371
• Of which loaned securities					
• Of which listed securities	264,268	1,592,756	30,962,568		
Bonds and other fixed-income securities⁽¹⁾					
Repayment value	10,533,474	6,235,051	5,871,430		22,639,955
Residual premiums and/or discounts		78,321	(28,880)		49,441
Related receivables		101,186	107,823		209,008
Impairment charges		(73,510)			(73,510)
Net book value	10,533,474	6,341,047	5,950,372		22,824,894
• Of which loaned securities					
• Of which listed securities	2,430,257	5,996,498	4,833,044		
Equities and other floating-rate securities					
Gross value	37,931	835,586		49,029	922,546
Related receivables					
Impairment charges		(83,519)			(83,519)
Net book value	37,931	752,068		49,029	839,027
• Of which loaned securities					
• Of which listed securities	37,931	752,068		49,029	
Net total by portfolio type	10,835,673	8,685,871	37,147,720	49,029	56,718,294

(1) The counterparty risk attached to fixed-income securities is described in Note 17.

Note 5.2. Market value of financial transactions

(€ '000s)	Held-for-sale securities		Investment securities		Equity holding securities	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Government paper and similar securities						
• Net book value ^{(1) (2)}	1,958,354	1,592,756	32,930,956	31,197,348		
• Market value	2,048,752	1,602,210	35,658,840	31,707,678		
Bonds and other fixed-income securities						
• Net book value ⁽¹⁾	8,452,887	6,341,047	5,834,553	5,950,372		
• Market value	8,753,711	6,330,684	6,296,945	5,953,510		
Equities and other floating-rate securities						
• Net book value	773,098	752,068			53,765	49,029
• Market value and/or value in use for equity holdings	791,913	765,651			54,469	46,911

(1) Impairment charges are calculated taking account of unrealised gains and losses relating to the financial instruments assigned as hedges for held-for-sale securities, where applicable.

(2) Including an impairment charge of €107.853 million on Greek sovereign securities in 2011.

Note 5.3. Debt represented by a security

(€ '000s)	12.31.2012	12.31.2011
Short-term securities		
Related liabilities		
Short-term securities		
Inter-bank market securities		
Certificates of deposit	4,262,541	5,461,056
Related liabilities	1,334	2,702
Inter-bank market securities and negotiable debt securities	4,263,874	5,463,758
Bond borrowings and similar	230,000	
Related liabilities		
Bond borrowings and similar	230,000	
Other debt represented by a security	5,000	5,000
Related liabilities	241	231
Other debt represented by a security	5,241	5,231
Debt represented by a security	4,499,116	5,468,990

Note 6

Note 6.1. Breakdown of holdings in related companies

	12.31.2012				
	Carrying amount of securities	Advances	Impairment charges	Net amount of securities	Interest as a %
(€ '000s)					
La Banque Postale Gestion Privée	389			389	51.00%
SF2	1,143,909			1,143,909	100.00%
La Banque Postale Crédit Entreprise	220,000			220,000	100.00%
SCI CRSF DOM ⁽¹⁾					
SCI CRSF Métropole ⁽¹⁾					
Total equity investments and consolidatable advances	1,364,297			1,364,297	
Of which listed investments					

	12.31.2011				
	Carrying amount of securities	Advances	Impairment charges	Net amount of securities	Interest as a %
(€ '000s)					
La Banque Postale Gestion Privée	389			389	51.00%
SF2	1,143,909			1,143,909	100.00%
La Banque Postale Crédit Entreprise	220,000			220,000	100.00%
SCI CRSF DOM ⁽¹⁾					
SCI CRSF Métropole ⁽¹⁾					
Total equity investments and consolidatable advances	1,364,297			1,364,297	
Of which listed investments					

(1) The amounts held in the CF Limited Property Investment Companies were classified under non-current assets in an amount of €258.724 million in 2007, at the request of the Banking Commission.

Note 6.2. Breakdown of the equity investment and other long-term securities portfolio

	12.31.2012				
	Carrying amount of securities	Advances	Impairment charges	Net amount of securities	Interest as a %
(€ '000s)					
OSEO	3,785			3,785	NS
Transactis	2,474			2,474	50.00%
Other	978			978	NA
Equity investments and other long-term holdings in securities	7,237			7,237	
Of which listed securities					

	12.31.2011				
	Carrying amount of securities	Advances	Impairment charges	Net amount of securities	Interest as a %
(€ '000s)					
OSEO	3,000			3,000	NS
Transactis	2,474			2,474	50.00%
Other	520			520	NA
Equity investments and other long-term holdings in securities	5,994			5,994	
Of which listed securities					

Note 7

Breakdown of non-current assets

(€ '000s)	01.01.2012				12.31.2012			12.31.2011		
	Gross amount	Additions	Transfers	Disposals	Gross amount	Aggregate depreciation, amortisation and impairment	Net amount	Gross amount	Aggregate depreciation, amortisation and impairment	Net amount
Land	699				699		699	699		699
Buildings ⁽¹⁾	258,724				258,724		258,724	258,724		258,724
Other operating non-current assets	574,693	83,777	(1,668)	(40,600)	616,203	(398,811)	217,393	574,693	(366,399)	208,295
Property, plant and equipment	834,116	83,777	(1,668)	(40,600)	875,626	(398,811)	476,815	834,116	(366,399)	467,717
Start-up costs										
Franchises, licenses, and patents	203,900	20,142	1	(675)	223,368	(174,312)	49,056	203,900	(151,814)	52,085
Other intangible assets	531,142	69,094	1,668	(5,336)	596,567	(324,983)	271,584	531,142	(270,385)	260,756
Intangible assets	735,041	89,236	1,669	(6,010)	819,935	(499,295)	320,640	735,041	(422,200)	312,842
Property, plant and equipment and intangible assets	1,569,157	173,013		(46,610)	1,695,561	(898,106)	797,455	1,569,157	(788,598)	780,559

(1) The amounts held in the CF Limited Property Investment Companies were classified under non-current assets in an amount of €258.724 million in 2007, at the request of the Banking Commission.

Note 8

Note 8.1. Breakdown of accruals and other assets

(€ '000s)	12.31.2012	12.31.2011
Prepaid expenses	35,935	34,560
Income receivable on derivatives	63,785	83,413
Other income receivable	271,316	251,258
Revaluation of derivative and foreign exchange instruments	3	
Collection accounts	78,470	79,652
Other accruals	1,946,258	2,295,165
Accruals	2,395,767	2,744,047
Conditional instruments purchased	3,831	1,782
Guarantee deposits paid	545,831	453,873
Securities transaction settlement accounts	6,804	7,734
Related receivables	314	1,056
Other assets ⁽¹⁾	642,210	553,169
Impairment charges	(4,003)	(3,955)
Sundry assets	1,194,987	1,013,659
Accruals and sundry assets	3,590,753	3,757,706

(1) Including €14.323 million with subsidiary companies.

Note 8.2. Breakdown of accruals and other liabilities

(€ '000s)	12.31.2012	12.31.2011
Advances	237,858	202,218
Expenses payable on derivatives	103,297	64,622
Revaluation of derivative and foreign exchange instruments	70,938	71,898
Other accruals ⁽¹⁾	2,711,407	2,919,840
Accruals	3,123,501	3,258,578
Conditional instruments sold	3,856	850
Securities-related payables		
Sundry payables ⁽²⁾	1,059,388	947,545
Securities transaction settlement accounts	10,229	11,178
Related liabilities		5
Sundry liabilities	1,073,473	959,579
Accruals and sundry liabilities	4,196,974	4,218,157

(1) This item primarily represents accruals for means of payment transactions in the Financial Centres.

(2) Including €5.680 million with subsidiary companies.

Note 9

Breakdown of provisions recorded under liabilities

	12.31.2011	Provisions	Write-back of used provision	Write-back of unused provision	Other changes	12.31.2012
(€ '000s)						
Provisions for retirement and other employee-related commitments	9,651	5,384	(2,200)			12,835
Signed commitments ⁽¹⁾	128,295	3,938		(5,037)		127,195
Home Loans Savings provision	194,000	137,200				331,200
Other provisions	184,920	27,536	(111,726)	(2,706)	(16)	98,008
Provisions (excluding counterparty risk)	516,865	174,058	(113,926)	(7,744)	(16)	569,238
Provisions for counterparty risk recorded under liabilities						
Provisions	516,865	174,058	(113,926)	(7,744)	(16)	569,238

(1) Provisions for signed commitments correspond to the risk of the capital and performance guarantees that La Banque Postale has granted on some of the Group's UCITS being called following the impairment charge on the value of Greek sovereign debt.

Note 10

Breakdown of home loan savings optionality

(in € million)					
Generation	Deposits collected	Loans granted in respect of PEL and CEL accounts	2012 Provisions	2011 Provisions	Change in provisions
More than 10 years	8,074		118	80	38
4 to 10 years	4,945		35	2	33
Less than 4 years	7,166		115	5	110
PEL account total	20,185	208	268	87	181
CEL account total	6,282	1,053	63	106	(43)
Total	26,467	1,261	331	194	137

Note 11

Subordinated debt

(€ '000s)	Date of issue	Maturity date	Rate	Currency of origin	12.31.2012	12.31.2011
Subordinated debt repayable ⁽¹⁾	11.30.2010	11.30.2020	4.375%	EUR	750,000	750,000
Interest					2,997	2,869
Total					752,997	752,869

(1) Classified as Lower Tier 2 in the additional equity capital calculation (Article 4d or CRBF Regulation 90-02).

Note 12

Breakdown of transactions with credit institutions and customers by residual maturity

(€ '000s)	Accrued interest	≤ 3 months	3 months to 1 year	1 to 5 years	> 5 years	12.31.2012
ASSETS						
Receivables – credit institutions	37,354	76,475,236	1,054,550	2,856,981	522,011	80,946,133
Receivables – customers	122,096	1,720,871	2,473,232	11,714,430	29,710,873	45,741,502
Securities portfolios (transaction, held-for sale and investment)						
• Government paper and similar securities	842,990	458,100	2,719,022	14,749,398	16,408,790	35,178,301
• Bonds and other fixed-income securities	212,390	3,877,005	3,961,719	7,764,820	4,923,911	20,739,845
(€ '000s)	Accrued interest	≤ 3 months	3 months to 1 year	1 to 5 years	> 5 years	12.31.2011
LIABILITIES						
Payables – credit institutions	4,603	11,602,387	3,482,044	924,165	287,314	16,300,512
Payables – customers	1,301	151,954,315	2,312,555	6,470,726	258,293	160,997,190
Debt represented by a security						
• Bond borrowings				230,000		230,000
• Inter-bank market securities and negotiable debt securities	1,334	2,735,279	1,527,262			4,263,874
Other debt represented by a security	241			5,000		5,241

Note 13

Equity

	General banking risk fund	Equity capital	Issue and transfer premiums	Legal reserves	Other reserves and earnings carried forward	Parent company net profit	Parent company equity capital (excluding GBRF)	Total parent company equity capital
(€ '000s)								
Equity capital as of December 31st 2009	22,000	2,342,454		48,381	297,777	598,208	3,286,819	3,308,819
Allocation of N-1 net profit				29,910	568,297	(598,208)		
Dividend N paid for N-1 net profit					(264,392)		(264,392)	(264,392)
Other changes ⁽¹⁾					36,461		36,461	36,461
N net profit						513,536	513,536	513,536
Equity capital as of December 31st 2010	22,000	2,342,454		78,291	638,143	513,536	3,572,425	3,594,425
Allocation of N-1 net profit				25,677	487,860	(513,536)		
Dividend N paid for N-1 net profit					(292,909)		(292,909)	(292,909)
Capital increase ⁽²⁾		843,281	16,719				860,000	860,000
Other					108		108	108
N net profit						183,460	183,460	183,460
Equity capital as of December 31st 2011	22,000	3,185,735	16,719	103,968	833,202	183,460	4,323,084	4,345,084
Allocation of N-1 net profit				9,173	174,287	(183,460)		
Dividend N paid for N-1 net profit					(185,604)		(185,604)	(185,604)
Other								
N net profit						460,769	460,769	460,769
Equity capital as of December 31st 2012	22,000	3,185,735	16,719	113,141	821,885	460,769	4,598,250	4,620,250

(1) Other changes are explained by the allocation of the €60,000 investment provision to reserves and by the effect of the first-time implementation of CRC Regulation 09-03 regarding the spreading of commissions received on loans and their acquisition costs of €36.401 million (excluding the impact of deferred tax).

(2) On September 9th 2011, La Banque Postale performed a capital increase for a total amount of €860 million, via the issue of 7,332,876 new shares. The total number of shares is now 27,702,042.

Note 14

Breakdown of foreign exchange transactions

(€ '000s)	12.31.2012	12.31.2011
Cash foreign exchange transactions		
• Euros purchased but not yet received		
• Currencies purchased but not yet received		
• Euros sold but not yet delivered		
• Currencies sold but not yet delivered		
Lending and borrowing transactions		
• Currencies lent but not yet delivered		
• Currencies borrowed but not yet received		
Forward foreign exchange transactions		
• Euros receivable against currencies to be delivered	(564,969)	(500,050)
• Currencies receivable against euros to be delivered	(340,217)	(217,310)
• Currencies receivable against currencies to be delivered		
• Currencies deliverable against currencies to be received		
Non accrued swap points		
• Receivable	521	2,148
• Payable	(699)	(224)

Note 15

Note 15.1. Breakdown of forward financial instruments

(€ '000s)	12.31.2012			
	Position management transactions		Hedging transactions	
	Notional amount	Fair value	Notional amount	Fair value
Firm transactions	8,191,573	27,188	13,649,096	(249,757)
Organised markets	904,960	233		
Interest rate contracts	894,500	263		
Other contracts	10,460	(30)		
Over-the-counter markets	7,286,613	26,954	13,649,096	(249,757)
Interest rate swaps	7,286,613	26,954	13,487,650	(228,985)
Fras				
Other contracts			161,446	(20,772)
Conditional transactions	2,234,500	511,485	52,801	(952)
Organised markets				
Interest rate options				
Other options				
Over-the-counter markets	2,234,500	511,485	52,801	(952)
Caps and floors	1,721,000	(2,015)	52,801	(952)
Swaptions				
Exchange rate options				
Other options	513,500	513,500		

(€ '000s)	12.31.2011			
	Position management transactions		Hedging transactions	
	Notional amount	Fair value	Notional amount	Fair value
Firm transactions	20,692,307	(85,508)	12,370,824	(120,094)
Organised markets	4,713,318	(1,032)		
Interest rate contracts	4,682,684	(176)		
Other contracts	30,633	(856)		
Over-the-counter markets	15,978,990	(84,476)	12,370,824	(120,094)
Interest rate swaps	15,978,990	(84,476)	12,179,338	(94,134)
Fras				
Other contracts			191,486	(25,960)
Conditional transactions	616,350	496,389	65,020	541
Organised markets				
Interest rate options				
Other options				
Over-the-counter markets	616,350	496,389	65,020	541
Caps and floors	120,150	189	65,020	541
Swaptions				
Exchange rate options				
Other options	496,200	496,200		

Note 15.2. Counterparty risk relating to forward financial instruments

	OECD Governments and Central Banks	OECD Financial Institutions	Other counterparties	2012 total	2011 total
(€ '000s)					
Equivalent non-weighted credit risk before offset and collateralisation agreements		276,584		276,584	557,554
Impact of liquidation offset agreements					
Collateralisation effect		160,895		160,895	160,070
Equivalent non-weighted credit risk after offset and collateralisation agreements		115,689		115,689	397,484
Equivalent weighted credit risk after offset and collateralisation agreements		41,309		41,309	108,059

Note 16

Breakdown of financial instruments by maturity

	12.31.2012			
(€ '000s)	≤ 1 year	1 to 5 years	> 5 years	Total
Firm transactions	9,122,769	9,284,800	3,433,100	21,840,669
Interest rate contracts	894,500			894,500
Index contracts	10,460			10,460
Interest rate swaps	8,188,920	9,152,243	3,433,100	20,774,263
FRAs				
Other contracts	28,889	132,557		161,446
Conditional transactions	633,976	1,039,293	614,032	2,287,301
Caps and floors	605,696	1,037,005	131,100	1,773,801
Swaptions				
Exchange rate options				
Other options	28,280	2,288	482,932	513,500

	12.31.2011			
(€ '000s)	≤ 1 year	1 to 5 years	> 5 years	Total
Firm transactions	13,772,530	14,566,402	4,724,200	33,063,132
Interest rate contracts	4,682,684			4,682,684
Index contracts	30,633			30,633
Interest rate swaps	9,029,172	14,404,956	4,724,200	28,158,328
FRAs				
Other contracts	30,040	161,446		191,486
Conditional transactions	121,463	42,937	516,970	681,370
Caps and floors	121,463	18,407	45,300	185,170
Swaptions				
Exchange rate options				
Other options		24,530	471,670	496,200

Note 17

Note 17.1. Credit risk

(€ '000s)	Gross performing loans	Gross doubtful performing loans	Gross doubtful performing loans	Gross 12.31.2012	Gross 12.31.2011
Receivables – credit institutions	80,946,133	1	4	80,946,137	74,463,094
Receivables – customers	45,597,091	161,008	165,991	45,924,089	43,202,253
Held-for-sale and investment portfolio (fixed-income securities) ⁽¹⁾	14,287,441			14,287,441	12,291,420
Government paper ⁽²⁾	34,889,310			34,889,310	32,897,957
Financing commitments and guarantees given	20,420,148			20,420,148	17,101,035
Total	196,140,122	161,008	165,994	196,467,125	179,955,759

(1) Excluding Government paper.

(2) Excluding transaction securities.

Note 17.2. Provisions for counterparty risk

(€ '000s)	12.31.2011	Provisions	Reversals	Other changes	12.31.2012
Receivables – credit institutions		5			5
Receivables – customers	145,087	226,014	(183,248)	(5,290)	182,564
Sundry assets	3,889	1,229	(1,176)		3,942
Held-for-sale portfolio (Fixed-income securities)					
Investment portfolio ⁽¹⁾	107,853		(107,853)		
Total fixed-income securities	107,853		(107,853)		
Impairment charges recorded on assets⁽²⁾	256,829	227,247	(292,277)	(5,290)	186,510
Execution risks on signed commitments ⁽¹⁾	128,295	3,938	(5,037)		127,195
Other provisions for counterparty risk					
Provisions recorded under liabilities	128,295	3,938	(5,037)		127,195
Total impairment charges on counterparty risk⁽²⁾	385,124	231,185	(297,314)	(5,290)	313,705

(1) The provision on investment securities corresponded in 2011 to the impairment of Greek sovereign securities, which amounts to 71.9% of their par value.

(2) Of which impairment charges on:

• gross performing loans	9,868	76,604	(68,154)	(4,123)	(14,195)
• gross doubtful performing loans	147,200	33,403	(145,436)	(1,154)	(34,013)
• gross doubtful performing loans	99,760	117,241	(78,688)	(12)	(138,301)

The provision recorded under liabilities for the execution risk on signed commitments corresponds to the assessment of the risk that the guarantees granted on the capital and performance of some Group UCITS may come into play.

Note 18

Interest income and expenses on cash and inter-bank transactions

(€ '000s)	12.31.2012	12.31.2011
Interest on overdrawn current accounts	14,567	38,086
Interest on accounts and loans	2,362,425	2,215,340
Interest on securities borrowed		
Interest on securities received under repo agreements	30,981	35,506
Swap point income		
Other interest and similar income	59	531
Interest and similar income on cash and inter-bank transactions	2,408,032	2,289,463
Interest on current accounts in credit	(802)	(1687)
Interest on overnight and term borrowings	(12,244)	(10,935)
Interest on securities assigned under repo agreements	(25,810)	(94,681)
Swap point expenses		
Other interest and similar expenses	(292)	(221)
Interest and similar expenses on cash and inter-bank transactions	(39,148)	(107,524)

Interest income on accounts and loans includes the payment of centralised funds transferred to the Caisse des dépôts et consignations.

This payment includes the interest paid to depositors shown under "Interest and similar expenses – Customers" and the additional compensation received by La Banque Postale.

Note 19

Interest on customer transactions

(€ '000s)	12.31.2012	12.31.2011
Interest on overdrawn current accounts	50,694	38,493
Interest on commercial receivables and customer loans:		
• Interest on short-term credit facilities	2,618	1,826
• Interest on equipment leases	16	
• Interest on home loans	1,644,394	1,529,885
• Other interest	6,733	
Interest on other loans and securities borrowed	6,360	2,545
Interest on securities received under repo agreements		
Other interest and similar income	1	32,901
Doubtful interest	7,929	7,773
Interest and similar income on customer transactions	1,718,745	1,613,424
Interest on current accounts in credit	(32,589)	(31,730)
Interest on term accounts in credit, borrowings and securities loaned	(19,024)	(16,448)
Interest on securities assigned under repo agreements		
Interest on special savings accounts	(2,614,917)	(2,282,895)
Other interest and similar expenses		
Interest and similar expenses on customer transactions	(2,666,530)	(2,331,073)

Note 20

Interest on fixed-income securities

(€ '000s)	12.31.2012	12.31.2011
Interest and similar income on held-for-sale securities	205,865	127,146
Interest and similar income on investment securities	1,364,971	1,409,396
Other interest and similar income		
Interest and similar income on bonds and other fixed-income securities	1,570,836	1,536,542
Interest on negotiable certificates of deposit and negotiable medium-term bills	(27,738)	(41,773)
Interest and expenses on bond borrowings	(131)	
Other interest expenses	(116,683)	(122,978)
Interest and similar expenses on bonds and other fixed-income securities	(144,552)	(164,751)

Note 21

Other interest and similar

(€ '000s)	12.31.2012	12.31.2011
Income from foreign exchange instruments		
Income from interest rate instruments	37,459	32,163
Other interest and similar income	37,459	32,163
Expenses on foreign exchange instruments		
Expenses on interest rate instruments	(131,562)	(41,384)
Other interest and similar expenses	(131,562)	(41,384)

Note 22

Income from floating-rate securities

(€ '000s)	12.31.2012	12.31.2011
Income from held-for-sale securities	8,005	12,622
Income from equity holding securities		
Income from investments	77,171	144,952
Income from floating-rate securities	85,175	157,574

Note 23

Commissions

	12.31.2012		12.31.2011	
(€ '000s)	Income	Expenses	Income	Expenses
Cash and inter-bank transactions		(2,139)		(2,001)
Customer transactions	1,168,055	(74,283)	1,178,458	(76,879)
Securities transactions	103,168	(893)	118,442	(833)
Transactions on forward financial instruments		408		13,737
Supply of financial services	741,795	(158,577)	739,485	(174,226)
Foreign exchange transactions				
Other commissions	17,554		17,386	
Commissions	2,030,572	(235,484)	2,053,771	(240,201)

Note 24

Profit (loss) on trading portfolio transactions

(€ '000s)	12.31.2012	12.31.2011
Profit (loss) on transaction securities transactions	141,605	105,275
Profit (loss) on foreign exchange instrument transactions	12,159	19,806
Profit (loss) on financial instrument transactions	80,656	(29,614)
Gains or losses on trading portfolio transactions	234,420	95,468

Note 25

Profit (loss) on investment portfolio transactions

(€ '000s)	12.31.2012	12.31.2011
Profit (loss) from disposal of held-for-sale securities	123,048	212,301
Other interest and expenses on held-for-sale securities		
Impairment charges and reversals on held-for-sale securities	133,563	(102,752)
Gains or losses on investment portfolio transactions	256,611	109,549
Profit (loss) from disposal of equity holding securities	(2,724)	1,189
Impairment charges and reversals on equity holding securities	2,378	11,144
Gains or losses on equity holding securities	(346)	12,333
Gains or losses on investment portfolio transactions and similar	256,265	121,882

Note 26

Other income and expenses from banking operations

(€ '000s)	12.31.2012		12.31.2011	
	Income	Expenses	Income	Expenses
Re-invoiced expenses, income paid out, and transfers of expenses	34,024	0	33,926	0
Other sundry operating income and expenses ⁽¹⁾	48,550	(74,037)	22,151	(137,435)
Provisions and reversals on other operating income and expenses	7,063	(16,678)	11,314	(7,388)
Other income and expenses from banking operations	89,637	(90,715)	67,391	(144,823)
Net amount of income and expenses from banking operations	(1,078)		(77,432)	

(1) In 2011, this item showed the correction of the mistake on the allocation of the new-entrant contribution to the Deposit Guarantee Fund. These contributions, which were previously registered as guarantee deposits, were recorded in profit and loss for the period between 2007 and 2010, in a total amount of €76 million. In 2012, it records an amount of €33 million, transferred to La Banque Postale by the French Competition Authority after the fine regarding the exchange of online cheques was cancelled by a ruling of the Paris Court of Appeal in February 2012. The French Competition Authority has appealed to the French Court of Cassation.

Note 27

Note 27.1. Employee benefits expense

(€ '000s)	12.31.2012	12.31.2011
Wages and salaries	(139,410)	(132,899)
Pensions	(22,472)	(18,746)
Social security contributions	(54,533)	(50,392)
Incentives and employee profit-sharing	(6,154)	(6,761)
Tax, duties and similar payments on employee compensation	(27,666)	(23,927)
Other expenses	(5,343)	(7,027)
Employee benefits expense	(255,578)	(239,752)
Amount of attendance fees paid to directors	284	294

Compensation allocated to members of the Executive Board for the financial year amounted to €1,225 thousand.

Note 27.2. Headcount

	12.31.2012	12.31.2011
Civil servant staff	607	630
Non-civil servant staff	1,588	1,500
Total headcount⁽¹⁾	2,195	2,130
Executives	1,905	1,825
Supervisors and technicians	248	261
Employees	42	44
Workers		
Staff made available to the company		
Total headcount⁽¹⁾	2,195	2,130

(1) Headcount expressed as agent-equivalents for the year ending December 31st.

Note 28

Other general operating expenses

(€ '000s)	12.31.2012	12.31.2011
Taxes and duties	(54,305)	(37,582)
Lease payments		
Rents and rental expenses	(99,852)	(93,619)
Fees	(76,909)	(85,280)
Other operating expenses ⁽¹⁾	(3,721,736)	(3,804,620)
Other general operating expenses	(3,952,802)	(4,021,102)

(1) This heading primarily includes the expenses relating to service agreements between La Poste and La Banque Postale, which amounted to €3,109.140 million.

Note 29

Re-invoicing

(€ '000s)	12.31.2012	12.31.2011
Employee benefits expenses are re-invoiced on a euro for euro basis ⁽¹⁾	19,500	20,447
General expenses excluding employee benefits expenses are re-invoiced on a euro for euro basis	34,902	30,528
Re-invoicing	54,402	50,976

(1) Including the re-invoicing of staff belonging to both companies to La Poste, which amounted to €7.926 million.

Note 30

Depreciation, amortisation and impairment charges

(€ '000s)	12.31.2012	12.31.2011
Depreciation and amortisation of operating non-current assets	(154,581)	(140,072)
• Of which amortisation of tangible operating non-current assets	(72,258)	(62,466)
• Of which amortisation of intangible operating non-current assets	(82,323)	(77,606)
Reversals of depreciation and amortisation on operating non-current assets		
Net depreciation and amortisation	(154,581)	(140,072)
Impairment of operating non-current assets		
Reversals of impairment charges on operating non-current assets		
Net impairment charges		
Net depreciation, amortisation and impairments of tangible and intangible non-current assets	(154,581)	(140,072)

Note 31

Cost of risk

(€ '000s)	12.31.2012	12.31.2011
Impairments on		
• Customers and credit institutions	(227,234)	(87,386)
• Signed commitments ⁽¹⁾	(3,938)	(128,295)
• Investment securities ⁽¹⁾		(107,853)
• Held-for-sale securities		
• Sundry debtors	(14)	(23)
Impairment charges	(231,185)	(323,557)
Reversals of impairment charges on		
• Customers and credit institutions	183,268	67,808
• Signed commitments ⁽¹⁾	5,037	
• Investment securities		
• Held-for-sale securities	107,853	23,178
• Sundry debtors	1,156	
Reversals of impairment charges	297,314	90,986
Losses and recoveries		
• Losses on hedged unrecoverable receivables	(172,425)	(56,174)
• Losses on unhedged unrecoverable receivables	(23,213)	(18,771)
• Recovery of amortised receivables	5,228	4,826
Losses and recoveries	(190,411)	(70,119)
Cost of risk	(124,281)	(302,690)

Changes in impairment charges relating to a counterparty risk are described in Note 17.

(1) These impairment charges and reversals directly involve the effects of the Greek sovereign debt crisis.

Note 32

Gains or losses on non-current assets

(€ '000s)	12.31.2012	12.31.2011
Gains or losses on disposal of property, plant and equipment	10	(561)
Gains or losses on disposal of intangible assets	(470)	(2)
Gains or losses on disposal of property, plant and equipment and intangible assets	(459)	(563)
Gains or losses on sale of investments, and gains or losses on advances		
Impairment charges and/or reversals		
• Including balance of profits or losses on investment securities transactions and advances		
Gains or losses on disposal of investment securities and other long-term securities holdings		
Impairment charges and/or reversals		872
• Including balance of profits or losses on investment securities and other long-term securities holdings transactions		872
Gains or losses on investment securities transactions and other long-term securities holdings		872
Gains or losses on non-current assets	(459)	309

Note 33

Exceptional profit (loss)

(€ '000s)	12.31.2012	12.31.2011
Exceptional income		
Exceptional expenses		
Exceptional income (expense)		

Note 34

Note 34.1. Income tax expense

(€ '000s)	12.31.2012	12.31.2011
Corporate income tax	(229,083)	(102,022)
Income tax expense	(229,083)	(102,022)
Losses carried forward		

Note 34.2. Type of differences

(€ '000s)		12.31.2012	12.31.2011
Temporary	Loans and Deposits	18,017	25,456
	Home Savings Provision Optionality	137,200	(17,000)
	Corporate Social Solidarity Contribution	340	1,246
	UCITS	(34,587)	11,467
	Financial instruments	(103,649)	102,471
	Other temporary differences	8,492	(847)
Permanent	Parent-subsidary regime	(73,289)	(137,695)
	Tax credit	21,897	21,722
	Fines	(27,302)	89
	Differences	(52,881)	6,909

Note 35

Information on the audit of the financial statements

Fees recognised in 2012 in euros (excluding taxes)			
Legal auditors	Audit of the financial statements	Other assignments	Total
KPMG	328,000	36,869	364,869
PricewaterhouseCoopers	328,000	459,207	787,207

Note 36

Business location details

List of investments in countries that have not entered into a tax assistance agreement

Name	Status	% of capital held	Voting rights	Legal form	Business
None					

5.4.4. Information on subsidiaries and affiliates of La Banque Postale as of December 31st 2012

Subsidiaries (over 50% capital held)

	LA BANQUE POSTALE GESTION PRIVEE ⁽¹⁾	SF2 ⁽²⁾	SCI CRSF METROPOLE ⁽³⁾	SCI CRSF DOM ⁽⁴⁾	ISSY LBP ⁽⁵⁾
SIREN number	428,767,941	424,176,238	445,061,369	445,047,442	509,105,979
Equity capital	1,000,000	1,053,573,881	256,411,996	2,333,111	40,000
Reserves and earnings carried forward before allocation of profit	5,100,166	256,019,228	7,712,468	1,436,870	(20,731)
Share of capital held (%)	51.00%	100.00%	99.99%	99.94%	99.99%
Book value of securities held					
• Gross	388,620	1,143,908,526	256,391,996	2,331,611	40,000
• Net	388,620	1,143,908,526	256,391,996	2,331,611	40,000
Loans and advances granted by the company and not yet repaid	-	-	-	-	-
Amount of sureties and guarantees given by the company	-	-	-	-	-
Revenues for the previous financial year (excluding tax)	22,150,184	210,695	34,540,010	861,152	0
Profit/(loss) for the last financial year	6,256,588	64,530,910	9,986,154	248,433	(5,456)
Dividends received by the Company in the previous financial year	2,807,550	64,714,354	9,460,865	163,679	-
Comments	Asset management company	Holding company	Property letting company	Property letting 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 06.

(5) 115 rue de Sèvres 75275 Paris Cedex 06.

Subsidiaries (between 10% and 50% capital held)

	TRANSACTIS ⁽⁶⁾	GALLIENI SF2-3 ⁽⁷⁾	GIE CR CESU ⁽⁸⁾	SGFGAS ⁽⁹⁾	LA BANQUE POSTALE CREDIT ENTREPRISE ⁽¹⁰⁾	GEXBAN ⁽¹¹⁾
SIREN number	479,874,257	522,047,570	487,708,455	390,818,235	514,613,207	750,411,316
Equity capital	4,948,120	40,000	150,000	825,015	220,000,000	300,000
Reserves and earnings carried forward before allocation of profit		3,861			(3,442,092)	
Share of capital held (%)	50.00%	100.00%	16.67%	14.29%	100.00%	16.67%
Book value of securities held						
• Gross	2,474,062	44,000	25,000	140,483	220,000,000	50,000
• Net	2,474,062	44,000	25,000	140,483	220,000,000	50,000
Loans and advances granted by the company and not yet repaid	-	-	-	-	-	-
Amount of sureties and guarantees given by the company	-	-	-	-	-	-
Revenues for the previous financial year (excluding tax)	NA	-	NA	NA	7,056,017	NA
Profit/(loss) for the last financial year	NA	(2,836)	NA	NA	(4,886,896)	NA
Dividends received by the Company in the previous financial year	-		-	-	-	-
Comments	Financial services holding company	Financial services advisory company	Universal Employment Services Cheques	Guarantee fund management company	Financial company	Company to protect the ".banque" domain name

(6) 33 place des Corolles - Tour Europe La Défense II 92400 Courbevoie.

(7) 115 rue de Sèvres 75275 Paris Cedex 06.

(8) 155 avenue Gallieni 93170 Bagnolet.

(9) 13 rue Auber 75009 Paris.

(10) 115 rue de Sèvres 75275 Paris Cedex 06.

(11) 36 rue Taitbout 75009 Paris.

5.4.5. Table featuring key financial data for the past five years

(in euros)	2008	2009	2010	2011	2012
Financial position					
Equity capital	2,342,454,090	2,342,454,090	2,342,454,090	3,185,734,830	3,185,734,830
Number of shares	20,369,166	20,369,166	20,369,166	27,702,042	27,702,042
Overall profit					
Revenue ⁽¹⁾	7,519,031,417	8,112,332,556	8,184,746,728	8,050,572,378	8,652,820,008
Profit before corporate income tax, depreciation, amortisation and net provision charges	573,575,958	699,563,397	837,575,850	898,153,178	879,964,839
Income tax	(11,539,082)	(277,412,282)	(226,602,353)	(102,022,457)	(229,083,049)
Profit after corporate income tax, depreciation, amortisation and provisions	81,846,298	598,207,567	513,536,390	183,460,386	460,769,474
Proposed profit for distribution	96,142,464	264,391,775	292,908,607	185,603,681	258,183,031
Earnings per share					
Profit after corporate income tax, and before depreciation, amortisation and provisions	25.02	20.75	29.99	27.95	23.50
Profit after corporate income tax, depreciation, amortisation and provisions	4.02	29.37	25.21	6.62	16.63
Proposed profit for distribution	4.72	12.98	14.38	6.70	9.32
Employees					
Average headcount	1,690	1,897	1,980	2,072	2,159
Payroll expenses	104,503,764	106,643,511	116,788,838	127,027,761	134,089,621
Amounts paid for employee benefits (Social Security, social welfare organisations, etc.)	41,233,187	42,698,513	52,342,513	57,418,540	59,876,174

(1) This figure includes all income from banking operations (profits and losses on financial transactions are taken at their net amount).

5.5. Statutory Auditors' report on the separate financial statements

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it 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 audit opinion on the financial statements and includes explanatory paragraphs 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 financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

Financial year ending December 31st 2012

LA BANQUE POSTALE S.A.

115 rue de Sèvres
75275 Paris Cedex 06

To the Shareholders,

In accordance with the terms of the assignment entrusted to us by your Annual General Meeting, we hereby submit our report on the financial year ending December 31st 2012, regarding:

- our audit of the separate financial statements of the La Banque Postale company, as appended to this report;
- the justification of our assessments;
- the specific checks and information required by law.

The separate financial statements have been prepared by the Executive Board. Our role is to issue an opinion on those financial statements, based on our audit.

I – Opinion on the separate 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 separate 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 separate financial statements. It also involves assessing the accounting principles used, the significant estimates made and the overall presentation of the 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 gathered in order to form our opinion is sufficient and relevant. We hereby certify that the separate financial statements for the financial year present a true and fair view of the results of the transactions for the year just-ended, as well as of the Company's financial position and net assets at the end of that financial year.

II – Justification of our assessments

In accordance with the provisions of Article L. 823-9 of the Commercial code pertaining to the documentation supporting our findings, we would like to bring to your attention the following information:

Impairment charges and provisions for direct and indirect credit risk

Your company records impairment charges and provisions to cover the direct and indirect credit risk inherent to its business activities (see paragraphs "2 – Receivables – credit institutions and customers – signed commitments", "3 – Securities", and "7 – Provisions" in Note "1 – Valuation accounting principles and policies", and Notes "4.1 – Transactions with customers", "5.2 – Market value of financial transactions", "9 – Breakdown of provisions recorded under liabilities", "17.1 – Credit risk", "17.2 – Provisions for counterparty risk", and "31 – Cost of risk" in the notes to the separate financial statements).

We have examined the control procedures for:

- monitoring risk;
- the exposure identification process;
- the impairment and provisioning methods, assessing risk and covering it through impairment charges and provisions.

Valuation of securities and financial instruments

Paragraphs “3 – Securities” and “10 – Transactions on financial futures” in Note “1 – Valuation accounting principle and policies – presentation and valuation rules” set out the rules and accounting policies applicable to securities and financial instruments. We have examined the control procedures for the accounting classification of these positions, and for determining the parameters used to value them. We have verified the appropriateness of the accounting policies selected by your company, and have satisfied ourselves that they are applied correctly.

Provision for home loan savings products

Your Company records a provision to cover the risk of the potentially unfavourable consequences arising from commitments relating to home loan savings contracts (*paragraph “7 – Provisions” of Note “1 – Valuation accounting principle and policies – presentation and valuation rules”, and Note “10 – Breakdown of the home loan savings optionality”*). We have examined the control procedures for checking the models and determining the parameters used. We have verified the appropriateness of the accounting policies selected by your company, and have satisfied ourselves that they are applied correctly.

As part of our assessment, we satisfied ourselves regarding the reasonable nature of all of these estimates.

Our assessments were made in the context of our audit of the separate financial statements, taken as a whole, and therefore assisted us in reaching our opinion as expressed in the first part of this report.

III – Specific checks and information

We also performed the specific checks specified in law, in accordance with the professional standards applicable in France.

We have no observation to make on the true and fair presentation and consistency with the separate financial statements of the information on the Company’s financial position and annual accounts provided in the Executive Board’s management report and in the documents sent to you.

With regard to the information provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code on the remuneration and benefits awarded to corporate officers, and on the commitments granted for their benefit, we checked that this information matched the financial statements or the data used to prepare these financial statements, and where applicable, the information gathered by your Company from companies that control your Company or that it controls. Based on this work, we hereby certify the accuracy and truthfulness of that information.

Pursuant to the law, we have satisfied ourselves that the various information items relating to equity investments and control were disclosed to you in the management report.

Neuilly-sur-Seine and Paris-La Défense, February 28th 2013

The Statutory Auditors

PricewaterhouseCoopers Audit
Agnès Hussherr

KPMG
Isabelle Goalec

Responsible Development

6.1. Governance of responsible development at La Banque Postale	206
6.2. La Banque Postale's responsible development policy	207
6.2.1. Banking accessibility	208
6.2.2. Responsible customer relationship	209
6.2.3. Responsible banking products	211
6.2.4. Managing extra-financial risks	212
6.2.5. Corporate social and environmental responsibility	213
6.3. Responsible development indicators	220
6.3.1. Methodology notice	220
6.3.2. Economic indicators	222
6.3.3. Social indicators	223
6.3.4. Societal indicators	226
6.3.5. Environmental indicators	227
6.4. Statutory Auditors' Report	229

Nb: The whole of this part meets the regulatory reporting obligation under section 225 of The Grenelle law II and Decree No. 2012-557 of April 24th 2012 on the transparency obligations of corporate, social and environmental responsibility.

6.1. Governance of responsible development at La Banque Postale

FA subsidiary of La Poste Group, La Banque Postale is a bank “like no other”, driven by the post office values of local presence and the highest level of service. A bank for everyone, it maintains close relationships with all of its individual or corporate customers, thanks to the Post offices’ unique network and thanks to its numerous interconnected and long-distance access services. A helpful bank, it offers simple and innovative solutions with a responsible approach to advice and risk. A bank focused on regional development, it mobilises French people’s savings for practical regional development projects in the country. A trustworthy bank, it gives priority to its customers’ interests first: “**Banque et Citoyenne**”, it shares and creates with them a new relationship with money and the Bank.

Since the beginning of 2009, the body governing La Banque Postale’s Corporate Social Responsibility (CSR) has been the **Responsible development committee**, one of the Executive Board’s eight committees. Its goal is to identify needs, put forward and implement appropriate projects and achieve results which will make responsible development a factor of differentiation, performance and profitability for La Banque Postale. In 2012, the Committee met twice. Moreover, since 2011, the tri-annual **performance reviews** – which are part of La Poste Group’s key governance mechanisms – have included a focus on CSR. This new body enables La Banque Postale to bring attention to topical issues and keep track of CSR developments and indicators.

In 2012, La Banque Postale reviewed its **Responsible development policy** up to 2015. The new version was validated by the Responsible development committee. It is based on five main focuses, 12 missions and 25 priority projects, each of which is backed by follow-up indicators and qualitative or quantitative objectives. The following section (6.2) gives an overview of the responsible development policy.

At the same time, **CSR guidelines** inspired by ISO 26000 were laid down in 2012 within the La Poste Group and adapted for La Banque Postale. They comprise six main topics, 18 themes and 63 action areas assessed according to three standpoints and maturity levels suited to the specific characteristics of La Banque Postale. The six main topics relate to stakeholders: employees, customers, suppliers, the environment, governance and regional dynamics.

At the end of 2012, La Banque Postale asserted its sustainable development commitment by creating the Department of responsible development and youth employment. This Department comes under the Human resource department, which holds a seat within the Bank’s highest management body, the Operations committee.

Raising awareness

In order to train its managers in Social and environmental responsibility and get them to adopt its new approaches, La Poste set up one and a half day operational training sessions on CSR in 2009, aimed at the Group’s strategic managers. Since 2010, 251 strategic managers, whether already in office or newcomers, were thus trained.

Throughout the year, the Responsible development department raises employee awareness on CSR issues and projects. The teams are thus mobilised every year during the five weeks of nationwide events based on the following themes: sustainable development, mobility, socially responsible investment, employment of people with disabilities and waste reduction.

Furthermore, a course dedicated to energy management was held in 2012 for technical directors and responsible development correspondents, who pass on the teachings in the 23 Financial Centres. 36 employees attended this specialised training.

6.2. La Banque Postale's responsible development policy

La Banque Postale's responsible development policy up to 2015, June 2012, is based on five main focuses, 12 missions and 25 validated by the Responsible development committee in flagship/priority projects.

Main focuses	Missions	Projects
The Bank accessible to all	Help to maintain social links (teaching the use of banking services and budget management, face-to-face relationship, etc.)	Train young people engaged in civic service programmes to assist vulnerable youths in the management of their budgets and bank accounts Offer employees a programme which enables them to get involved on a voluntary basis in the teaching of budget and bank account management
	Promote access to banking products and services for all	Develop a comprehensive offer dedicated to vulnerable customers Give Advisors solutions to meet the expectations of disabled persons
Be one of the leaders in terms of responsible customer relationship	Identify and spread good customer relationship practices, over and above regulatory requirements	Lay down a responsible customer relations charter Assist vulnerable customers in their relationship with the Bank
	Engage in responsible commercial management with bank Advisors	Design and share guidelines to measure the expected quality of service and that delivered to customers Set up variable remuneration partly based on the contribution to collective results and qualitative performance
	Assist people undergoing financial difficulties	Use the synergy with local players to expand the regional map of social assistance organisations
A benchmark in terms of a responsible offering	Put forward a transparent, simple, clear and responsible offering focused on essentials	Take extra-financial criteria into account in the entire product/service offering
	Integrate corporate social responsibility in a dedicated eco-responsible offering	Develop a range of eco-responsible products with social and/or environmental added value (savings products, credit products, insurance products, etc.) Involve all Asset Management subsidiaries in ESG integration Extend the ESG integration process to the Insurance Division
Management of extra-financial risks	Systematically take into account extra-financial risks in the management of all projects conducted by La Banque Postale	Raise risk managers' awareness on the need to integrate ESG risks in their risk management Offer the business lines an opportunity study tool integrating corporate social responsibility and suited to the Project Management Method
	Provide the business lines concerned with appropriate extra-financial risk management tools	Lay down sector-specific policies or investment guidelines for higher-risk sectors covering asset management and the financing activities of corporate and institutional customers Analyse the extra-financial risk level of the stock market portfolio at regular intervals
Corporate social and environmental responsibility	Be a responsible employer	Develop responsible management (respect employees, give meaning, manage change) Integrate corporate social responsibility criteria in the managers' variable remuneration Promote equal opportunity
		Promote employees' civic commitment
	Promote the Bank's corporate values with its internal and external stakeholders	Deploy a responsible purchasing policy in-house and with the supply chain
	Control the environmental impact of its business activities	Control CO ₂ emissions Control paper consumption Roll out the Green IT project

6.2.1. Banking accessibility

Originating from La Poste's Financial Services, La Banque Postale is the only bank that was granted a banking accessibility mission through the Economy Modernisation Act of 2008. Welcoming every person, irrespective of their situation, and offering them appropriate banking solutions – such is the Bank's commitment. Under the Act of February 9th 2010, La Banque Postale is also committed to preventing overindebtedness and promoting micro-loans.

Helping to maintain social links

To promote banking accessibility, La Banque Postale helps to maintain social links and prevent banking exclusion.

Its commitment involves assistance on several **training projects focused on the use of banking services**. For example, La Banque Postale supports the NGO Institut pour l'Éducation Financière du Public (IEFP). Approved by the French Department of Education, this NGO was set up to help people acquire basic financial knowledge. Its goal: enabling everyone to understand the economic workings of the world in which they live and make informed decisions on the matters that concern them. In 2012, La Banque Postale also set up **budget management workshops**. This experiment was conducted with local organisations and nine young people on Civic Service contracts. They were trained and supported on topics such as budget management, the use of a bank account and the proper use of credit and savings. The experiment will be replicated and extended to some fifty local organisations in 2013.

Moreover, La Banque Postale is actively involved in exchanges with public social players and NGOs focused on **combating banking exclusion**. The common goal is to promote "banking accessibility", i.e. setting up measures to facilitate access to financial services for vulnerable people. Beyond their educational role, these bodies incite bank players to experiment with products and services geared to those customers' expectations. They also strive to promote, notably with the public authorities, the most appropriate solutions arising from the exchanges.

Therefore, in December 2011, La Banque Postale supported the Manifesto for the banking inclusion of the most vulnerable populations, put forward by the French Red Cross, Secours Catholique and UNCCAS (French national union of communal social action centres).

In October 2012, together with eight large organisations, it created the Initiative against banking exclusion, a think and action tank that aims to develop new practices on the subject. This club joins together ADIE (Association pour le droit à l'initiative économique, Association for the Right to Economic Initiative), ATD Quart Monde, CRÉCUS (regional chamber for social over-indebtedness), the French Red Cross, Restos du Cœur, Secours catholique, Secours Populaire and UNCCAS. As an open organisation, it welcomes all players in the social world, both organisations and banks.

The Bank also supports the actions of the French non-profit organisation Tank Entreprise et Pauvreté. Its goal is to incite companies to develop experimental projects which will reduce poverty and social exclusion in France.

Lastly, in December 2012, at the National conference to combat poverty and promote social inclusion, La Banque Postale actively

participated in the working group dedicated to "banking accessibility and the fight against overindebtedness".

Promoting access to banking products and services for all

Under French law, everyone is entitled to open a deposit account and to basic banking services. Through the network of post offices, La Banque Postale undertakes to welcome any person, irrespective of their situation.

As part of this **public service mission**, every French resident, including the most deprived, can benefit from a bank account to house their income, withdraw cash and issue payment orders at the counters of La Banque Postale. The bank is therefore obliged to open a Livret A savings account "for any person who requests it" and handle deposits and withdrawals of a minimum of €1.50 on such accounts (compared with €10 at other banks). In 2012, La Banque Postale thus handled a large number of transactions involving small amounts on a daily basis: at the end of 2012, on over 19 million Livret A accounts, 54% of transactions were for less than €150.

Moreover, La Banque Postale has always promoted access to basic account and banking services for vulnerable people. It also offers people under cheque-writing bans alternative methods of payment such as the Simplicité account. Furthermore, its rates are among the lowest on the French market.

Under the Act of February 9th 2010 amending the status of the La Poste Group, La Banque Postale has also undertaken to combat and prevent overindebtedness and promote micro-loans.

Thus, since June 2012, the Bank has been offering a **professional micro-loan** in partnership with ADIE. The goal is to help unemployed people with no access to bank loans to set up a business. An experiment aimed at detecting and assisting customers undergoing financial difficulties in sensitive urban areas (ZUS) and wanting to set up their own businesses has been conducted.

Since March 2007, La Banque Postale is also committed to providing **personal micro-loans**, in close cooperation with social players focused on promoting social integration (UDAF, CCAS, etc.) – 17 new partnership agreements were signed in 2012 and 81 agreements resulted in the granting of at least one micro-loan in 2012. La Banque Postale thus finances personal projects initiated by individuals excluded from bank loans due to their poor credit records. In 2012, the number of micro-loans granted increased 37% in comparison with 2011.

At La Banque Postale, customers with modest budgets can also have **access to credit**. Concerning consumer credit, small loans are offered at an attractive fixed rate, over long repayment periods. Thus, as of December 31st 2012, 10% of consumer loans granted did not exceed €1,500 (9% as of December 31st 2011). With student loans, apprenticeship loans, 1-euro driving license loans and interim loans, La Banque Postale also responds to the specific needs of young people. Concerning home loans, at the end of 2012, 17% of borrowers earned less than €2,000 a month (15.3% in 2011). Moreover, La Banque Postale enables young people under the age of 26 to benefit from home loans, even without a down-payment. In addition, at the end of 2012, a service

dedicated to promoting home ownership among modest-income households was created. It relies on partnerships with social housing players such as that signed in December 2012 with the

Maisons France Confort Group. For 2013, the home loan budget dedicated to lower income customers amounts to €1 billion.

6.2.2. Responsible customer relationship

The welcome given to customers and quality of service are in perfect harmony with the La Banque Postale's strategy: "putting the customer first: making the difference".

A responsible customer relationship is a relationship based on quality advice, ensured by an appropriate counselling method and customer-focused commercial management and Advisor remuneration. Responsible practices are implemented in all circumstances throughout the banking relationship: trust, support, listening, monitoring and transparency.

Appropriate and responsible counselling

The platform of the counselling method is firstly comprised of La Banque Postale's **business ethics handbook** (see section 6.2.4) which clearly emphasises the importance of responsible sales practices. Secondly, La Banque Postale's **semantic guide** reflects its fundamentals and its values, and enforces clear, simple, and transparent marketing pitches.

La Banque Postale always strives to ensure that its products are suited to its customers' situations and needs. Since 2005, the **Seven winners method**, approved by Vigeo since 2006, underpins the customer-Advisor relationship. It is based on exhaustive knowledge of the customers, via a comprehensive financial review. This results in appropriate advice suited to the customers' requirements and projects. Since the end of 2011, the Advisor, who is responsible for the quality of the advice, uses a comprehensive, pedagogical diagnostic tool – known as the tripod – to build the most appropriate financial solutions with the customer.

In order to identify and understand customer needs and offer them the right products, La Banque Postale's counselling line is structured so as to best meet their expectations. For example, right from the start, the Bank set up a network of **specialised real-estate Advisors**. This has enabled customers to benefit from the expert counselling of 704 Advisors in 2012. Moreover, to meet customer requirements, the Bank has trained specialised Advisors dedicated to corporate and institutional customers. In order to ensure the quality of the service provided, the Bank's Advisors receive regular training. In 2012, 10,000 Advisors were trained in the new revolving credit offer.

Upstream, La Banque Postale pays close attention to the way in which it promotes its products to its customers, using clear, informative communication materials: uses, videos, key points, guides, etc. The various communication campaigns based on transparency, simplicity and clarity contribute to building a long-term, quality relationship right from the start.

Lastly, in the interest of customers, the quality of the counselling and the development of a long-term relationship are based on a **commercial management system** involving the training of Advisors and a remuneration system comprising qualitative and

quantitative factors, as well as individual and collective ones. Each Advisor thus signs an annual performance contract and reviews his/her progress with the line manager three times a year at joint evaluation interviews. This performance contract rests on the following three pillars:

- the Advisor's missions: knowing his/her customers well and providing them with good advice, while promoting a multi-channel approach, thus striving for team success;
- the Advisor's practices including absolute requirements and activities: compliance with the rules of ethics and ensuring quality advice through the implementation of the seven Winners method and thorough knowledge of product/service ranges;
- lastly, the best performance indicators in terms of figures.

Contract signing and monitoring: prudent risk management, regular monitoring and prevention of overindebtedness

The signing of a product contract and its subsequent monitoring are crucial stages in building a responsible customer relationship. Prudent risk management and regularly monitoring the customer's situation are thus essential.

For example, in the marketing of a home loan offer, the Advisors specialised in home loans carry out a personalised study of the real estate transaction and consider the acquisition project within a comprehensive approach (taking into consideration the remaining disposable income, promoting home savings schemes, etc.). Thanks to appropriate counselling and objective analysis of the customer's situation, La Banque Postale's level of sub-prime loans remains among the lowest on the market (0.37% as of December 31st 2012 versus 0.34% as of December 31st 2011 and 1.34% average for the market as a whole at the end of 2011) while managed credit outstandings exceeded €44 billion and loans totalled nearly €7 billion in 2012.

The consumer credit granting criteria are also stringent and based on prudent risk management, in the customer's interest. For cases of rejection following the analysis of the loan request, alternative solutions geared towards more appropriate products are currently under study and will be set up in 2013. As part of the customer relationship, on each contract anniversary date, the borrower is offered a budget assessment to update his/her situation and check its appropriateness with respect to the outstanding loan. These customised meetings between the Advisor and the customer make it possible to adjust the customer's budget, update administrative data, adapt the loan or examine a new request. Throughout the duration of the loan, La Banque Postale remains **vigilant** in order to detect any signs of financial difficulty as early as possible.

Based on the principle that responsible credit is informed credit, and in a context where the number of cases of overindebtedness increases every year, La Banque Postale remains publicly committed to the set-up of a **positive file** under the aegis of the Banque de France. Such a file, listing all loans taken out, would provide a comprehensive view of a customer's indebtedness. Without doing away with the other required checks, it would protect customers from inappropriate indebtedness, a situation which leads to overindebtedness. Already set up in most countries, the positive file has proven effective as an essential tool for the distribution of responsible credit.

Responsible marketing of revolving loans

After two waves of testing, La Banque Postale launched a nationwide revolving credit offer on December 3rd 2012. In keeping with the Bank's values, this new offer is clear, detailed, transparent and responsible. It is entirely based on knowledge of the customer, as obtained through the banking relationship. Indeed, preventing overindebtedness has been a core concern in the designing of this offer. The offer is thus reserved to customers of La Banque Postale with a postal checking account (CCP) and is mainly available from post offices after a detailed study of income and expenses. An introductory guide setting out the good and bad uses of revolving credit is also available to customers.

The offer, which is positioned between the authorised overdraft and the personal loan, makes it possible to cope with temporary cash-flow shortfalls and unexpected expenses, or make purchases under well-managed conditions. If the CCP's authorised overdraft is exceeded, the Extension Option is triggered: the customer thus avoids rejection fees and benefits from a lower rate than that of the authorised overdraft. The pricing system is simple and attractive, in keeping with La Banque Postale's pricing policy. Early repayments are possible at any time, free of charge, and accelerated repayment, *i.e.* 30% more rapidly than the legal obligation, can be set up. In addition, through a dedicated account statement, real-time information and SMS/e-mail alerts, customers receive comprehensive information throughout the term of their loan.

Lastly, to identify any financial difficulty, an annual budget assessment is offered to all customers and special assistance is always available in the event of hard times (*see section on assistance to people undergoing financial difficulties*).

Assistance to people undergoing financial difficulties

In parallel with its banking accessibility mission and the actions undertaken to promote access to banking products and services for persons generally left out (*see Section 6.2.1*), La Banque Postale is very committed to assisting people undergoing financial difficulties. To this effect, it conducts projects alongside non-profit organisations involved in combating social exclusion, such as UNCCAS (French national union of communal social action centres) and CRÉSUS (regional chamber for social over-indebtedness).

Thus, the **REFLEX experiment** (a joint initiative to combat social exclusion) was conducted with the communal social action centres (CCAS) to provide assistance to people experiencing financial difficulties. It made it possible to rapidly detect such customers in order to immediately take measures likely to stabilise their

financial capacities. This innovative approach was recognised as one of the best to combat banking exclusion at the Annual European Conference against poverty and social exclusion held in December 2012.

Moreover, in 2012, La Banque Postale Financement set up a two-level support system concerning consumer credit and revolving credit, in order to monitor customers experiencing financial difficulties:

- a **Support unit** dedicated to vulnerable customers who accept specific monitoring based on listening and education, was set up when this activity was launched. With the help of the customer, the Advisor carries out a detailed analysis of the person's financial situation and difficulties. The Advisor draws up a diagnostic in order to guide the customer towards loan restructuring, credit repurchase, or more comprehensive support if needed. Regular meetings are scheduled to ensure on-going follow-up. In 2012, 421 customers ☒ were assisted in this way (300 in 2011);
- for the most complex situations or in the event of loans taken out with other lenders, La Banque Postale Financement has entered into an **agreement with CRÉSUS**, a recognised public-interest organisation, which specialises in budgetary and financial support. CRÉSUS then initiates direct actions to rebalance the budget of customers having submitted an excessive debt file, put them in contact with social bodies, or steer them towards its local support network. In 2012, CRÉSUS assisted 203 customers ☒ (279 in 2011).

Listening to customers

Quality of service is the number 1 priority of La Banque Postale's 2011-2015 strategic plan: "Putting the customer first: making the difference". Indeed, this is a major **lever to ensure customer satisfaction and loyalty**. At the heart of the process is the ability to listen to customers, in order to better understand their expectations.

Various measures have been set up to improve the quality of service:

- national satisfaction surveys were conducted across France. The customer satisfaction rate rose from 88.7% in 2011 to 92.3% in 2012. At the same time, the customer claims rate dropped from 7% in 2011 to 6% in 2012. Lastly, in terms of image, La Banque Postale has maintained its leading position on rates and geographical proximity, and ranks first for sustainable development;
- to step up its quality process, local customer feedback units were set up in 2011 in regional sales departments in collaboration with La Poste and the Financial Centres. By keeping in close touch with customers, their objective is to get a better grasp of their expectations;
- listening to customers also means listening to their complaints. To this effect, La Banque Postale set up an extensive claim management and review system. As early as 1995, La Poste demonstrated its will to address customer claims through the appointment of a Mediator, followed by the set-up of a Customer Relations Department in 1996. Since November 2011, the claims filed in the post offices are directly handled by teams of dedicated professionals in the Financial Centres. A second

Indicators for which a moderate assurance opinion was issued: ☒ in 2012 ✓ in 2011.

processing phase takes place in the Customer Relations Department at La Banque Postale's head office. Other measures to improve the quality of service include the analysis of the type of the claims, the results of the satisfaction survey and the use of quality data sheets by the Customer Relations Department;

- moreover, the Ideas Bank and Eurék@ enable employees in contact with customers to put forward suggestions to improve service quality;

- lastly, in 2012 the Bank launched the Customers Lab. By the end of November 2012, 2,600 people had used this collaborative platform. In the space of ten months, they had posted over 160 suggestions and 340 comments. This tool thus enables us to pay closer attention to what customers have to say, identify their priority requests and create a community of testers who can test our new products and services before their launch.

6.2.3. Responsible banking products

La Banque Postale is committed to offering its customers a simple, clear and responsible offering of products and services, focused on essentials, at an affordable price.

ESG Checklist: integration of ESG criteria

Since June 2009, La Banque Postale has made sure that ESG (Environmental, Social and Governance) criteria are systematically taken into account in the design of its range of products and services. It has therefore set up an ESG Checklist – a tool which sets out the Bank's five founding values (accessibility, performance, difference, responsibility, cohesion) through 19 ESG criteria which are fundamental for La Banque Postale (e.g. ethical advice, transparency, simplicity and clarity).

Following the set-up of the tool, the product managers were trained in its use. They are thus aware of the main requirements of responsible development. All of the Bank's new products must therefore meet extra-financial criteria covering their design, their distribution and customer support.

Products and services with added social and/or environmental value

In addition to integrating ESG criteria in its offering, right from its design phase, La Banque Postale offers various products with added social or environmental value.

For example, the Livret A savings account helps to finance social housing and is consistent with the principle of banking accessibility for all. Through personal and entrepreneurial micro-loans, customers generally excluded from bank credit can get loans from €300 to €3,000 (see page 208). The Simplicité account provides an alternative to payment by cheque.

As another example, part of the funds collected in the Sustainable Development savings accounts are used to finance SMEs focused on sustainable development and grant loans for energy-saving projects. The Pactys Environnement loans and the interest-free eco-loan promote the protection of the environment and help combat climate change by financing energy-saving projects. Since 2011, energy efficiency is taken into account for the granting of interest-free housing loans (PTZ+). Moreover, the meal vouchers and Universal Personal Service cheques issued are eco-designed. Lastly, a **car insurance concept based on eco-driving** is currently being tested within the La Poste Group and its subsidiaries. By promoting the reduction of CO₂ emissions, this offer is consistent with the position adopted by La Banque Postale as a civic-minded bank.

Responsible asset management

As a responsible bank, La Banque Postale combines performance and ethics. Because responsible development is embedded in the Group's values, La Banque Postale instils the principles of socially responsible investment (SRI) throughout its entire asset management.

SRI means applying sustainable development principles to asset management. This approach consists in integrating extra-financial criteria, *i.e.* ESG (environmental, social and governance) criteria into portfolio management and investment decisions, in addition to financial criteria. SRI strives to combine financial performance with corporate social and environmental responsibility.

To that effect, LBPAM launched the "Investir autrement" range. It comprises socially responsible funds, for which ESG criteria were taken into account prior to any financial analysis.

As proof of its commitment to promoting this responsible offering, SRI is now part of the "Essentiels" – the core UCITS range offered to customers: indeed, out of the eight "Essentiels" funds, three are SRIs. They are put forward by Advisors who receive regular training from specialists in order to improve their knowledge of responsible investment products. In addition, every year La Banque Postale takes part in the "SRI week" during which it offers its customers and Advisors information and promotional materials for its "Investir autrement" range.

The SRI funds are assessed every year by Novethic, an SRI research centre and subsidiary of Caisse des dépôts. Once again in 2012, the five funds in the "Investir autrement" range obtained the Novethic SRI label, awarded to SRI funds in the French market. It aims to guarantee a transparent SRI selection process and an ESG analysis of at least 90% of the portfolio. Two of the funds were also awarded the "ESG indicators" label, for the measurement of their extra-financial added value.

In 2012, **SRI funds** totalled €1.274 billion (€1.226 billion in 2011 ✓), *i.e.* 4.2% of the total assets managed by La Banque Postale Asset Management, excluding life insurance mandates (4.1% in 2011).

Moreover, in addition to SRI, La Banque Postale has been on the path of ESG integration since 2009, *i.e.* gradually integrating environmental, social and governance criteria in all of its conventional asset management activities.

Thus, in 2012, 64.8% of all assets under management integrated extra-financial aspects (37.4% in 2011). **The managed assets integrating ESG criteria** (excluding SRI funds) totalled €88.96 billion ☒ as of December 31st 2012 (€46.49 billion in 2011).

SRI managers and analysts thus work hand in hand to prepare meetings with companies, general meetings, etc.

The results of ESG analyses are also made available to all asset management teams, directly on the software platform used by asset managers.

Furthermore, ESG integration is stepped up for certain portfolios managed on behalf of institutional customers, at their own request, through the following measures:

- for government bonds: prior filtering of the countries according to predefined ESG criteria;
- for private issuers: quarterly ESG rating of the portfolios and exclusion or close monitoring of securities presenting a high ESG risk.

The amount of assets under ESG integration increased sharply in 2012 (up more than 90%), thanks to the set-up of an integration process covering corporate bonds within the scope of a major contract with an institutional customer of LBPAM.

What's more, all operational entities in the Group's asset management division reasserted their commitment to integrating extra-financial criteria: following LBPAM and XAnge Private Equity in 2011, Tocqueville Finance and Ciloger signed the United Nations' **Principles for Responsible Investment** (PRI) in 2012.

For further information, in particular on La Banque Postale Asset Management's commitments, its implementation methods and voting policy, visit the website www.labanquepostale-am.fr

Responsible insurance

On June 19th 2012, at the Earth Summit in Rio de Janeiro, La Banque Postale joined forces with over thirty major insurance players, whose combined assets amount to over \$5,000 billion, accounting for over 10% of global insurance premiums. Their goal: announcing the launch of **Principles for Sustainable Insurance** (PSI), a UN-backed initiative. The purpose of these principles is to boost sustainable development in the industry by promoting the integration of environmental, social and governance criteria in insurers' decisions, products and processes.

In insurance, like in all of its other activities, La Banque Postale is true to its fundamental principles: being accessible, simple, transparent, useful, solid and supportive.

By adhering to this international initiative, La Banque Postale reiterates the social usefulness of its business: through its restorative function, insurance plays an essential role in the life of its customers, especially the most vulnerable. The Principles for Sustainable Insurance fully convey La Banque Postale's vision of its insurance business and give it a framework for exchanges and joint progress.

6.2.4. Managing extra-financial risks

Integrating extra-financial risks into operational risks

In 2012, risk management advanced considerably within La Banque Postale and its subsidiaries as business lines were made more accountable.

The empowerment of business lines to identify and manage the risks they incur is thus a great lever to improve our capacity to integrate issues linked to the set-up of a new product or the launch of a new project.

To this effect, the integration of the ESG Checklist in the Compliance Department's updated memo surrounding the organisation of the New Product Review Committee (due to be released in early 2013), will be a major step forward in the consideration of ESG issues in the set-up of new products.

The replies to this questionnaire should thus help project managers in their product risk analysis, on the basis of which the Operational Risks Department will either issue a favourable opinion (with or without reservations) or an unfavourable one.

The various results will allow the subsequent analysis of the ESG issues highlighted, which may then be the subject of awareness-raising actions.

Measuring the level of exposure to extra-financial risks

Since 2011, in order to measure its trading room's exposure to ESG risks, La Banque Postale has adapted the method developed by LBPAM's SRI Department to analyse the extra-financial risks of sovereign and non-sovereign counterparties. The results show controlled overall exposure: for non-sovereign issuers, 59.3% of the assets are invested in issues with a risk scale ranging from low to moderate. No security bears a high ESG risk, as defined by the chosen method of analysis.

At the same time, La Banque Postale Asset Management stepped up its responsible practices by launching a process for the integration of social, governance and risk management criteria in the selection of its market intermediaries. In its rating of financial intermediaries, La Banque Postale Asset Management now integrates an extra-financial criterion which accounts for 20% of the overall rating. This process is based on a questionnaire drawn up jointly by the Risk Management Department and the SRI and Sustainable Development Department of La Banque Postale Asset Management.

Moreover, La Banque Postale makes sure that none of the portfolios managed by La Banque Postale Asset Management include companies involved in controversial weapons (antipersonnel mines or cluster bombs), irrespective of the type of financial instruments issued (shares, bonds, or money-market instru-

Indicators for which a moderate assurance opinion was issued: ☒ in 2012 ☒ in 2011.

ments). To this effect, in 2012 it subscribed to a database kept by an independent third-party expert to reinforce its methods.

Furthermore, in keeping with La Banque Postale's governance principles, agricultural commodities are excluded from the scope of its authorised financial instruments.

In addition, as an essential player in the French economy, La Banque Postale **combats tax evasion** by stringently complying with applicable rules and prevention measures. As a French retail bank, its activities are almost exclusively conducted on French territory. It has no activities in countries blacklisted by the Tax Justice Network. Moreover, the tax management of all Group entities and companies is handled or controlled directly by La Banque Postale's Tax Department in Paris. This management is based on principles of stringent compliance with applicable regulations and transparency with respect to the authorities. Furthermore, the monitoring of customers' activities in terms of tax compliance is carried out as part of the fight against money laundering, terrorism financing and fraud. Measures have been set up to control international transactions between France and countries presenting risks. This monitoring generates alerts which are subsequently handled by a dedicated tool. Over 100 people are dedicated to this activity within the Financial operations security department.

Professional ethics: better risk management in business processes

La Banque Postale's professional ethics handbook, drawn up in 2006 and updated in 2009 and 2012, is disseminated across La Poste's Financial Services, the La Poste Retail Brand and the IT Department serving both La Banque Postale and the La Poste Retail Brand. It sets out the best practices to be implemented in banking, financial and insurance with respect to customers, employees and third parties. A dedicated working group involving representatives of non-profit organisations ensures that special attention is paid to customers with disabilities, in retirement homes or in the hospital. Other focuses of attention include the personal data held by the company, the detection of vulnerable conditions, the ethical standards applicable to the company's service providers, regulatory empowerments (canvassing, insur-

ance) and contractual empowerments, in addition to traditional ethical issues such as confidentiality, professional secrecy, information barriers, gifts and other benefits, external communication particularly on social networks, etc.

Furthermore, a **map of the ethics-related** risks incurred by La Banque Postale and its subsidiaries (asset management, real-estate and credit entities in particular) was completed as part of the Bank's overall mapping of operational risks.

Training programmes on the rules of conduct are being conducted since 2006. The employees of La Banque Postale and the personnel of La Poste working under the name of and on behalf of La Banque Postale have all been trained. The training takes place at meetings, in the form of e-learning sessions, through quizzes, the dissemination of handbooks, trade-specific presentations, etc. In 2013, a film on La Banque Postale's business ethics will be shown to all new employees.

At the end of 2011, 94% of Financial Centre employees, 93% of La Poste Retail Brand employees and 67% of La Banque Postale employees had been trained over the last three years in combating money laundering and terrorism financing. A renewal campaign taking into consideration the specific characteristics of each business line was launched in 2011 and 2012 within the La Poste Retail Brand: 61% of employees to be trained took this new training course over the last two years. These revamps were expanded to the Financial Centres and at the Bank for 2012-2013.

The ethics handbook is part of La Banque Postale and La Poste's by-laws. It is therefore enforceable against all employees and agents. In the event of suspected breaches of ethical rules or faults, the whistle-blowing process and reporting to the Bank's controllers allow escalation of the information to La Banque Postale's Head of Compliance.

He/she is also informed by the compliance officers working in the Bank's various departments, at the subsidiaries, at La Poste and in the IT Department.

Whistle-blowing is done *via* a strictly confidential, secure e-mail address. The name of the whistle blower is kept secret.

6.2.5. Corporate social and environmental responsibility

6.2.5.1. Social responsibility

La Banque Postale cares about all its employees without exception, regardless of whether they are employed by La Banque Postale, its subsidiaries, La Poste Financial Services, or the La Poste Retail Brand. Its human resource policy places great emphasis on supporting each employee in their professional ambitions throughout their career.

Career development and support

La Banque Postale's human resource policy aims to provide the Bank's 32,683 employees ☒ with a working environment which promotes their personal and professional development.

It implements a **responsible employment policy**. Nearly 95% of employees are thus under permanent contracts. Moreover, through the agreement "Avenir des métiers bancaires des Centres financiers 2011-2015", signed in 2010, the Bank is committed to maintaining business activities in all its national and Financial Centres. It thus gives its employees the possibility of changing activities within the same centre or continuing in the same activity in another centre, without requiring geographical mobility.

La Banque Postale also pays attention to **career development**. It promotes the mobility of its employees between the Bank and the La Poste Retail Brand. To help them, it provides them with a variety of tools: a job market on the Intranet, annual performance

Indicators for which a moderate assurance opinion was issued: ☒ in 2012 ☒ in 2011.

reviews, identifying career paths between the various business lines, etc. In addition, 45 “career Advisor” positions were created in 2011 to assist Financial Services employees in their career development projects and anticipate their needs. In 2012, 6,000 employees took advantage of this system. Moreover, 352 combined career paths involving the Bank, Financial Services and the La Poste retail brand were created. Their goal is to increase the employees’ banking expertise and offer them career development prospects. In 2012, 90 strategic-level positions were provided for; 78% of the appointments stemmed from internal transfers.

To ensure career development, the Bank also offers numerous **on-going training** programmes. There were thus 112,716 days of training in 2012, *i.e.* 3.8 days per employee. Furthermore, the Individual Right to Training offer was extended again in 2012. Lastly, the training catalogue was expanded, revised and put online in order to better support the employees’ development, facilitate the identification of adequate training and improve visibility for everyone.

Furthermore, in connection with its “Great Dialogue” initiative and the priorities of its strategic plan, La Banque Postale launched a programme for managers in 2012. Its goal is to give all managers the same basic skills and the means to convey the Bank’s managerial values: respect, equal opportunity for men and women, a result-oriented approach, commitment to progress and change, and cooperation. **This managerial development programme** concerns the 2,200 managers of the Bank, its subsidiaries and Financial Services. It consists of a two-day seminar focused on four main skills: motivate, communicate, cooperate, manage change. By the end of 2012, 1,200 people had attended this training.

The improvement of managerial skills also means the adoption of a **change management method** focused on improving listening skills, assessing the impact of projects and involving trade unions. The HR Department decided to focus its efforts on supporting the implementation of change through the set-up of dedicated teams. An ad hoc training programme is being deployed with senior HR managers.

Youth training, employment and integration

For better integration of young people, La Banque Postale maintains strong ties with some twenty business schools, engineering schools and universities. In this way it makes its business lines more well-known and improves its image and attractiveness. In 2012, the Bank’s **relations with schools** were intensified. Around one hundred employees conducted over 90 actions: participation in forums, organising recruiting workshops, educational presentations, participation in admission and examination boards, student sponsorship, partnership agreements, studies, surveys, etc. Therefore, in 2012, the Bank had face-to-face meetings with 2,500 students. In 2012, 321 young people aged 25 and younger were recruited under permanent contracts, *i.e.* 36% of all permanent contract recruits.

Actively involved in the training and integration of young people in the labour market, the Bank signed 1,116 apprenticeship contracts and work-study contracts in 2012. In 2013, it will

supplement its apprenticeship and internship offering with approximately 50 future sustainable jobs

Fair, attractive remuneration for everyone

Each employee’s daily commitment is what enables the Bank to deliver the best quality of service to customers, boost its commercial development and make the difference. Consequently, La Banque Postale has built a motivating human resource policy, based on an equitable and attractive remuneration system. It aims to motivate employees, promote the development of skills, recognise merit and performance, attract new talent and retain employees.

The average salary of La Banque Postale employees increased 2.20% in 2012 (2.60% for women and 1.80% for men). For the fourth consecutive year, La Banque Postale factored in a budget of €50,000 to redress the imbalance between the remuneration of men and women. Thanks to La Banque Postale’s development and earnings, employees received incentive and profit-sharing bonuses totalling €6.4 million in 2012 (for 2011). To support employee savings (PEE and PERCO savings schemes), the 2012 employer contribution system enabled employees taking part in the scheme to benefit from an average employer contribution of €1,217.

In the Financial Services, as part of the 2012 wage increase programme, the average salary increased 2.92% (2.88% for women and 2.83% for men); the salaries of class-I, class-II and class-III civil servants depend on the civil service grids and systems. In 2012, the La Poste Group decided to devote a total of €200,000 to reduce wage inequalities between men and women. The incentive paid to Financial Services employees in 2012 (for 2011) amounted to €4.2 million.

Collective agreements and employee relations

Right from its launch, La Banque Postale has paid special attention to ensuring high-quality employee relations, based on trust and mutual respect. In 2012, it maintained dynamic relations with trade unions and signed eight new collective agreements applicable to La Banque Postale’s employees. They particularly concern salaries, personnel representation and electronic voting for trade union elections at the beginning of 2013. Further to the agreement signed in 2011 laying down the Group incentive scheme, La Banque Postale and the trade unions also signed a new agreement concerning a Company Savings Plan for the La Banque Postale Group, allowing the extension of the scheme to all employees of the subsidiaries concerned. For Financial Services, in addition to the agreements signed with the La Poste Group, a local agreement on the collective share was signed at the Financial Centre of Châlons-en-Champagne.

The standards of La Banque Postale’s employee relations have thus been improving constantly since 2006. Between 2006 and 2012, 107 collective agreements were signed between La Banque Postale and Financial Services, including eight in 2012.

The year of the "Great Dialogue"

At La Banque Postale, like in all entities of the La Poste Group, 2012 was the year of the "Great Dialogue" on the **quality of life at work**. Under ever fiercer business conditions and competition, La Banque Postale continues to modernise its organisation using a method focused on supporting change, listening, mutual agreement and dialogue. This is done to continue to give employees the recognition they are entitled to.

Thus, at both national and local levels, 285 round tables were held within the Bank and Financial Services of La Poste. The topics examined included working conditions, health and prevention, career development, change management and relations within the establishments. **A specific action plan** was set up for the Bank and Financial Services, involving the following measures:

- guaranteeing good work/life balance through work organisation;
- strengthening alert systems to prevent difficult situations;
- focusing greater attention on the working conditions of employees with disabilities.

The first collective agreement stemming from the round tables initiated by the Great Dialogue consists of a framework agreement on the quality of life at work at La Poste signed on January 22nd 2013. This agreement provides for significant improvements in terms of work organisation and conditions, employee relations, HR function development and management policy, occupational health and safety and postal worker career development.

Occupational health, safety and well-being

As part of the implementation of the annual occupational risk prevention plan and in line with the agreement signed in 2010 on the health and well-being of employees at work, La Banque Postale pursued various preventive actions. Their aim is the health and well-being of employees: screening (hearing test, cholesterol measurement, etc.), teaching employees to use a defibrillator, taking psychosocial risks into consideration, etc.

In 2012, as part of the afore-mentioned agreement, actions included the implementation of the occupational stress evaluation and monitoring procedure (DESSP), the rolling out of a managerial training targeting every employee in management position or the setting up of an on line communication media to inform employees who consider being in a state of stress or lacking well-being at work that they can activate alert methods that will trigger supportive mechanisms.

In Financial Services, the **occupational risk assessment procedure** handled by the managerial line and involving the Occupational Health and Safety Services, the personnel and their representatives, now includes the risk of stress. In addition to this assessment, the Financial Services continue to implement the occupational stress evaluation and monitoring procedure (DESSP) set up in 2009. This procedure aims to establish an objective record of the stress level, identify its factors, and determine appropriate actions to reduce occupational stress. This procedure was set up in 2011 at La Banque Postale. More than 150 employees participated in the 2012 procedure during their medical visit. The first conclusions will be examined throughout 2013 to support the eventual evolution of the company's prevention policy.

Moreover, the Financial Services carried out studies on the prevention of musculoskeletal disorders. In this connection, an awareness-raising programme aimed at all employees working on computers was launched at the end of 2012 to present the risks of screen work and the habits to develop to improve one's working posture. In addition to this awareness-raising programme, a training session entitled "Protecting my back and my joints" will be offered by the prevention players and medical team to all employees of the Financial Services entities in 2013.

What's more, following the trade union elections of 2011 and the occupational health and safety decree of May 2011, 32 common-law committees on occupational health & safety and working conditions (CHSCT) were created within the Financial Services.

Diversity, disability and equal opportunity

Commitments and agreements

Respecting and promoting the principle of equal opportunity and equal treatment is something which applies to all company players, at all levels and at all stages of their working lives. As "a caring, socially responsible bank", La Banque Postale is committed to promoting diversity and equal opportunity, to give everyone access to its various business lines. It also pursues a policy of employment development for people with disabilities, promoting their integration and ensuring their career development. It has reasserted its commitment by signing several agreements and implementing the related measures, like those laid down in the 2009 and 2010 agreements.

In 2012, a **new agreement for the employment of people with disabilities** was signed on March 8th between the Management of La Poste and four trade unions, and approved on May 22nd. In order to facilitate its implementation, this agreement has been the subject of a specific action plan for Financial Services. At the same time, a network of some twenty local disability officers was created.

Actions of the diversity, disability and equal opportunity mission

To fulfil its mission and achieve its objectives, La Banque Postale undertook numerous actions and took part in several events in 2012.

Highly committed to **recruitment**, La Banque Postale was present at the six major recruitment forums for people with disabilities. In 2012, four disabled employees were hired by La Banque Postale and seven in Financial Services. La Banque Postale and Financial Services currently support 778 employees with disabilities (37 within La Banque Postale and 741 within Financial Services). This figure is lower than that of 2011 due to the fact that the La Poste Group, including Financial Services, switched from being a state-owned enterprise to a private-sector one. Thus, the calculation methods are no longer those of the FIPHFP (French Civil Service Fund for the Professional Integration of People with Disabilities), but those of the AGEFIPH (Fund Management Organisation for the Professional Integration of People with Disabilities).

In Financial Services, 48 **workstations were adapted** in 2012. At the Head Office, the Disability Mission adapted approximately

ten posts: in particular *via* the adaptation of working hours, the handling of transport costs between the person's home and workplace, and the fitting of special screens and desks. In addition, ten half-days of leave were granted to the employees for administrative or medical procedures related to their disabilities.

The Disability Mission also set up **awareness-raising actions** aimed at all employees of La Banque Postale to break down barriers and stereotypes linked to disability or its representation. Every year, La Banque Postale takes part in the national Week for the employment of people with disabilities (SEPH). The highlights of the 2012 edition were an entertaining introduction to sign language, ping-pong matches between employees and Paralympic champions, and seven short films produced by employee teams.

During the 2012 Health Solution Days, La Banque Postale focused on the issue of returning to work after a long illness (cancer, cardiovascular disease or multiple sclerosis) to raise awareness among employees and inform them. Following that, eight employees requested a meeting with the Disability Mission.

Thanks to **Sciences Po Accessible** – a corporate sponsorship agreement signed in 2012 with the Institut d'Études Politiques de Paris – La Banque Postale helps students with disabilities by financing the employment of personal care assistants and special equipment during their academic year abroad.

Awareness-raising actions were also conducted concerning diversity, equal opportunity and combating discrimination. Nine diversity forums were held in the Financial Centres. On the Day of Diversity, which took place on June 27th 2012, conferences were held for employees on professional equality from the angle of parenthood. The Disability Mission also presented the Bank's commitment to diversity and the fight against discrimination and led a workshop on sexual orientation for the students of the partner school Audencia.

6.2.5.2. Societal responsibility

Proud of its values, La Banque Postale wants to share its commitments towards society with its employees and all other company stakeholders.

A responsible purchasing process

La Banque Postale's responsible purchasing process is based on the following four pillars:

1. The signing of a "Responsible Purchasing" Charter

Since 2009, the "Responsible Purchasing" Charter is one of the documents which service providers must sign as part of any contract. As of December 31st 2012, 490 service providers had signed this charter, which covers the working conditions of service providers' employees and the environment-friendly measures they implement.

2. Involving the subsidised/sheltered employment sector

The Purchasing Department supports the objectives of the framework agreement signed by La Banque Postale on November 22nd 2010, to promote employment in the subsidised/sheltered sector. Certain segments are entirely dedicated to this sector,

which is invited to tender alongside the mainstream sector for various services. In addition, new services are identified for upcoming tenders.

In a growing number of purchasing categories, the buyers' processes include disabled-friendly companies (EAs) and/or assisted employment establishments (ESATs), in collaboration with the Diversity, Disability And Equal Opportunity Mission.

Purchases to the subsidised/sheltered sector have indirectly contributed to the employment of 32 people in 2012 (versus 27 in 2011)

3. Integrating extra-financial criteria in supplier selection and monitoring

The third pillar of the responsible purchasing policy involves:

- integrating corporate social and environmental criteria in supplier specifications and their evaluation during the selection process;
- bringing up those criteria throughout the term of the contract, in particular through the annual assessment of the supplier's sustainable development actions.

For example, in 2012, the Sustainable development unit assisted the Purchasing Department with the following tenders: waste management and cleaning, surveillance, and branded items.

4. Making La Banque Postale's tenders accessible to small and medium-sized enterprises

This policy is promoted both in-house and externally, by raising the awareness of purchasing department players (training and information) and suppliers (through the purchasing charter and their feedback). La Banque Postale ensures that small and very small businesses have access to its tenders.

For further information on the terms of payment, please refer to Section 3.5.1 of this Registration.

Customer accessibility

La Banque Postale is also mindful of improving access to its premises and services for its customers with disabilities.

Thus, as of the end of 2012, 3,800 ATMs (Automatic Teller Machines) – *i.e.* over 55% of La Banque Postale's ATMs – are accessible to persons with reduced mobility and 53% are accessible to blind or partially sighted persons. These figures are on a constant rise. The ATMs located inside Post Offices are almost all accessible but depend however on the accessibility of the building which houses the Post Office. The Post Office accessibility rate is rising constantly: at the end of 2012, 65% of company-owned post offices and 43% of offices in rented premises were accessible. Accessibility kits covering all disabilities are gradually being rolled out. Since 2010, 3,000 offices also received specific equipment for visual and hearing impaired customers (buckles, floor guidance, and audio terminals).

Moreover, the Bank's monthly newsletter is available on the Internet in a version accessible to the visually impaired. At the end of 2012, 1,368 customers were thus registered and received their bank statements in Braille.

Corporate sponsorship and partnerships

In 2012, all of the corporate sponsorships that La Banque Postale participated in, described below, amounted to €1,159,400.

L'Envol, La Banque Postale's campus

In 2012, La Banque Postale embarked on a new corporate sponsorship initiative: L'Envol, La Banque Postale's campus. The purpose of this association is to promote the academic achievement of approximately sixty talented young students each year. The campus will eventually sponsor roughly 500 youths. Stemming from modest backgrounds, either from urban or rural communities, these young people are spotted in their early teens and supported from secondary school to higher education. To implement this project, L'Envol is backed by Frateli, a benchmark partner in matters of equal opportunity. This project is also backed by employees: so far, over 130 employees of the Bank and Financial Services have volunteered to sponsor and support these young people. "Supporting L'Envol's youths to help them gain self-confidence, developing their talent, and enabling them to achieve their ambitions", are the motivations of one of the volunteers. Out of the initial 60 young people sponsored, those starting in their first year of high school will benefit from L'Envol's programme for the next six to eight years, while those entering their last year of high school will be covered for the next four to six years. The students attended the integration campus at the end of 2012. On the agenda: group work, educational workshops and fun activities, experience-sharing with some of our employees and student sponsors, and presentations by external personalities. Since the beginning of the school year, the entire programme has been rolled out: coaching through weekly English courses via the Internet, career guidance, local and regional events, personalised monitoring of the students and sponsorship. The recruiting of the next 60 students has already started, in partnership with France's Ministry of National Education.

Leave for humanitarian missions

La Banque Postale supports all of its employees – the Bank's daily operators – in their civic commitments. It sponsors two partner NGOs: **Planète Urgence** (since 2007) and **France Volontaires** (since 2008). These two NGOs organise humanitarian missions of two to three weeks for volunteers. In 2012, Bank employees were selected following the national campaign organised in collaboration with the entire La Poste Group. Out of the network of employee volunteers, 182 are currently on leave for humanitarian missions.

Their commitment represents 12,180 hours dedicated to environmental protection and combating social exclusion. La Banque Postale also sponsored 331 days of training on sustainable development and international solidarity.

National commitment and skill-based sponsorship

To facilitate its employees' involvement in civic initiatives across France, in March 2012 La Banque Postale renewed its sponsorship agreement with **Passerelles & Compétences**, a partner of the Bank since 2011. Passerelles & Compétences offers its partner associations professional assistance from volunteers on short-term missions. Once again this year, La Banque Postale was able to support approximately thirty missions. In 2012, 307 missions

were handled by the 44 employees registered for this new programme.

Supportive partnerships of La Banque Postale

True to its values of commitment, responsibility and solidarity, La Banque Postale continued to support the French Muscular Dystrophy Association (AFM) by taking part in the Téléthon. In fact, in 2012, the La Poste Group organised a major sports challenge initiated by France Télévisions. Eleven employees of La Banque Postale took part in this event. Again this year, La Banque Postale enabled its customers to make their donations via its secure customer area.

La Banque Postale also continued to support the AIDS NGO Solidarité Sida – as it has done for over ten years – as well as the Fondation du Bénévolat.

Local presence and dialogue with stakeholders

As a retail Bank, La Banque Postale participates in the economic and social development of the communities in which it operates and has discussions with its stakeholders on a regular basis.

Dialogue with stakeholders

In the discussions held with the consumer associations of the La Poste Group (since 1989), La Banque Postale takes part in the first discussion level. Twice a year, the Chairman of the Executive Board meets the national spokespersons of approved consumer associations.

True to its values of closeness and transparency, La Banque Postale has strengthened its ties with local public-sector players. It has created a local finance steering committee, composed of elected representatives, former parliamentarians and experts. This committee's mission is focused on foresight, observation and advice: appraising risks, monitoring, proposing new services... Moreover, at the beginning of 2013, the Bank will go out and meet elected representatives across France to present its community financing offering.

Local economic and social development

Because local development remains one of our core concerns, La Banque Postale wishes to play a significant role in public sector financing.

In 2012, La Banque Postale set up a new **local community financing** model. Based on simple, customer-friendly products, its offering is based on a transparent pricing policy and a responsible approach in terms of advice and risk.

In June 2012, La Banque Postale launched a short-term credit offering aimed at financing local communities' cash flow needs. Across France, more than €1.6 billion was thus granted to our customers. With loans ranging between €100,000 and €100 million, La Banque Postale positions itself as the Bank of all local communities.

In November 2012, the Bank expanded its financing offering, now enabling local communities to take out medium/long term loans on fixed or variable rates for terms of up to 15 years. La Banque Postale received nearly 1,400 applications through

its national skills centre made up of Advisors specialised in the local public sector.

2013 will see continued deployment of the **Bank for all local communities** with increased proximity (80 Advisors deployed in some fifteen business areas), a broader customer target (semi-public companies, local public companies, and public hospitals) and a wider range of banking services and offers.

As a local player, La Banque Postale Financement remained dynamic in 2012, within the framework of the business/local community charter signed with the Communauté d'Agglomération Plaine Commune for three years. Once again, the Bank took part in employment forums. It regularly calls on the subsidised/sheltered sector and hired 15 trainees through its relations with local schools.

La Banque Postale, a committed and recognised player in terms of Corporate Social Responsibility

As a subsidiary of the La Poste Group, which has been a signatory to the UN Global Compact since 2003, La Banque Postale upholds the principles set forth by the Global Compact.

Concerning the respect of human rights and labour standards, La Banque Postale, which is a French retail bank operating solely on French territory, is not concerned by the issues inherent to the activities of investment banks and/or project financing. Nevertheless, it pays close attention to the respect of Human Rights as set out in the Universal Declaration of Human Rights. It considers the International Labour Organization's Declaration on Fundamental Principles and Rights at Work as a benchmark platform.

In France, the employee training sessions on business ethics (see section 6.2.4) cover the fight against corruption. Moreover, La Banque Postale ensures that its suppliers share its values by having them sign a "Responsible Purchasing Charter" (see section 6.2.5.2), underlining the importance of respect for human rights, labour standards and the environment.

In 2011, La Banque Postale obtained two extra-financial ratings, which attest to the quality of the CSR measures implemented by La Banque Postale. The Oekom and Vigeo agencies thus ranked La Banque Postale among the top banks in their listings. Among the Bank's strong points, the two agencies emphasised the following: the pertinence and transparency of the information pertaining to the Bank's responsibility vis-à-vis its customers and products; the proper integration of social and environmental issues in asset management; the existence of a detailed code of conduct and an appropriate training policy. La Banque Postale's extra-financial rating will be updated in 2013.

La Banque Postale's responsible behaviour is also acknowledged by the French people. According to the Annual Observatory of Sustainable Development published by IFOP in March 2012, the French chose it as the top French bank in terms of commitment to sustainable development, with 58% favourable opinions, versus 48% in 2010. La Banque Postale thus confirms its status as a "caring, socially responsible bank".

Moreover, La Banque Postale strives to convey its values by participating in the major committees tasked with promoting CSR. It thus plays an active role in the various working groups set up by the ORSE (French corporate social responsibility observatory), as well as the CSR/SRI steering committees of Paris Europlace, the Sustainable development commission of the FBF (French banking federation) and the MEDEF's CSR committee, to step up progress on the major CSR issues (the integration of extra-financial criteria in risk management, the promotion of SRI with private customers, the measurement of extra-financial performance, etc.).

6.2.5.3. Environmental responsibility

In terms of environmental measures, La Banque Postale implements simple, concrete, rated measures which contribute to the protection of the environment. The goal of its environmental policy is to reduce its direct and indirect impacts on the environment.

Commitments

In full keeping with the commitments and objectives of the La Poste Group, La Banque Postale had set itself targets in 2009 concerning energy consumption, building-related CO₂ emissions and travel-related CO₂ emissions, as part of the fight against climate change. It also set itself targets concerning responsible paper consumption. The responsible development teams also strive to reduce water and paper consumption, improve waste management, limit the impact on biodiversity and reduce the impact of information and payment systems on the environment.

Combating climate change

Well aware of its impact and its role, La Banque Postale pays close attention to the direct emissions of greenhouse gases from its buildings and due to its employees' travel, as well as certain indirect emissions linked to its products. The control of its direct footprint is governed by an energy efficiency policy for its buildings and a responsible mobility policy. In 2012, La Banque Postale formalised its assessment of gas and greenhouse emissions. In accordance with Article 75 of the Grenelle II Act, this assessment was sent to the prefecture of Paris and published on its website.

Energy consumption and CO₂ emissions stemming from buildings

Since 2007, La Banque Postale has carried out energy efficiency diagnostics in its Financial centres. It initially set itself a goal of a 9% reduction in building-related CO₂ emissions per employee by 2015, in comparison with 2007. **The energy efficiency policy**, validated by the Responsible Development Committee in June 2009, comprises three main aspects:

- eco-responsible behaviour of employees;
- temperature control in the premises;
- measures concerning the building itself.

Employees are made aware of the first two aspects *via* web pages dedicated to sustainable development on the Intranet in a section focused on daily behaviour patterns to adopt; these are reiterated during the sustainable development week which takes place every year in April. As for the third aspect, insulation work,

the replacement of single-paned windows by double-paned ones, and the replacement of boilers and air-conditioning systems have been underway for several years and continued in 2012. The head offices of La Banque Postale, Financial Services and consolidated subsidiaries cover a total of nearly 375,000 square metres. These measures have enabled La Banque Postale to reduce its building-related CO₂ emissions. In 2012, these emissions amounted to 10,731 tonnes of CO₂ equivalent ☒ equivalent (11,168 tonnes of CO₂ equivalent in 2011✓).

Furthermore, the energy efficiency assessment conducted in 2007 and 2008 revealed that the share of electricity consumption attributable to IT systems was between 40 and 50%. Therefore, along with the responsible purchasing of computer hardware and services, the IT Department of the Financial Services and Retail Brand (DISFE) has committed to a Green IT action plan.

CO₂ emissions due to employee travel

La Banque Postale's **responsible mobility policy** takes into consideration the impact of its vehicles and their fuel consumption, the employees' business travel by rail or by air, and their commuting to work.

La Banque Postale's vehicles

La Banque Postale set itself the objective of a 5% reduction in CO₂ emissions per vehicle by 2015, in comparison with 2007. To achieve this target, eco-responsible driving courses have been set up since 2007 in the Financial Centres and at the Head Office. At the end of 2012, a total of 2,011 people had been trained under this programme (251 of which in 2012). In 2012, La Banque Postale had a fleet of 2,257 vehicles, including staff, company and service vehicles (*versus* 2,106 in 2011) which consumed more fuel and thus emitted 8,098 tonnes of CO₂ equivalent (*versus* 6,155 tonnes of CO₂ equivalent in 2011✓).

Thanks to responsible purchasing measures and the integration of environmental criteria in calls for tenders, 80% of the vehicles in La Banque Postale's catalogue emitted less than 119 g CO₂ per km at the end of 2012 (*versus* less than 135 g at the end of 2010).

Moreover, the Retail Brand's Hauts-de-Seine department reduced its vehicle fleet in 2012. Certain banking Advisors now use alternative means of transport, such as electric vehicles *via* an Autolib' subscription.

Business travel by rail or by air and commuting to work

In 2012, employee travel by rail accounted for 93 tonnes of CO₂ equivalent and air travel accounted for some 1,025 tonnes of CO₂ equivalent.

In order to reduce the impact of its employees' travel, La Banque Postale has set up initiatives to raise employee awareness. These include the European mobility and road safety week which takes place in September. In fact, every year, La Banque Postale reiterates its commitment to responsible mobility and raises the awareness of its employees on its implications. On the agenda in 2012:

- eco-responsible driving session on a simulator;
- La Poste Group car-sharing site opened up to all employees of La Banque Postale;

- comparison of CO₂ emissions on habitual employee commutes using different means of transport;
- reminder of La Banque Postale's travel policy, including a proactive measure which incites employees to opt for rail travel rather than air travel;
- bicycle repair workshops led by sheltered/subsidised sector companies in the Financial Centres;
- reminder of cycling safety rules for Financial Centre employees commuting to work by bicycle;
- launch of a survey on Financial Centre employees' commutes to and from work.

La Banque Postale also wishes to encourage its customers to reduce their CO₂ emissions during their car journeys. La Banque Postale Assurances IARD is currently testing a car insurance concept based on eco-driving.

Indirect CO₂ emissions related to the Bank's products

La Banque Postale wishes to control the indirect emissions related to its products. To this effect, La Banque Postale Asset Management calculates the carbon intensity (corresponding to greenhouse gas emissions per activity unit) of more than 700 emitters. This information is made available to all managers of La Banque Postale Asset Management. It represents a first step forward in the better integration of climate change criteria in investments. Moreover, carbon intensity is used as a criterion in the defining of the investment realms of two SRI funds: LBPAM Responsible Actions Monde and LBPAM Responsible Actions Euro. The two funds are thus invested in shares of European companies whose greenhouse gas emissions are relatively lower than those of their business sector. The funds' average carbon intensity is compared to that of their respective benchmarks. This information is sent to fund subscribers quarterly.

Other projects support this ambition:

- La Banque Postale Asset Management also created the LBPAM Responsible Actions Environnement fund which aims to invest in environmentally-friendly companies, notably supporting the fight against climate change, *via* European markets, in accordance with the rules of socially responsible investment;
- moreover, the ESG Checklist (*see Section 6.2.3*) includes environmental criteria. One of its items is combating climate change. Each product is therefore examined in terms of its impact on the reduction of CO₂ emissions.

Paper Consumption

As from 2008, La Banque Postale set a goal of reaching 100% responsible paper, from sustainably managed forests or recycled, by the end of 2012. With 98.3% of responsible paper as of December 31st 2012 (97.3% at the end of 2011), the bank met its commitment. Among the 8,848 tonnes consumed in 2012:

- 10% of it was internal and represents 39 kilos per employee;
- 90% of it was external (directly to customers and communications) and represented 752 grams per active customer.

In the years to come, it will be about strengthening our requirements on responsible use of paper as well as where it comes from and the conditions under which it is manufactured and printed.

Waste management

In 2012, the specifications for cleaning and managing waste in our locations were revised. Therefore, the social and environmental criteria were able to be strengthened. This has allowed us, in particular, to better monitor the collection, transportation and processing of waste.

Furthermore, in terms of raising awareness, a message went out nationally to employees for Waste Reduction Week. Several sites therefore were able to relay information locally and organise activities: a printing reduction challenge, raising awareness about wasting food, a waste sorting game, etc.

6.3. Responsible development indicators

The responsible development indicators published in this section support La Banque Postale's transparency objective and substantiate the qualitative elements described in the previous sections. They have been divided into four categories:

- economic indicators;
- social indicators;
- societal indicators;
- environmental indicators.

As a preamble to the indicator tables, the following methodology notice provides the required information for the proper understanding of the indicators and their scope.

6.3.1. Methodology notice

The responsible development indicators set out in Section 6 of this Registration Document were produced according to La Banque Postale's extra-financial reporting protocol. The information stems from a network of 70 responsible development correspondents who contribute to the extra-financial reporting process.

The responsible development indicators were built with regard to the indicators suggested by the French NRE Act on new economic regulations, and Article 225 of the Grenelle II Act, according to their relevance to La Banque Postale's business activity. The indicators put forward by the Global Reporting Initiative (GRI), in particular in its Financial Sector Supplement, were also taken into account. National and international methods such as ADEME's Bilan Carbone® (carbon footprint) and the GHG Protocol were used as guidelines, particularly for the calculation of environmental indicators.

For each indicator, the figures for the last three years were included whenever possible. The data is presented on a like-for-like basis and the changes in the scope are explained. For comparison purposes, the 2010 and 2011 data followed by an asterisk (*) was adjusted since the previous publications.

Scope of the extra-financial reporting process

The aim of La Banque Postale's information feedback process is to cover all of the Bank's business activities and their impacts, all of the physical entities (buildings) and all of the people working under the name of and on behalf of La Banque Postale. Various scopes have therefore been defined in order to account for the corporate, social and environmental impacts of business activities in a relevant way. Since La Banque Postale's goal is to cover all of the scopes described hereunder, the largest entities were the first to be involved in the Bank's extra-financial information feedback process.

For each indicator, the scopes actually covered are specified as shown below and followed by an explanatory sentence where required:

Scope covered: Entity Scope not covered: Entity

The scope is the same for all the economic indicators which cover the entire La Banque Postale Group. However, for the other categories, the scope may vary from one indicator to another. For the corporate responsibility and social indicators, the coverage

rate is calculated according to the number of employees. For the environmental indicators, it is calculated according to the area occupied. The table below presents the data from the targeted extra-financial scope as of December 31st 2012.

La Banque Postale (legal entity)	- Head Office of La Banque Postale	2,189 employees (i.e. 6.70% of La Banque Postale's workforce)
	- Regional Banking Departments	
	- Regional Representatives	46,652 sq. m (i.e. 12.24% of the occupied area)
Financial Services (employees of La Poste Group working under the name of and on behalf of La Banque Postale)	- 19 Financial Centres in metropolitan France, four Financial Centres in French overseas departments, six National Centres	18,929 employees (i.e. 57.92% of La Banque Postale's workforce)
	- IT Department of Financial Services and the Retail Brand (DISFE)	
	- Bank's Marketing Department	
	- Social and Local Economy Department and Corporate Business Department	316,600 sq. m (i.e. 83.09% of the occupied area)
Banking Advisory Line (employees of La Poste Group working under the name of and on behalf of La Banque Postale)		10,473 employees (i.e. 32.04% of La Banque Postale's workforce)
	- Advisors working in Post Offices	Operating in Post Offices; the area occupied by the Banking Advisory Line is included in the scope of the La Poste Group retail brand. Except for the indicator on vehicle-related CO ₂ emissions, the other environmental indicators are calculated by the retail brand and consolidated in the La Poste Group report.
Subsidiaries (13 subsidiaries are consolidated in the extra-financial report)		1,092 employees (i.e. 3.34% of La Banque Postale's workforce)
	- Employees working in the 13 consolidated subsidiaries	17,771 sq. m (i.e. 4.66% of the occupied area)

The Post Office counter staff, who work for the different business lines of the La Poste Group, are excluded from the extra-financial scope of La Banque Postale.

Consolidation of subsidiaries

The consolidation of subsidiaries within the extra-financial scope is based on the principle of accounting consistency as well as on the principle of relevance of their various impacts. The goal is thus to include all consolidated subsidiaries in which the Group holds an interest of at least 50%, as well as certain non-consolidated subsidiaries which have relevant impacts on the Bank's targets (see *organisation chart in Section 1.3.1 of the Registration Document*). In 2012, the 13 consolidated subsidiaries were the following:

- Retail banking: La Banque Postale Financement (LBPF), Easy-bourse, Titres Cadeaux, La Banque Postale Immobilier Conseil (LBPIC) and La Banque Postale Crédit Entreprises (LBPCE);
- Asset management: La Banque Postale Gestion Privée (LBPGP), La Banque Postale Asset Management (LBPA), La Banque Postale Structured Asset Management (LBPSAM) and Tocqueville Finance SA;
- Insurance: La Banque Postale Prévoyance (LBPP), La Banque Postale Conseil en Assurances (LBPCA), La Banque Postale Assurances IARD (LBPIARD) and La Banque Postale Assurances Santé (LBPAS).

In 2012, these 13 subsidiaries were either all included, all excluded, or partially included in the calculation of the indicators. Where only part of the subsidiaries was covered, in addition to the coverage rate shown in the scope line, details of the subsidiaries covered are given below the indicator.

Information feedback in 2012

Economic indicators

- SRI funds (excluding third-party mandates integrating ESG criteria) include funds where at least 90% of the assets were assessed according to environmental, social and governance (ESG) criteria, and guaranteed responsible funds.

Social and societal indicators

- only employees in office are included in the total headcount; The number of employees who took international solidarity leaves is reported over the current campaign period rather than over a calendar year. The period of leave runs from May to April of the following year. Thus, for the 2012 campaign, the first of the 22 employee volunteers left in May 2012 and the last mission is scheduled for April 2013.

Environmental indicators

- as in the previous years, the following indicators cover the 12-month period running from December 1st 2011 to November 30th 2012: energy consumption and related CO₂ emissions; number of vehicles, fuel consumption and related CO₂ emissions; number of employees trained in eco-responsible driving; water consumption and collection of waste electrical and electronic equipment (WEEE);
- in 2012, estimates were made for the energy and water consumption of the Grenoble Financial Centre based on the previous year's data;
- the energy consumption of the AMLab subsidiary, housed in a building occupied by La Banque Postale and other subsidiaries, are included in the indicators for building-related energy consumption and CO₂ emissions;

- the water consumption of two sites of the Financial Services and the Retail Brand (DISFE) IT Departments of is not included in the extra financial report;
- the four Financial Centres located in the French overseas departments are not included in the environmental criteria for 2012, except for the occupied area and vehicle indicators;
- for 2012, the data was converted into CO₂ equivalent based on Version 7.04 of ADEME's Bilan Carbone® (carbon footprint);
- the energy consumption of the Customer Relations Centres of the LBPM and LBPIARD subsidiaries were included in the extra-financial report.

Data verification

In 2011, La Banque Postale initiated a verification process for its responsible development indicators by an independent third party. A moderate assurance opinion was thus issued for seven indicators. In the present document, those indicators are followed by the sign ✓ and the Statutory Auditors' report was pub-

lished in the 2011 Registration Document and the 2011 Responsible Development report.

As part of Article 225 of the Grenelle II Act, La Banque Postale continued this process in 2012, with the goal of having a significant number of responsible development indicators verified by an external third party.

Thus, the selection process for determining which indicators to be verified is based on a cartography constructed upon the following criteria: level of risks or financial opportunities, comparison with sector practices, level of data sensitivity for the company and for stakeholders, other existing external verifications, level of maturity, presence in Grenelle II Act, level of priority in the La Poste Group and La Banque Postale CSR policy.

In this document, the 7 2012 indicators followed by the signe ✓ underwent external verification by La Banque Postale's Statutory Auditors.

Please refer to Section 6.4. to view their assurance opinions for 2012, along with their data reporting certification pertaining to the 42 items of Article 225 of the Grenelle II Act.

6.3.2. Economic indicators

The economic indicators presented in the following table supplement Sections 6.2.1 to 6.2.4 of this document. For all of these indicators, the scope is as follows:

Périmètre: Groupe La Banque Postale

Economic indicators

	2012	2011	2010
Banking accessibility			
Number of micro-loans granted	894 ✓	653	533

To facilitate the extension of personal micro-loans, 17 new partnership agreements were signed in 2012 and 81 agreements resulted in the granting of at least one micro-loan in 2012.

Percentage of consumer loans less than or equal to €1,500	10%	9%	8%
Home loans: Percentage of borrowers earning less than €2,000 per month	17%	15.3%	17%

Responsible customer relations			
Customer satisfaction rate	92.3%	88.7%	NC
Customer claims rate	6%	7%	NC
Home loans: Bad debt rate	0.37%	0.34%	0.30%

La Banque Postale's bad debt rate is among the lowest on the market (market average as of the end of 2011: 1.34%).

Number of customers having received support from LBP Financement's Support Unit during the year	421 ✓	300(*)	-
Number of customers having received support from CRESUS during the year	203 ✓	279	-

Responsible offering			
Socially Responsible Investments (SRI), in billions of euros	1.274	1.226 ✓	1.261

In 2012, SRIs represented 4.2% of the investments managed by LBPAM excluding life insurance mandates (versus 4.1% in 2011).

Funds integrating ESG criteria, in billions of euros	88.96 ✓	46.59	47.95
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In 2012, the funds integrating ESG criteria accounted for 64.8% of all investments managed by LBPAM (versus 37.4% in 2011).

Indicators for which a moderate assurance opinion was issued: ✓ in 2012 ✓ in 2011.
(*) Data was adjusted since the previous publication (cf section 6.3.1).

	2012	2011	2010
Management of extra-financial risks			
Rating of trading room's exposure to ESG risks	2.31	2.56	-
Number or Percentage of employees trained in combating money laundering and terrorism financing over the last three years			
La Banque Postale Employee	67%		
Financial Centre Employees	94%		
La Poste Retail Brand Employees	93%		

6.3.3. Social indicators

The social indicators presented in the following table supplement Section 6.2.5.1 of this document.

	2012	2011	2010
Employment: total workforce, hires and dismissals			
Number of employees of La Banque Postale Group	32,683 <input checked="" type="checkbox"/>	32,258(*)	32,454(*)
La Banque Postale	2,189	2,118(*)	2,012(*)
Financial Services	18,929	18,766	19,334
Banking Advisory Line	10,473	10,516(*)	10,452
Subsidiaries	1,092	858	656(*)

Includes permanent employees, civil servants, temporary employees, apprenticeship contracts, occupational contracts, and corporate officers under employment contracts.

The 32,683 employees of the La Banque Postale Group work in France. Those on permanent contracts (including civil servants) account for 94.95% of the total workforce.

Scope: ☒ La Banque Postale ☒ Financial Services ☒ Banking Advisory Line ☒ Subsidiaries

Percentage of employees aged 25 and under in the total workforce	6.58%	5.26%	4.07%
Percentage of employees aged 55 and up in the total workforce	19.74%	21.37%	23.27%

Scope: ☒ La Banque Postale ☒ Financial Services ☒ Banking Advisory Line ☒ Subsidiaries

In 2012, the 13 subsidiaries included in the extra-financial scope were covered by this indicator. Employees under the age of 25 and employees over the age of 55 respectively accounted for 7.09% and 19.17% of the workforce in 2012.

Number of permanent hires	887 <input checked="" type="checkbox"/>	1,266(*)	783(*)
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Includes the number of permanent hires following a temporary contract, an apprenticeship contract or an occupational contract, and external permanent hires. In 2012, 321 employees aged under 25 and 19 employees aged over 55 were hired on permanent contracts.

Scope: ☒ La Banque Postale ☒ Financial Services ☒ Banking Advisory Line ☒ Subsidiaries

In 2012, 11 of the 13 subsidiaries (LBPF, LBPIARD, LBPAM, LBPSAM, Titres Cadeaux, LBPGP, LBPP, Easybourse, LBPCA, LBPIC, LBPCCE) were covered by this indicator. These subsidiaries hired 261 employees on permanent contracts, for a total of 1,148 permanent hires. The subsidiaries cover 96.2% of employee.

Number of redundancies	85	71(*)	66(*)
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Includes the number of redundancies other than economic redundancies. La Banque Postale has not made anyone redundant on economic grounds over the past three years.

Scope: ☒ La Banque Postale ☒ Financial Services ☒ Banking Advisory Line ☒ Subsidiaries

In 2012, 11 of the 13 subsidiaries (LBPF, LBPIARD, LBPAM, LBPSAM, Titres Cadeaux, LBPGP, LBPP, Easybourse, LBPCA, LBPIC, LBPCCE) were covered by this indicator. In those subsidiaries, 21 employees were made redundant, for a total of 108 redundancies. The subsidiaries cover 96.2% of employees.

Indicators for which a moderate assurance opinion was issued: ☒ in 2012 ☒ in 2011.

(*) Data was adjusted since the previous publication (cf section 6.3.1).

	2012	2011	2010
Remuneration			
Salaries of female non-executives (in euros)	32,477	31,833	31,887
Salaries of male non-executives (in euros)	32,390	31,449	33,565
Salaries of female executives (in euros)	51,832	50,973	50,418
Salaries of male executives (in euros)	55,658	54,611	54,588

Shows average gross salaries in January of the year in question.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Amount of incentive plans (in euros)	4,701,936	5,045,196	7,961,000
Amount of employee profit share (in euros)	1,731,115	3,584,105	3,812,960
Amount of employer contribution (in euros)	2,389,498	2,204,225	2,117,000
Portion of socially responsible investment in employee savings	10.16%	10.32%	NC

Includes amounts paid yearly in respect of the previous financial year.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Salaries of women in group A (in euros)	47,320	NC	NC
Salaries of men in group A (in euros)	49,556	NC	NC
Salaries of women in class III (in euros)	31,492	NC	NC
Salaries of men in class III (in euros)	33,365	NC	NC
Salaries of women in class II (in euros)	26,858	NC	NC
Salaries of men in class II (in euros)	27,028	NC	NC
Salaries of women in class I (in euros)	22,298	NC	NC
Salaries of men in class I (in euros)	23,259	NC	NC

Shows average fixed gross wages in December of the year in question.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Amount of incentive plans (in euros)	4,209,000	4,400,000	NC
Amount of employer contribution (in euros)	1,816,000	1,774,000	NC

Includes amounts paid yearly in respect of the previous financial year.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Fight against discrimination: gender equality and employment of disabled persons			
Percentage of women in the workforce	61.9%	61.8%	NC
Percentage of women executives	55.0% <input checked="" type="checkbox"/>	54.7% (*)	NC
Percentage of women in strategic executive posts	34.9%	34.0% (*)	NC

Between 2006 and 2011, 95 collective agreements were signed (25 in 2006, 21 in 2007, 22 in 2008, 10 in 2009, 8 in 2010, 9 in 2011). Some of these agreements affect employees from La Ligne Conseil Bancaire and subsidiaries.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Percentage of women on the Executive Board of La Banque Postale	33.3%	22.2% ✓	23.5%
Percentage of women on the Supervisory Board of La Banque Postale	33.3%	28.6% ✓	20.0%

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Indicators for which a moderate assurance opinion was issued: ☒ in 2012 ✓ in 2011.

(*) Data was adjusted since the previous publication (cf section 6.3.1).

	2012	2011	2010
Percentage of Employment Obligation Beneficiaries(*)	3.02%	2.71%	2.32%

According to AGEFIPH rules.

In 2012, indirect employment accounted for 32.54 units (versus 27.84 in 2011 and 23.42 in 2010) resulting from contracts in the sheltered/subsidised employment sector.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Number of disabled employees assisted	741	-	-
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For Financial Services, the 2012 data is not comparable with previous-year data, as the La Poste Group switched from the public sector to the private one. Thus, the calculation methods are no longer those of the FIPHP, but those of the AGEFIPH. Moreover, the percentage of Employee Obligation Beneficiaries is only calculated Scope.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Work organisation: overtime, part-time and absences

Amount of overtime per employee (in hours)	1.74	2.56(*)	3.45(*)
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Includes the number of overtime hours declared by each employee under permanent contract and state employees.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Number of part-time employees	3,487	3,396(*)	3,558(*)
--------------------------------------	-------	----------	----------

Includes employees on permanent contracts and state employees who have chosen to work part-time.

In 2012, part-time employees accounted for 11.6% of the workforce (11.3% in 2011). In 2012, 87.7% of part-time employees were women (87.1% in 2011).

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Frequency rate of work accidents	4.51	4.54	NC
Severity rate of work accidents	0.14	0.17	NC
Number of days of work stoppage due to illness per employee	12.44	11.85(*)	11.91(*)
Number of days of work stoppage due to work accidents and travel per employee	0.43	0.56	0.61

Includes sick days for employees on permanent contracts and state employees.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Employee relations

Number of collective agreements signed	9	11(*)	7(*)
---	---	-------	------

Between 2006 and 2012, 107 collective agreements were signed. Some of these agreements concern the employees of the Banking Advisory Line and subsidiaries. Please refer to the publications from previous years for more information on agreements, particularly those pertaining to health and safety at work.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Training

Number of training days	112,716	132,551(*)	121,956(*)
Number of training days per employee	3.8	4.4(*)	4.0(*)

In 2012, 61.1% of training days were given to women and 38.9% to men.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

Number of employees on banking courses leading to a qualification or diploma	261	241	237
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Includes employees in first and second years of banking courses leading to a qualification or diploma.

Scope: La Banque Postale Financial Services Banking Advisory Line Subsidiaries

(*) Data was adjusted since the previous publication (cf section 6.3.1).

6.3.4. Societal indicators

The societal indicators presented in the following table supplement Section 6.2.5.2 of this document.

	2012	2011	2010
Responsible purchasing			
Number of suppliers having signed the responsible purchasing charter	490	440	NC
Certain subsidiaries use La Banque Postale contracts. Please refer to the information dedicated to La Banque Postale's responsible purchasing in Section 6.2.5.2 for more information regarding the consideration of extra-financial challenges and supplier and subcontractor relationships.			
Scope:	La Banque Postale	Financial Services	Banking Advisory Line
			Subsidiaries
Progression of purchases from the subsidised/sheltered employment sector	13%	24%	21%
Progression calculated in relation to the previous year. The new 2011/2013 agreement on the employment of disabled people forecasts an 8% increase over the period.			
Scope:	La Banque Postale	Financial Services	Banking Advisory Line
			Subsidiaries
Civic commitment			
Financial commitment for sponsorship (in euros)	1,159,400	735,000	NC
Scope:	La Banque Postale	Financial Services	Banking Advisory Line
			Subsidiaries
Number of employees out on international solidarity missions	22	41 ✓	38
The international solidarity missions are conducted in partnership with the NOGs Planète Urgence and France Volontaires.			
Scope:	La Banque Postale	Financial Services	Banking Advisory Line
			Subsidiaries
Territorial, economic and social impact and stakeholder relations			
Please refer to section 6.2.5.2 of this document as well as section 6.2.5.1 in which a paragraph is dedicated to La Banque Postale's relationships with academic institutions.			
Compliance with fundamental ILO standards (International Labour Organisation)			
Please refer to the end of section 6.2.5.2 of this document regarding compliance with fundamental labour rights for employees, suppliers and subcontractors.			
Corruption Prevention			
Please refer to the end of section 6.2.4 of this document pertaining to ethics.			
Health and Safety of customers			
Please refer to sections 6.2.1 and 6.2.2 of this document which pertain, respectively, to banking accessibility (combatting banking exclusion) and responsible customer relations (preventing overindebtedness and support in the event of financial insecurity).			

Indicators for which a moderate assurance opinion was issued: ☒ in 2012 ✓ in 2011.

6.3.5. Environmental indicators

The environmental indicators presented in the following table supplement Section 6.2.5.3 of this document.

	2012	2011	2010
Combating climate change: buildings			
Amount of energy consumed (in Gwh)	76.28 ☑	78.13 ✓	77.95
Number of tonnes of CO₂-equivalent emitted (building-related)	10,731 ☑	11,168 ✓	11,751
Number of kilos of CO₂-equivalent emitted per employee (building-related)	483	513	531

The total energy consumption includes the consumption of electricity, gas, fuel oil and district heating.

In 2012, on-line electricity losses (included in the above emissions) accounted for 286 tonnes of CO₂-equivalent. Moreover, in terms of renewable energy, one of the Financial Centres in the French overseas departments is equipped with photovoltaic panels.

Scope: La Banque Postale Financial Services Subsidiaries: 72.5% of surface area

Includes 8 of the 13 subsidiaries: LBPF, LBPIARD, Easybourse, LBPAM, LBPSAM, Titres Cadeaux, LBPCE, LBPAS.

In 2012, the Customer Relations Centres of LBPF and LBPIARD as well as LBPP were included in this indicator. We thus obtained a total energy consumption of 76.82 Gwh, 10,809 tonnes of CO₂-equivalent, i.e. 487 kilos per employee. Thus, 78.1% of the subsidiaries' surface area was covered.

Combating climate change: travel			
Number of tonnes of CO₂-equivalent emitted due to vehicles	8,098	6,155 ✓	6,910
Number of tonnes of CO₂-equivalent emitted per vehicle	3.6	2.9	3.8

In 2012, 2,257 vehicles were used at La Banque Postale, including 154 by the subsidiaries.

Scope: La Banque Postale Financial Services Subsidiaries: 92.9% of surface area

Includes 12 of the 13 subsidiaries: LBPF, LBPIARD, Easybourse, LBPCA, LBPAM, LBPSAM, Titres Cadeaux, LBPCE, LBPIC, LBPGP, LBPAS, LBPP.

Number of tonnes of CO₂-equivalent emitted due to rail travel	93	NC	NC
Number of tonnes of CO₂-equivalent emitted due to air travel	1,025	NC	NC

Scope: La Banque Postale Financial Services Subsidiaries

Number of employees trained in eco-responsible driving	251	284	316
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From 2007 to the end of 2012, a total of 2,011 employees were trained.

Scope: La Banque Postale Financial Services Subsidiaries

Resources			
Number of tonnes of paper consumed	8,848	9,229	9,373
Portion of responsible paper out of the total paper consumption	98.3%	97.3%	95.2%
Number of kilos of paper consumed for internal purposes per employee	39	43(*)	45(*)
Number of grams of paper consumed for external purposes per active customer	752	800	835

Paper is the main raw material used by La Banque Postale, which is mindful of the quality of the paper as well as the volumes consumed.

Scope: La Banque Postale Financial Services Subsidiaries: 62.0% of surface area

Includes 6 of the 13 subsidiaries: LBPF, LBPIARD, Easybourse, LBPAS, LBPP, Tocqueville Finance SA.

Indicators for which a moderate assurance opinion was issued: ☑ in 2012 ✓ in 2011.

(*) Data was adjusted since the previous publication (cf section 6.3.1).

	2012	2011	2010
Millions of litres of water consumed	125.27	132.56 ✓	145.82
Litres of water consumed per employee, per day	32	34	37

In view of La Banque Postale's business activities, only the water consumed by company restaurants and sanitary appliances are taken into account.

Scope: La Banque Postale Financial Services Subsidiaries

In 2012, 6 of the 13 subsidiaries (LBPF, LBPIARD, LBPAM, LBPSAM, Titres Cadeaux, LBPAS) were included in this indicator. The total water consumption thus amounts to 129.46 million litres, i.e. 32 litres per employee, per day. Thus 67.8% of the subsidiaries' surface area is covered.

Number of tonnes of waste electrical and electronic equipment (WEEE) collected	26.4	40.7 ✓	40.5
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Scope: La Banque Postale Financial Services Subsidiaries

Only the Financial Centres, which account for 87.5% of the area occupied by the Financial Services, are included in the scope.

Use of soil

This item does not apply to La Banque Postale's business activities.

Atmospheric discharges

Please refer to Section 6.2.5.3 of this document concerning the fight against climate change, as well as the related environmental indicators in Section 6.3.5 For further information, also refer to La Banque Postale's response to Article 75 of the Grenelle II Act.

Discharges into the soil and water

In view of La Banque Postale's activities, this item is not applicable.

Noise and olfactory nuisance

In view of La Banque Postale's activities, this item is not applicable.

Measures taken to ensure compliance with legal provisions relating to the environment

In view of its business activities and its culture as a public-interest organisation, 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. La Banque Postale therefore fulfils its obligations in respect of caring for the environment, particularly in terms of collecting and sorting its waste, and of the renovation work done on its buildings.

Measures taken to preserve and promote biodiversity

The actions and initiatives conducted by La Banque Postale, particularly to control its CO₂ emissions, or through including environmental criteria in purchasing specifications, help to limit its impact on the environment. Furthermore, La Banque Postale took part in the FBF Working Group on the carbon footprint of means of payment, with a view to moving the banking sector forward on this issue. In addition, La Banque Postale installed beehives on the roofs of its Paris Head Office in 2012, thereby contributing to plant pollination and the protection of biodiversity.

Company environmental assessment or certification initiatives

Please refer to the paragraph concerning the extra-financial agency ratings in Section 6.2.5.2 of this document.

Expenses incurred in order to prevent the Bank's activities from having a negative impact on the environment

The expenses incurred in order to protect the environment are not identified among the overall expenses incurred by La Banque Postale's Sustainable Development Unit.

Internal organisation, employee training and awareness-raising

Please refer to Section 6.1 of this document on governance bodies and employee awareness-raising.

Resources dedicated to preventing risks

Please refer to 6.2.4 of this document dedicated to risk management.

Amount of provisions and guarantees for environmental risks

The nature of La Banque Postale's business activities does not require provisions or guarantees for environmental risks.

Indicators for which a moderate assurance opinion was issued: ☒ in 2012 ✓ in 2011.

6.4 Statutory Auditors' Report

This is a free translation into English of Statutory Auditors' report providing a reasonable level of assurance on selected environmental, social and banking business information issued in French and it 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 audit opinion on the financial statements and includes explanatory paragraphs 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 financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

Certificate of inclusion and Statutory Auditors' report providing a reasonable level of assurance on selected environmental, social and banking business information.

Financial year ending December 31st 2012

For the attention of the Executive Board of the La Banque Postale Group.

As requested and in our capacity as Statutory Auditors of the La Banque Postale Group, we hereby present our certification of the consolidated environmental, social and banking business information presented in the Management Report prepared for the year ended December 31st 2012 pursuant to the provisions of Article L. 511-35 of the French Monetary and Financial Code, and our report providing a reasonable level of assurance on a selection of this information, identified by the (☑) sign.

Management responsibility

It is the Supervisory Board's responsibility to prepare a Management Report that includes the consolidated social, environmental and corporate information stipulated in Article L. 511-35 of the Monetary and Financial Code (hereinafter the "Information"), prepared in accordance with the accounting basis used by the La Banque Postale Group (the "Accounting Basis"), available at the company's registered office, a summary of which is presented section 6.1 of the Registration Document.

Independence and quality control

Our independence is defined by regulatory provisions, the professional code of ethics and the provisions of Article L. 822-11 of the French Commercial Code. In addition, we have implemented quality control procedures that include documented policies and procedures whose purpose is to ensure compliance with the applicable ethical rules, professional standards and legal and regulatory provisions.

Responsibility of the Statutory Auditors

It is our duty, based on our work:

- to certify that the required Information is included in the Management Report or, if omitted, is covered by an explanation pursuant to the third paragraph of Article R. 225-105 of the Commercial Code and Decree No. 2012-557 of April 24th, 2012 (Certificate of inclusion);
- to provide reasonable assurance on whether certain information selected by the La Banque Postale Group, identified by the (☑) sign, has been prepared, in all significant aspects, in accordance with the Accounting Basis (Reasonable Assurance Report).

We have called upon our experts in corporate social responsibility to assist us.

Indicators for which a moderate assurance opinion was issued: ☑ in 2012 ✓ in 2011.

1. Certificate of inclusion

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

- we have compared the Information presented in the Management Report with the list stipulated in Article R. 225-105-1 of the French Commercial Code;
- we have verified that the Information covered the consolidated scope, *i.e.* the company and its subsidiaries within the meaning of Article L. 233-1 and the companies that it controls within the meaning of Article L. 233-3 of the Code of Commerce, within the limits specified in the methodological note presented section 6.3.1 of the Management Report;
- in cases where certain consolidated information is omitted, we have verified that explanations were provided in accordance with the provisions of Decree No. 2012-557 of April 24th, 2012. Based on this work, we certify the inclusion of the required information in the Management Report.

2. Report providing a reasonable level of assurance on selected consolidated environmental, social and banking business information identified by the (☑) sign

Nature and extent of work

We have performed our audit in accordance with ISAE 3000 (International Standard on Assurance Engagements) and the applicable professional standards in France. We have implemented the following diligence to obtain reasonable assurance that the information selected by the La Banque Postale Group, identified by the (☑) sign, does not contain any material misstatement that would suggest that it has not been prepared, in all significant aspects, in accordance with the Accounting Basis. A higher level of assurance would have required more extensive verification work.

We have performed the following:

- we have assessed the appropriateness of the Accounting Basis in regard to its relevancy, comprehensiveness, neutrality, comprehensibility and reliability, taking into consideration, where necessary, the best practices within the sector;
- we have verified the implementation, within the La Banque Postale Group, of a procedure for collecting, compiling, processing and controlling to ensure the comprehensiveness and consistency of the selected information. We have reviewed the

internal control and risk management procedures used in the preparation of the information. We have conducted interviews with the persons responsible for the environmental, social and banking business information;

- concerning the selected quantitative consolidated information:
 - for the consolidating entity and the controlled companies, we have implemented analytical procedures and verified, by sampling, the calculations as well as the consolidation of this information:

Information	Units
Environmental information	
Energy consumption	GWh
Emissions of CO ₂ linked to buildings	T éq. CO ₂
Social information	
Number of employees (total staff)	number
Number of CDI (permanent) employees recruited	number
Portion of women in executive positions	%
Information on the banking business	
Number of customers handled by the LBP Financement Support Division and Number of customers supported by CRESUS (association providing support to families in debt) during the year	number
Number of micro-loans granted during the year	number
Assets under ESG integration ⁽¹⁾	Billions of euros

- for the companies that we have selected⁽²⁾ depending on their activity, their contribution to the consolidated indicators, their establishment and a risk analysis, we have:
 - conducted interviews to verify the proper application of procedures;
 - implemented detailed tests based on sampling, which consisted in verifying the calculations performed and comparing the supporting documents.

The sample thus selected represents on average:

- 21.5% of the quantitative environmental information tested;
- 97% of the quantitative social information tested;
- 100% of the quantitative information relating to the banking business tested.

Conclusion

Based on our audit work, we have found no material misstatement suggesting that the selected information, identified by the (☑) sign, has not been prepared, in all significant aspects, in compliance with the Accounting Basis.

Paris La Défense and Neuilly-sur-Seine, March 8th, 2013

The Statutory Auditors,

KPMG Audit

A Division of KPMG S.A.

Philippe Arnaud

Isabelle Goalec

Managing Partner

Partner

Department of Climate Change
& Sustainable
Development

PricewaterhouseCoopers Audit

Sylvain Lambert

Agnès Hussherr

Managing Partner

Partner

Department of
Sustainable Development

(1) Environmental, Social and Governance.

(2) Selected entities.

Environmental information: technical departments of the Financial Centres in Bordeaux, Clermont-Ferrand, Dijon, Nantes, Rouen, Toulouse and General Services and the sustainable Development Division of the La Banque Postale for the headquarters.

Social information: Human Resources Department, Sustainable Development Division of La Banque Postale.

Information on the banking business: Retail Banking department, La Banque Postale Financement, the SRI Division of La Banque Postale Asset Management, the sustainable Development Division of La Banque Postale.

General information

7.1. Documents on display	232
7.2. Significant changes	232
7.3. Material contracts	232
7.4. Off-balance sheet commitments	232
7.5. Dependency situation	233
7.6. Regulations	233

7.1. Documents on display

All documents made available to the public under legal conditions may be consulted at La Banque Postale's registered offices at 115, rue de Sèvres, 75275 Paris Cedex 06. La Banque Postale's registration documents are also available on the www.labanquepostale.fr website.

The Company's Articles of Association are included in this Registration Document. All reports, letters and other documents, historical financial information, assessments and statements

drawn up by an expert at the Company's request, where a section is included or mentioned in this document, together with all financial information, including information related to the subsidiaries for each of the two years prior to the publication of this document can be consulted on the La Banque Postale Group website, or otherwise, by writing to the Company Secretary at the Bank's registered offices.

7.2. Significant changes

There have been no significant changes in the Group's financial or commercial position since the close of the last financial year for which audited financial statements have been published, and

specifically since the signing of the Statutory Auditors' report on the consolidated financial statements on February 28th 2013.

7.3. Material contracts

To La Banque Postale's knowledge, no material contracts have been entered into other than agreements entered into as part of the nor-

mal course of business, or in relation to the Shareholders (as presented in Chapter 1, which provides an Overview of the Group).

7.4. Off-balance sheet commitments

Contractual value of commitments given and received

(€ '000s)	12.31.2012	12.31.2011
Financing commitments		
To credit institutions	70,168	43,640
To customers	17,312,397	14,234,552
Total financing commitments given	17,382,565	14,278,192
From credit institutions	2,038,448	4,024,913
From customers	-	-
Total financing commitments received	2,038,448	4,024,913
Guarantees		
To credit institutions	382,927	355,221
To customers ⁽¹⁾	2,770,876	2,505,995
Total guarantees given	3,153,803	2,861,216
From credit institutions	25,727,297	23,932,416
Total guarantees received	25,727,297	23,932,416
Commitments on securities		
Deliverable securities	218	2,775
Total commitments given on securities	218	2,775
Securities receivable	2,720	677
Total commitments received on securities	2,720	677
Other commitments		
Other commitments given	1,677,019	2,731,656
Total other commitments given	1,677,019	2,731,656

(1) Including the capital and performance guarantees granted to holders of UCITS units issued by Group entities.

- Financing commitments given (17,383 million euros):
 - 11,637 million euros related to the portion of cash facilities granted but not yet used by retail and corporate customers. These facilities are revocable at any time by the Bank subject to comply with notice requirements;
 - 2,303 million euros correspond to opened confirmed credit lines related to mortgage offer emissions waiting for acceptance or release by the Bank's customers. On the issue of the offer, the Bank has agreed to finance the credit for the duration specified in the contract. This amount is recorded as an off balance sheet given. As part of the Banque Privée Européenne purchase plan;
 - 1,745 million euros correspond to funding commitments related to local public sector (excluding social housing), including 1,620 million euros of cash lines and 125 million euros of medium and long term financing;
 - 1,002 million euros correspond to funding commitments related to offers of bilateral and syndicated loans to legal entities, including social landlords;
 - 569 million euros correspond to lines and revolving overdraft facility granted to Le Groupe La Poste.
- Guarantee commitments given (3,154 million euros):
 - 2,771 million euros correspond to capital and performance guarantees issued exclusively to UCITS managed by La Banque Postale AM and La Banque Postale SAM to ensure the unitholder performance or capital explicitly guaranteed in the record of the funds concerned;
 - 383 million euros correspond to guarantees given in favor of Crédit Logement induced both by the guarantees given by this institution on the home loans granted by La Banque Postale and by La Banque Postale's ownership stake in the company. This guarantee is a commitment to rebuild Crédit Logement's guarantee mutual fund (only in the event that this fund proves inadequate, as a result, for instance, of a wave of defaults on loans covered by Crédit Logement guarantees). This commitment is reviewed every six months, and is determined as a function of the Bank's home loans that are guaranteed by Crédit Logement, on a *pro rata* basis.
- Other commitments:
 - it is mainly the amount of shares pledged for the benefit of the European Central Bank as part of the financing commitment received from the latter (financing 3G). This guarantee commitment given is recorded at the market value of pledged securities before taking into account different haircuts for securities and receivables into account. This commitment given (1,668 million euros) is in return for a financing commitment received (1,613 million euros) of the Banque de France (financing 3G).
- Commitments related to La Banque Privée Européenne:
 - as part of the Banque Privée Européenne purchase plan, La Banque Postale agreed to receive securities in exchange for an indeterminate price. Furthermore, in a previous operation, La Banque Postale had agreed to refinance BPE's variable-rate debt with Crédit Mutuel Arkea. As at December 31st 2012, this debt was estimated at approximately 1.242 billion euros.

7.5. Dependency situation

Not applicable.

7.6. Regulations

La Banque Postale is a limited company with Executive and Supervisory Boards, which was licensed as a bank by the French Credit Institution and Investment Firms Committee (CECEI) in 2005, and is registered as an insurance intermediary by the French Insurance Intermediaries Registration Body (ORIAS).

Banking and related transactions, investment and related services, savings products, and manual foreign exchange are regulated by the French Monetary and Financial Code.

Insurance products are governed by the French Insurance Code. La Banque Postale is also under the supervision of industry bodies, namely: the French Prudential Control Authority (ACP), and the French Financial Markets Authority (AMF).

Lastly, through its membership of the La Poste Group, La Banque Postale is subject to the regulations applicable to public service remits that apply to the Group, and specifically to the regulations related to the access-to-banking remit.

The access-to-banking remit is exercised through Livret A savings accounts. It should not be confused with the right to a bank account, which does not cover savings products, but bank accounts, and is mandatory for all credit institutions.

Up until January 1st 2009, La Banque Postale, the Caisse d'Épargne, and the Crédit Mutuel, subject to specific conditions, were the only institutions allowed to distribute Livret A accounts.

The French Economic Modernisation Act of August 4th 2008 put an end to this situation, and made Livret A accounts generally available. All banks may now offer them to their customers, subject to having signed an agreement with the Government beforehand, and specifically to complying with the single account per customer rule.

La Poste fulfils its access-to-banking remit, a public service and public interest remit that was entrusted to it by the Law of July 2nd 1990 (amended), in an unusual way, namely via La Banque Postale, its subsidiary, a credit institution (Article L. 518-25-1 of the French Monetary and Financial Code) that is subject to specific obligations codified in the regulatory section of the Monetary and Financial Code, in addition to the operating rules for Livret A accounts. These rules are as follows:

- La Banque Postale is required to open a Livret A account for any private individual, any organisation listed under Section 5 of Article 206 of the French General Tax Code, and for any subsidised housing body that makes the request;
- the minimum amount of individual cash withdrawal or deposit transactions is set at €1.50;

- La Banque Postale is required to authorise any transactions on Livret A accounts listed in a decree from the Minister for the Economy dated December 4th 2008, under the conditions specified in the general regulations. 60% of La Banque Postale's Livret A accounts, *i.e.* 12 million accounts, have an average balance of less than €152. These accounts, which amount to only 0.5% of deposits outstanding, nonetheless generate very substantial management costs. In fact, they account for around 46% of Livret A management costs. This is why the French Economic Modernisation Act has provided for specific compensation to be paid to La Banque Postale.

The additional cost that its access-to-banking remit generates for La Banque Postale is the object of a "compensation amount that is proportionate to the general economic interest remits awarded to this institution, as provided for by Article R. 221-8-1 of the French Monetary and Financial Code". This compensation amount is in addition to the remuneration that the Bank, like other institutions, receives for distributing Livret A accounts.

Deeds of incorporation and articles of association

Articles of association amended by the General Meeting of September 9th 2011

LA BANQUE POSTALE

SA limited company with Executive and Supervisory Boards with registered capital of 3,185,734,830 euros

Registered offices: 115 rue de Sèvres - 75275 Paris Cedex 06

Registered under number 421 100 645 with the Paris Trade and Companies Registry

Title I – Characteristic features of the Company

Article 1 – Form

The Company was set up in the form of a limited company with a Board of Directors, and registered with the Paris Trade and Companies Registry.

It was turned into a limited company with Executive and Supervisory Boards by a decision of the Combined Meeting of Shareholders of December 12th 2005.

The Company is governed by current laws and regulations, and specifically by:

- the provisions of the French Commercial Code regarding commercial companies;
- the provisions of the French Monetary and Financial Code regarding credit institutions;
- the provisions of Law No. 2005-516 of May 20th 2005 regarding the regulation of the post office business;
- the provisions of Law No. 83-675 of July 26th 1983 regarding the democratisation of the public sector, in accordance with Article 40 of Law No. 90-568 of July 2nd 1990 regarding the organisation of La Poste's public service;
- and these articles of association.

Article 2 – Corporate purpose

a) The corporate purpose of the Company, in France and abroad, is:

- banking transactions, as defined in Article L. 311-1 of the French Monetary and Financial Code, and specifically loan transactions;
- transactions relating to banking transactions, as defined in Article L. 311-2 of the French Monetary and Financial Code;
- the execution of order reception and transmission investment services on behalf of third parties, of order execution services on behalf of third parties, of trades on its own account, of investment advisory services, of underwriting services, and of guaranteed placement and non-guaranteed placement services, according to the meaning of Article L. 321-1 of the French Monetary and Financial Code covering financial instruments as a whole;
- services relating to investment services, as defined in Article L. 321-2 of the French Monetary and Financial Code;
- custodian account administration services.

b) Subject to the provisions of paragraph c), the Company may not perform:

- consumer credit transactions that are not related to a bank overdraft, or are not related to the regulated savings business (sustainable development accounts and home loan savings accounts), except where these transactions are dedicated to repair, improvement or maintenance works for a building or land;
- leasing, discounting and factoring transactions;
- transactions to finance entities where the main corporate purpose is to perform market, securitisation, or acquisition transactions.

c) However, the Company may:

- grant consumer loans to the employees of the La Poste Group companies;
- grant professional micro-loans aimed at creating companies or jobs in their own right, personal micro-loans aimed at financing personal projects, or social micro-loans to vulnerable or excluded persons.

d) The Company may also perform all transactions other than those listed above on a habitual basis, including acting as an insurance intermediary, including insurance broking, in accordance with the provisions of the French Insurance Code, under the conditions defined by a decree of the Minister for the Economy and Finance.

e) The Company receives Livret A deposits and distributes Livret A accounts in accordance with the provisions of Article L. 515-25-1 of the French Monetary and Financial Code.

f) Generally speaking, the Company may perform all financial, commercial, industrial, securities or property transactions that may relate to the above businesses, directly or indirectly, or are likely to make performing those transactions easier, on its own account and on behalf of third parties, or as a joint venture.

Article 3 – Name

The Company's name is La Banque Postale.

The Company's name must always be immediately and legibly followed by the words "limited company with an Executive and Supervisory Board", written in full, a statement of the amount of the registered capital, and by the place where and the number under which the Company is registered with the Trade and Companies Registry in all deeds and documents issued by the Company and intended for third parties, including letters, invoices, announcements, and miscellaneous publications.

Article 4 – Registered offices

The established registered offices are at 115 rue de Sèvres - 75275 Paris Cedex 06.

They may be transferred to any other location in the same department or in a neighbouring department by a simple decision of the Supervisory Board, which shall be subject to approval by the next Ordinary General Meeting.

In this case, the Supervisory Board shall also be authorised to amend the articles of association accordingly.

Article 5 – Duration

The duration of the Company is 99 years from the date of its registration with the Trade and Companies Registry, except in the event of dissolution, or of an extension decided by the Extraordinary General Meeting.

Article 6 – Registered capital

The registered capital is set at three billion one hundred and eighty-five million, seven hundred and thirty-four thousand, eight hundred and thirty (3,185,734,830) euros.

It is divided into twenty-seven million seven hundred two thousand and forty-two (27,702,042) fully paid up shares of a single class. In accordance with the provisions of Article 16-II-1 of Law No. 2005-516 of May 20th 2005 on the regulation of the post office business, La Poste owns a majority interest in the Company's share capital.

These articles of association do not provide for any specific advantage in favour of anyone whatsoever.

Article 7 – Changes to the registered capital

The registered capital may be increased, decreased, or amortised in accordance with the current laws and regulations.

Title II – Rights and obligations of the shareholders

Article 8 – Share payments – rights and obligations

The shares are paid up under the conditions specified by the current laws and regulations.

The amounts still payable on the shares to be paid up in cash are called up by the Executive Board. However, subscribers and shareholders may pay all or part of said amounts in advance, if they wish to do so.

Subscribers and shareholders shall be made aware of calls for funds by any means, at least fifteen days before the date set for each payment.

Any shareholder who does not make the payments required for the shares that they own when these payments are due shall automatically be liable to pay a late interest charge to the Company at the legal rate.

In addition to a voting right, each share grants the right to ownership of the Company's assets, and to a share of the profits and liquidation premiums, which is proportional to the number of shares outstanding.

Every time that holding several shares is required in order to exercise any right, single securities, or a number of securities that is lower than the one required shall not grant their owners any rights over the Company; in this event, shareholders shall be personally responsible for assembling the number of shares required.

Article 9 – Form of the shares

The shares are registered shares.

They give rise to registration in individual accounts under the conditions and according to the terms provided for by current legal and regulatory provisions.

Article 10 – Sale and transfer of shares

Ownership of the shares results from their being recorded in an individual account in the name of the holder(s) on the ledgers held for this purpose at the Company's registered offices.

Share transfers are carried out by account-to-account transfer.

Except in the event of:

i) inheritance, ii) liquidation of joint assets held by spouses, iii) transfer to a spouse, to a forebear or to a descendant, iv) sale or donation of shares for the benefit of a private individual or a company that is already a shareholder, or has recently been appointed as a member of the Supervisory Board, where the sale is unrestricted; the sale of shares to a non-shareholder third party, regardless of the reason or in any form, is also subject to CRBF Rule 96-16, and to the provisions applicable to companies in the public sector, as well as to the approval of the Supervisory Board, in accordance with the provisions of Article L. 228-24 of the French Commercial

Code, under the following conditions:

- the seller must forward the approval request, including the surname, names and address of the buyer, the number of shares that they plan to sell, and the price proposed to the Company;
- the approval is granted (i) either by the seller being informed of the decision of the Supervisory Board, acting on a simple majority of its present or represented members, (ii) or within a period of three months from when the request was made, if there is no answer from the Supervisory Board;
- in the event that the suggested buyer is not approved, and unless the seller decides to abandon the planned sale, the Executive Board is required to have the shares purchased, either by a shareholder or by a third party, or by the Company, with the seller's agreement, within three months from the date when the refusal is delivered, in order to reduce the share capital. The seller may abandon their planned sale on condition that they inform the Company via an extra-judicial deed, or by registered letter with request for an acknowledgement of receipt within thirty (30) days from the date the Company notified the seller of the name of the buyer suggested by the Supervisory Board;
- if the purchase has not occurred when the three-month period provided for above expires, the approval is considered as having been granted. However, this period may be extended by a court decision at the Company's request;
- if no agreement is reached between the parties in the sale scenarios listed above, the price of the shares shall be determined through an expert appraisal, under the conditions specified in Paragraph 4 of Article 1843 of the French Civil Code.

Shares issued for cash and shares representing contributions in kind are only marketable once the Company has been registered with the Trade and Companies Registry, and as soon as a capital increase transaction occurs.

Title III – Administration and control of the Company

The Company is managed by an Executive Board, which performs its duties under the control of a Supervisory Board.

I – Executive board

Article 11 – Executive board – composition

The Executive Board consists of at least two and at most five members, who are appointed by the Supervisory Board.

The members of the Executive Board must be private individuals, who may be chosen from outside the Company's shareholders, and even among the Company's salaried employees. No person shall be appointed as a member of the Executive Board if they do not fulfil the conditions of fitness, professional competence and good repute required by the regulations applicable to companies exercising the business activities described in Article 2 of these Articles of Association.

If a member of the Supervisory Board is appointed to the Executive Board, their Supervisory Board mandate shall end as soon as they take up their duties.

In the event that a seat falls vacant, the Supervisory Board must fill it within two months, and the substitute member shall be appointed for the period remaining until the Executive Board is renewed.

Otherwise, any interested party may ask the Chairman of the Commercial Court, acting in summary proceedings, to make this appointment on a provisional basis.

Article 12 – Duration of the duties – age limit

The Supervisory Board appoints members of the Executive Board for a period of five years, which expires at the first Supervisory Board meeting held following the fifth anniversary of this appointment. The Executive Board is renewed in its entirety when a five year period has elapsed.

Members of the Executive Board may be re-elected.

Any member of the Executive Board may be dismissed by the Supervisory Board, or by the General Meeting. In the event that the interested party has entered into an employment contract with the Company, the termination of their duties as a member of the Executive Board shall not result in the termination of this contract.

No private individual who has reached the age of 65 may be appointed as a member of the Executive Board, or be reappointed to this position.

When the interested party has reached the age limit, they are automatically considered to have resigned from the date of the next meeting of the Supervisory Board, which shall see to their replacement.

Article 13 – Chairman of the executive board – chief executive officers – accountable director

13.1 – Chairman

The Supervisory Board shall appoint one of the Executive Board members as Chairman.

The Chairman shall perform their duties during the term of their mandate as a member of the Executive Board.

The Chairman shall represent the Company in its dealings with third parties.

The Supervisory Board may dismiss the Chairman of the Executive Board from their duties as Chairman at any time, based on a majority vote of the members present or represented.

13.2 – Chief executive officers

The Supervisory Board may assign the same power of representation to one or several members of the Executive Board, who shall then bear the title of Chief executive officer. In such a case, one of the Chief executives appointed in this way will also act in the capacity of Accountable Director, according to the meaning of Article 13.3 below.

The Supervisory Board may dismiss the Chief executive(s) from their duties as Chief executive(s).

The Supervisory Board may remove their powers to represent the Company in its dealings with third parties under the same conditions.

13.3 – Accountable directors

The Supervisory Board assigns the capacity of accountable director to at least two of the members of the Executive Board. These directors are responsible for effectively determining the Company's direction, in accordance with the provisions of Article L. 511-13 of the French Monetary and Financial Code, and must fulfil the conditions of good repute and experience listed in Article L. 511-10 of the aforementioned Code, it being specified that the Chairman of the Executive Board shall be one of the accountable directors.

13.4 – Representation of the Company

Any action committing the Company towards third parties shall be duly performed by the Chairman of the Executive Board or by any other member who has been granted the title of Chief executive officer by the Supervisory Board.

The Chairman of the Executive Board, and the Chief executive(s), where applicable, are authorised to delegate part of their powers to any corporate officers that they deem appropriate. They may specifically delegate any power to represent and commit the company in its dealings with third parties to a member of the Executive Board who has the skills required, as resulting from the division of duties set out under Article 13.5.

13.5 – Division of management duties

Members of the Executive Board may divide up the management tasks between them, with the authorisation of the Supervisory Board. However this division of powers may not prevent the accountable directors, according to the meaning of the banking regulations, from fulfilling their remits and obligations, as defined by the French Monetary and Financial Code. Moreover, it may not result in stripping the Executive Board of its role as a collective management body. The accountable directors must effectively determine the Company's direction. They shall also present the division of their respective powers to the Supervisory Board. Measures that each member of the Executive Board takes individually, within their area of responsibility, shall be deemed to have been accomplished collectively by the Board, and shall commit it in its entirety.

However, the Executive Board may decide that any action committing the Company beyond an amount that it shall determine on a regular basis must be authorised in advance by the Board itself. Failure to secure this approval may result in the individual concerned being personally liable towards the Company and its shareholders.

Article 14 – Powers of the Executive Board

The members of the Executive Board shall manage the Company on a collective basis.

The Executive Board has been invested with very extensive powers to act in the Company's name under all circumstances. It exercises these powers within the limits of the corporate purpose, and subject to those powers expressly granted to the Supervisory Board and to shareholders' meetings in law and by these articles of association.

In its dealings with third parties, the Company shall be committed even by actions of the Executive Board that are not related to the corporate purpose, unless it proves that the third party was aware that the action exceeded that purpose, or could not ignore this fact given the circumstances, although the sole publication of the articles of association is not enough to amount to this proof.

However, the following actions are subject to the prior authorisation of the Supervisory Board, pursuant to the law:

- disposals of property assets;
- full or partial disposals of equity investments;
- the granting of securities in order to guarantee corporate commitments.

The following corporate transactions and decisions are also subject to the prior authorisation of the Supervisory Board:

- the strategic plan and decisions specifically relating to the launch of new businesses, to the setting up of subsidiaries or branches in France and abroad, to the acquisition of companies, to the signing of any alliance or partnership, to any transfer of assets, including under a universal transfer of assets, where the amount exceeds €12,000,000, and, more generally, to any investment or divestment amounting to over €12,000,000;
- decisions relating to the award of equity subscription or purchase options, or of equivalent securities, to the corporate officers and/or directors, together with the award of free shares;
- decisions relating to financing transactions likely to alter the Company's financial structure in a material way;
- draft resolutions to be submitted to the Shareholders' Meeting, pursuant to Article L. 228-92 of the French Commercial Code, and relating to the issuance of marketable securities, regardless of whether they entitle the holder to a proportional share of the capital and/or of the voting rights, and to the setting of the issuance terms and conditions for said marketable securities;
- dividend distribution proposals and related transactions.

The Executive Board shall present a written report, reviewing the main actions or events that have occurred in the management of the Company, to the Supervisory Board at least once a quarter.

In the three months following the close of each financial year, the Executive Board shall approve the annual financial statements

and the consolidated financial statements, where applicable, and present them to the Supervisory Board for examination and checking. It shall suggest the allocation of the results for the year just ended.

The Executive Board shall convene the General Meetings of Shareholders, shall set their agenda, and shall execute their decisions.

Article 15 – Organisation and operation of the Executive Board

The Executive Board shall meet as often as the Company's interests require it to do so, and at least once a month, on the invitation of its Chairman, its Chief executive, if it has one, or of at least half of its members, either at the registered offices, or at any other location mentioned in the notice of meeting.

The agenda shall be set by the author of the notice of meeting, on the day before the scheduled meeting at the latest. However, in the event of emergency, the agenda may be set only at the time of the meeting.

The notice of meeting shall be delivered by all means – by standard letter, registered letter, personal delivery, fax, email with or without acknowledgement of receipt – and even orally.

The Statutory Auditors shall be invited to the Executive Board meeting at which the annual or interim financial statements are approved. A member of the Executive Board may ask another member to represent them.

The Chairman, or in their absence, a member who is present and appointed by the Executive Board and takes the title of Chairman, shall chair the meetings.

The actual presence of at least half the members is required for the discussions to be valid, or the presence of both members, if the Executive Board consists of only two members. For the purpose of calculating the quorum and majority, members who take part in the Executive Board meeting by videoconferencing means that fulfil the technical features guaranteeing effective participation in the Executive Board meeting, where discussions must be broadcast on an uninterrupted basis, shall be deemed present, except in the event that the Executive Board consists of two members, and for the adoption of the decisions listed in Article L. 225-37 of the French Commercial Code.

In the event that the vote is split, the Chairman shall have the casting vote.

Regardless of their form, the discussions of the Executive Board shall be recorded in minutes drawn up in a special ledger, or on serially numbered loose-leaf sheets. These sheets or ledger are held at the Company's registered offices. They are signed by the Chairman and all the Executive Board members present, and are circulated to all members of the Executive Board.

Copies or excerpts of the minutes of the discussions are duly certified by the Chairman of the Executive Board, or by one of the members of the Executive Board empowered to this effect.

Where applicable, the Executive Board ratifies the internal regulations specifying its operating procedures.

Article 16 – Remuneration of Executive Board members

The Supervisory Board sets the remuneration method and amount for each member of the Executive Board.

Article 17 – Holding of multiple offices by Executive Board members

Members of the Executive Board must comply with the rules on holding multiple offices, as defined by the current laws and regulations. Any private individual who finds themselves in breach of the above provisions when they take up a new office, must resign from one of their offices within three months of their appointment. Once this deadline has expired, they shall be deemed to have resigned from their new office as a member of the Company's Executive Board, and must return any remuneration received, without this situation resulting in the calling into question of the discussions in which they took part.

Article 18 – Responsibilities of Executive Board members

Without prejudice to the specific responsibility that may arise from the Company entering receivership, the members of the Executive Board shall be liable, individually or jointly, depending on the case, towards the Company or third parties, either for breaching the legal or regulatory provisions applicable to limited companies, or for breaching the articles of association, or for the errors committed under their management.

II – Supervisory Board

Article 19 – Supervisory Board

The Company's Supervisory Board is governed by the provisions of Articles L. 225-68 et seq. of the French Commercial Code, and by the provisions of Law No. 83-675 of July 26th 1983 on the democratisation of the public sector.

19.1 – Composition

19.1.1 – In accordance with Article 6 of Law No. 83-675 of July 26th 1983 on the democratisation of the public sector, the Supervisory Board shall consist of at least nine, and at most 18 members, one third of whom shall be employee representatives, in accordance with Article 40 of Law No. 83-675 of July 26th 1983.

Except for the employee representatives, members of the Supervisory Board are appointed among private individuals or companies by the Ordinary General Meeting, which may dismiss them at any time, except, where applicable, for Government representatives, who are appointed by decree.

19.1.2 – Employee representative members of the Supervisory Board are elected under the conditions specified in Chapter II of Law No. 83-675 of July 26th 1983.

Any employee representative may be dismissed for gross misconduct in the exercise of their office as a member of the Supervisory Board, through a summary ruling of the Chairman of the District Court at the request of the majority of the members of the Supervisory Board.

19.2 – Renewal

In accordance with the provisions of Law No. 83-675 of July 26th 1983, and of Decree No. 83-1160 of December 26th 1983, which was enacted for its application, the offices of all members of the Company's Supervisory Board shall end on the same day, at the end of a five-year term.

In the event that a Supervisory Board member's seat falls vacant, for any reason whatsoever, their substitute shall only exercise their office for the period remaining until the renewal of the entire Board.

In the event that a new member is appointed to the Board by the General Meeting outside the date when the entire Board is renewed, the new member shall only hold their office for the period remaining until the renewal of the entire Board.

19.3 – Restrictions on the holding of multiple offices

Members of the Supervisory Board must comply with the rules on the holding of multiple offices as defined in the provisions of the French Commercial Code, and, where applicable, by the provisions of Law No. 83-675 of July 26th 1983.

Any private individual who finds themselves in breach of the above provisions when they take up a new office must resign from one of their offices within three months of their appointment.

Once this deadline has expired, they shall be deemed to have resigned from their new office, and must return any remuneration received, without this situation resulting in the calling into question of the discussions in which they took part.

19.4 – Combining an office with an employment contract

Without prejudice to the provisions of Article 19.7 of these articles of association, and in accordance with the provisions of Article 15 of Law No. 73-1196 of December 27th 1973, members of the Supervisory Board may combine their duties with an employment contract, as long as that contract corresponds to an actual position.

19.5 – Incompatibility & Restrictions

Fulfilment of the Supervisory Board member's office must not be incompatible with the interested party holding certain public or professional offices.

No member of the Supervisory Board may be a member of the Executive Board. If a member of the Supervisory Board is appointed to the Executive Board, their Supervisory Board mandate shall end as soon as they take up their duties.

In addition, no one may be appointed to the Supervisory Board – or remain on the Board – if they find themselves subject to any court order that results in them being prohibited from running or directing any firm or company.

19.6 – Access of companies to the Board

A company may be appointed as a member of the Supervisory Board. The company is required to appoint a permanent representative at the time it is appointed.

Permanent representatives are subject to the same rules as members who are private individuals, particularly where restrictions and disqualifications, and the age limit are concerned.

In cases where the company withdraws its permanent representative's mandate, it is required to provide for their replacement at the same time. The same applies in the event of the death or resignation of the permanent representative. The company is required to notify the Company of this death or resignation, together with the identity of the member's successor without delay, by registered letter with request for an acknowledgement of receipt.

19.7 – Status of the employee representative members of the Supervisory Board elected under the conditions specified in Law No. 83-675 of July 26th 1983

In accordance with the provisions of Section III of Law No. 83-675 of July 26th 1983, a Supervisory Board employee representative member's mandate is incompatible with any other office involving the representation of employees' interests within the Company or its subsidiaries, or with acting as a full-time union representative. The appointment to the Supervisory Board of an employee performing such duties shall terminate said duties.

Employee representative members of the Supervisory Board shall be granted a minimum time period of 15 hours per month to fulfil their mandate. The length of the Supervisory Board meetings is not deductible from this allowance, nor is the time spent on their training in company management.

The employee representatives' mandates shall end automatically when they no longer fulfil the eligibility conditions specified by Law No. 83-675 of July 26th 1983.

Article 20 – Shares held by members of the Supervisory Board

Subject to the exemptions provided for in law, members of the Supervisory Board who are appointed by the General Meeting of Shareholders must each hold at least one (1) share in the Company for the entire duration of their office.

If, on the day of their appointment, a member of the Supervisory Board does not own the required number of shares, or if they cease to own them during their mandate, they shall automatically be deemed to have resigned if they have not rectified their position within six months.

The provisions relating to the ownership of shares issued by the Company do not apply to employee representative members.

Article 21 – Duration of the office – age limit

Without prejudice to the application of Article 19.2 of these articles of association, members of the Supervisory Board are appointed for a period of five years. They may be re-elected.

No private individual or company representative who is aged over 70 may be appointed or elected as a member of the Supervisory Board if their appointment results in over one third of the Supervisory Board members exceeding this age limit.

If the proportion of one third is exceeded due to the fact that a serving member of the Supervisory Board comes to be older than 70, the oldest member of the Supervisory Board shall automatically be deemed to have resigned.

Article 22 – Vacancy, co-option and approval

In the event of a vacancy due to the death or resignation of one or several members appointed by the General Meeting, the Supervisory Board may replace them on a temporary basis. The appointment of the substitute members must be approved at the next General Meeting.

If approval is not granted, the resolutions voted and the actions accomplished by the Supervisory Board or by this member during their management term would nonetheless remain valid.

Pursuant to the provisions of Law No. 83-675 of July 26th 1983, when a seat is left vacant by an employee representative, the candidate on their list immediately after the last candidate elected shall be called upon to replace them. If the list in question is not sufficient to fill the vacancies, the seats that are not filled shall remain vacant up until the following election. However, if the number of vacancies exceeds half the employee representative seats, a partial election shall be organised, except during the last six months of the mandate.

Substitute members shall only hold their office for the period remaining until the renewal of the entire Supervisory Board.

If the number of Supervisory Board members falls below the legal minimum, the Supervisory Board must immediately convene the General Meeting of Shareholders in order to supplement the numbers on the Board.

Article 23 – Board council

The Supervisory Board shall elect a Chairman and a Vice-chairman among its members. The Chairman, or in the absence of the Chairman, the Vice-chairman, where applicable, is responsible for convening the Supervisory Board and directing its discussions. The Chairman and the Vice-chairman, where applicable, shall hold their office for the duration of their mandate as a member of the Supervisory Board.

The Supervisory Board shall determine their remuneration, where applicable.

The Supervisory Board may appoint a secretary, who may be chosen from outside its members.

Article 24 – Supervisory Board discussions – minutes

The Supervisory Board meets at the registered offices or in any other location specified in the notice of meeting, as often as the Company's interests require it to do so, and at least once a quarter, in order to review the Executive Board's report.

The agenda is set by the Chairman, and can only be set at the time of the meeting.

The Supervisory Board is convened by the Chairman, by any means.

The Company's Works Council shall be represented at the meetings of the Supervisory Board in accordance with the provisions of Article L. 432-6 of the French Labour Code.

However, the Chairman must convene the Supervisory Board at a date that cannot be later than within 15 days, when a member of the Board or at least one third of the members of the Supervisory Board presents them with a reasoned request to this effect. If the request is not acted upon, its authors may convene the Board themselves, and specify the agenda for the meeting.

In addition, and in accordance with the provisions of Law No. 83-675 of July 26th 1983, at least one third of the members of the Supervisory Board may convene the Supervisory Board if it has not met for over two months, by specifying the agenda of the meeting.

A member of the Supervisory Board may give another member of the Board a mandate to represent them at any Supervisory Board meeting by letter, email, or fax.

Each member of the Supervisory Board may only have one power during the same session.

Under the conditions and subject to the exceptions provided for in law, the Supervisory Board's resolutions may be voted by videoconference or through the use of all means of telecommunication or remote transmission that enable the members to be identified under the conditions set by the current legislation.

An attendance register is kept, which is signed by the Supervisory Board members taking part in the meeting. The actual presence of at least half the Supervisory Board members is required for the discussions to be valid. Members of the Supervisory Board who take part in the Supervisory Board meeting via videoconference, or by any of the telecommunication or remote broadcasting means

listed in the previous paragraph, shall be deemed present for the purpose of calculating the quorum and majority. Decisions are taken by majority vote of the members who are present or represented; each member who is present or represented has one vote. The Chairman of the meeting has the casting vote in the event of a split. The Supervisory Board's discussions are recorded in minutes that are entered into a special ledger held at the registered offices. The minutes shall mention the members of the Supervisory Board who took part in said Board meeting by videoconference or any other remote transmission means.

Article 25 – Remit and powers of the Supervisory Board

The Supervisory Board exercises ongoing control over the management of the Company through the Executive Board, and grants the latter prior authorisation to enter into transactions that the Executive Board cannot perform without its authorisation, in accordance with Article 14 of these Articles of Association.

The Supervisory Board shall hold discussions on the Company's main strategic, economic, financial and technological orientations, and specifically on the business or corporate plan, prior to the Executive Board's decisions.

The Supervisory Board may authorise the Executive Board to dispose of property assets, to dispose of equity investments partially or in full, and to grant securities in order to guarantee the commitments made by the Company up to a maximum amount that it sets for each transaction, with the option to delegate. When a transaction exceeds the amount set in this way, the Supervisory Board's authorisation is required in each case.

In addition, the Supervisory Board shall authorise the transfer of shares to a third party, in accordance with the provisions of Article 10 of these articles of association.

The Board shall perform the checks and controls that it deems necessary at any time of the year, and may ask for disclosure of the documents that it considers necessary to perform its remit.

It shall authorise agreements, in accordance with the provisions of Article L. 225-86 of the French Commercial Code.

It shall present its observations on the Executive Board's report, and on the financial statements for the year to the Ordinary General Meeting.

It shall decide on relocating the registered offices within the same department or to a neighbouring department, subject to the approval of this decision by the next Ordinary General Meeting.

The Supervisory Board may grant any special mandates for one or several determined purposes to one or several of its members.

The Supervisory Board shall approve the internal regulations specifying its operating procedures, and those of the specialist committees that it may have set up.

The Supervisory Board shall appoint, and may dismiss the members of the Executive Board.

The Supervisory Board shall suggest the appointment of the Statutory Auditors to the Meeting of Shareholders.

The Supervisory Board's discussions are recorded in minutes that are entered into a special ledger or on sequentially numbered loose-leaf sheets. These sheets or ledger are held at the Company's registered offices. They are signed by the Chairman of the meeting and one of the Supervisory Board members present. In the event that the Chairman of the meeting is unable to attend, they are signed by two members of the Supervisory Board. The minutes are circulated to all members of the Supervisory Board.

Article 26 – Remuneration of Supervisory Board members

The General Meeting may award an annual fixed amount, in the form of attendance fees, to members of the Supervisory Board, as remuneration for their duties. This amount is recorded in operating expenses.

The Supervisory Board shall be free to divide the total amount allocated between its members.

The remuneration of the Chairman and Vice-chairman shall be determined by the Supervisory Board.

The Supervisory Board may award exceptional remuneration amounts for special remits or mandates entrusted to members of the Board. These exceptional remuneration amounts are subject to the provisions of Article L. 225-86 of the French Commercial Code. However, the mandates of the employee representative members are unpaid, without prejudice to reimbursement by the Company of the expenses claimed in respect of exercising said mandate.

Article 27 – Responsibilities of Supervisory Board members

The Supervisory Board members are responsible for personal errors committed in the execution of their mandate. They are not held liable for management actions and for their outcome.

They may be pronounced civilly liable for the offences committed by members of the Executive Board, if they did not disclose them to the General Meeting when they became aware of them.

The employee representative members of the Supervisory Board, elected within the framework of Law No. 83-675 of July 26th 1983, may not be declared severally liable with the members of the Supervisory Board who represent the shareholders under any circumstances. Their responsibility is assessed taking the fact that their mandate is unpaid into account.

Article 28 – Supervisory Board committees

The Supervisory Board may decide to set up committees responsible for assisting it within its midst, and shall determine the composition, the special powers and the potential remuneration of their members, who shall execute their tasks under its responsibility. The chairman of each committee is appointed by the Supervisory Board.

Article 29 – Audit committee

The Supervisory Board shall set up an Audit Committee, which shall determine its own work programme. The programme shall be executed by Company staff or by staff outside the Company, at the Audit Committee's choosing.

Article 30 – Non-voting members

The Supervisory Board may appoint one or several non-voting members, whose remit is to assist the Supervisory Board in performing its control duties, and who take part in Supervisory Board meetings on a non-voting basis.

Each non-voting member is appointed for a period of one year, which is renewable indefinitely.

Non-voting members may not be shareholders, and their work on behalf of the Company may result in a remuneration amount set by the Supervisory Board.

Title IV – Shareholders' meetings**Article 31 – General meetings – convening of – composition**

General Meetings are convened by the Executive Board under the conditions determined in law, or, where applicable, by the Supervisory Board, the Statutory Auditors, or a corporate officer appointed by the Chairman of the Commercial Court, acting on a summary basis at the request of one or several shareholders who represent at least 5% of the share capital.

The meetings take place at the registered offices or at any other location in France specified in the notice of meeting.

The General Meeting meets at least once a year before May 31st, in order to approve the annual financial statements.

The notice of meeting is issued fifteen days before the meeting date, either via a standard letter, or via a registered letter with request for an acknowledgement of receipt addressed to each shareholder, or via a notice inserted into a legal bulletin in the department where the registered offices are located.

In the event the announcement is made via the insertion of a notice, every shareholder must also be convened via a standard letter, or a registered letter with request for an acknowledgement of receipt.

When a meeting has not been able to deliberate legitimately, due to the lack of the required quorum, a second meeting, and where applicable, a second deferred meeting shall be called in the same manner as the first meeting, and the notice of meeting shall remind the invitees of the date of the first meeting, and shall set out its agenda again.

All shareholders may take part in the meetings, in person or by proxy, on presentation of proof of identity and of the ownership of their shares, in the form of a registered entry in their name in the Company's ledgers, at least three days before the meeting. The Executive Board may cancel or shorten this deadline, but only for the benefit of all shareholders.

All shareholders may also vote remotely, according to the legal and regulatory procedures.

Shareholders who take part in the meeting via videoconference, or via any other means that enables them to be identified, the nature and conditions for which are determined by decree or via the Council of State, shall be deemed present for calculating the quorum and majority.

A shareholder cannot ask their spouse or another shareholder to represent them.

Corporate shareholders take part in meetings via their legal representatives or via any person appointed for this purpose by the latter.

The meetings are chaired by the Chairman of the Supervisory Board or, in their absence, by the Vice-Chairman specifically appointed to this effect by the Supervisory Board. Otherwise, the General Meeting shall appoint its own chairman.

In the event that the meeting is convened by a Statutory Auditor or by a court-appointed corporate officer, the General Meeting shall be chaired by the author of the notice of meeting.

The council thereby formed shall appoint a secretary, who may be chosen from outside the members of the General Meeting.

The returning officers' duties shall be fulfilled by the two members of the General Meeting who are present and accept their office, both for themselves and as proxies, and who hold the largest number of shares.

The General Meeting's discussions are recorded in minutes signed by the members of the Board, which are entered into a special ledger in accordance with the law. Copies and excerpts of these minutes are duly certified under the conditions set in law.

Article 32 – General meeting discussions

Ordinary and extraordinary General Meetings, sitting under the quorum and majority conditions specified by the respective provisions that govern them, exercise the powers that are assigned to them in law.

Title V – Business year – financial statements – control**Article 33 – Business year**

Every business year runs for a period of twelve months, which begins on January 1st and ends on December 31st every year.

Article 34 – Allocation of profits

If a distributable profit, as defined by law, arises from the financial statements for the year, as approved by the General Meeting, it may decide to assign that profit to one or several reserve items, for which the Meeting sets the allocation and use, to carry it forward, or to distribute it.

After observing the existence of reserves available to it, the General Meeting may decide to distribute amounts drawn from these reserves. In this case, the decision shall expressly indicate the reserve items from which the withdrawals are made.

However, dividends are deducted from the distributable profit for the year as a priority.

The General Meeting has the power to grant each shareholder the option of payment of the dividend or interim dividends in cash or in shares, for all or part of the dividend distributed, or of the interim dividend.

The procedures for paying dividends in cash are set by the General Meeting, or otherwise by the Executive Board.

However, the dividend payment must occur within a maximum period of nine months after the close of the financial year, unless that period is extended by a court order.

When a balance sheet drawn up during or at the end of the financial year, and certified by a Statutory Auditor, shows that the Company has made a profit since the close of the previous financial year, after recording the required depreciation and amortisation and provision charges, and after deducting prior losses, where necessary, as well as the amounts to be recorded under reserves pursuant to the law and to the Articles of Association, and taking earnings carried forward into account, an interim dividend may be distributed, before the approval of the financial statements for the year. The amount of this interim dividend may not exceed the amount of the profit thus determined.

The Company may not demand that shareholders return a dividend, unless it was distributed in breach of legal provisions, and the Company establishes that the beneficiaries were aware of the irregular nature of this distribution at the time it was made, or could not ignore it given the circumstances.

Any recovery action shall lapse three years after these dividends are paid. Dividends that are not claimed within five years of their payment shall lapse.

Article 35 – Statutory Auditors

The Company is controlled by at least two Statutory Auditors, who fulfil the legal eligibility conditions.

Each Statutory Auditor is appointed by the Ordinary General Meeting for six financial years, in compliance with the special regulations that apply depending on the company's business activities. Their mandate expires following the General Meeting that approves the financial statements for the sixth financial year.

The Ordinary General Meeting appoints at least two alternate Statutory Auditors, who are called upon to replace the official auditors in the event of their refusal, unavailability, resignation or death.

The Company shall inform the Banking Commission of the name of the Statutory Auditors that it is thinking of appointing. The Banking Commission has a period of two months to issue its opinion on the proposed appointment. The Company's directors shall disclose the Banking Commission's opinion to the General Meeting.

Article 36 – Government commissioner

A Government Commissioner appointed pursuant to the provisions of Section II of Article 511-32 of the French Monetary and Financial Code fulfils their duties within the Company's bodies, under the conditions specified in Articles D. 615-3 et seq. of the Monetary and Financial Code.

Title VI – Dissolution – disagreements

Article 37 – Dissolution

When the Company's term expires, or in the event of early dissolution, the General Meeting shall choose the method of liquidation and shall appoint one or several liquidators, whose powers it shall determine, and who shall fulfil their duties in accordance with the law.

Article 38 – Disagreements

Any disagreements on corporate issues that may arise during the life of the Company or its liquidation, either between the shareholders, the members of the Board, or the Statutory Auditors and the Company, or between the shareholders themselves, shall be judged in accordance with the law and governed by the jurisdiction of the competent courts.

Supervisory Board Charter

At its meeting of January 25th 2006, La Banque Postale's Supervisory Board adopted this Charter for Board Members (the "Charter"), which aims to specify the rights, obligations and principles applicable to the members of La Banque Postale's Supervisory Board.

Article 1 – Assumption of office

When they assume office, each member of the Supervisory Board is given a copy of the legal and regulatory provisions that apply to their position within La Banque Postale, a copy of the internal regulations of the Supervisory Board and of the specialist committees set up within the Board, and this Charter, as well as the provisions relating to the rights and obligations of Board members, as defined in Articles 7 to 13 of Section II, Chapter 1, of the Law of July 26th 1983 on the democratisation of the public sector.

Article 2 – Compliance with laws and regulations and with the corporate interest

2.1 – Every member of the Board must be fully aware of their rights and obligations at all times. Specifically, they must understand and comply with the legal and regulatory provisions applicable within La Banque Postale, and with the provisions of the internal regulations of the Supervisory Board and of the existing specialist committees.

2.2 – Every member of the Board shall act in the Company's corporate interest at all times. They shall abide by the principles listed in the Charter.

2.3 – Every member of the Board may consult the Supervisory Board's Secretariat regarding the scope of the provisions governing the rights and obligations relating to their office at any time.

Article 3 – Holding of office – guiding principles

Every member of the Board shall fulfil their duties with independence and loyalty, and in a professional manner, and shall undertake to take the measures required when they believe in good faith that they are no longer able fully to carry out their mandate.

Article 4 – Personal involvement

4.1 – Every member of the Board undertakes to devote all the time and attention required by their mandate to examine the applications submitted to the Board and the issues that are entrusted to them on a more specific basis, as well as to the work of the committee(s) of which they are a member. They undertake to take part in all the Supervisory Board meetings in an attentive and diligent manner, unless they are prevented from doing so.

4.2 – Every member of the Board is responsible for requesting the information items that they believe are useful to them within the appropriate timeframe, in order to be able to discuss them with the Board in full knowledge of the facts.

4.3 – Every member of the Board must familiarise themselves with the Company's business lines and specific features, its challenges, its values, and its regulatory environment. Every member of the Board must make efforts to update the knowledge that is useful to them in fulfilling their mandate properly.

Article 5 – Duty to speak

5.1 – Every member of the Board has a duty to express the questions and opinions resulting from the fulfilment of their mandate.

5.2 – In the event of a disagreement, they shall ensure that their position or proposals are expressly entered in the minutes of the discussions.

Article 6 – Independence

6.1 – Every member of the Board undertakes to maintain their independence of analysis, judgement, decision and action under all circumstances, and to reject any indirect or indirect pressure that may be exercised on them.

6.2 – Every member of the Board undertakes not to accept any benefits of any kind from La Banque Postale or from related firms or companies, either directly or indirectly, which are likely to be considered of a nature to compromise their independence during the term of their mandate or beyond it.

6.3 – Every member of the Board undertakes, during the term of their mandate, to notify the Chairman of the Supervisory Board immediately of any situation involving the holding of multiple offices, within companies or other corporate establishments governed by French or foreign law.

Article 7 – Potential conflicts of interest

7.1 – Without prejudice to the application of the French Commercial Code provisions relating to the control of regulated agreements, every member of the Board shall inform the Supervisory Board and its Chairman of any situation concerning them that is likely to create a conflict, even one that is potential or temporary, with the interests of La Banque Postale or of its potential subsidiaries, as soon as they become aware of it.

7.2 – In such cases, the member of the Supervisory Board shall:

- abstain from taking part in the discussions and from any decision on the issues in question, if the conflict of interest is temporary;
- take all measures aimed at ending said conflict of interest, including tendering their resignation from their office as a member of the Board to the Chairman of the Supervisory Board, if it turns out that the conflict of interest is ongoing.

7.3 – Generally speaking, every member of the Board shall undertake to avoid any conflict that may exist between their material or moral interests and those of La Banque Postale or its potential subsidiaries.

Article 8 – Confidentiality

8.1 – Every member of the Board personally undertakes to respect the absolute confidentiality of the information that they receive, of the discussions in which they participate, and of the decisions taken by the Supervisory Board, under the conditions determined in Article 8 of the Supervisory Board internal regulations.

8.2 – Every member of the Board shall refrain from using, revealing or disclosing, for their own benefit or for the benefit of any third party, any non-public information regarding La Banque Postale or its potential subsidiaries that they are aware of due to their capacity as a Board member.

Article 9 – Effectiveness of the board's operations

9.1 – Every member of the Board shall contribute to the collective spirit and to the effectiveness of the work performed by the Supervisory Board and by the specialist committees set up within it, and to the tasks in which they participate.

9.2 – Every member shall express any recommendation that they believe will improve the operating procedures of the Supervisory Board, particularly within the context of any meeting of the Supervisory Board that addresses its operations. The same goes for any of the specialist committees where they participate in the tasks.

9.3 – Along with the other members of the Supervisory Board, every member shall strive to ensure that the control bodies fulfil their remit effectively, and without hindrance. Specifically, the member shall ensure that they are informed of the implementation of procedures enabling controls on compliance with the laws and regulations within the Company.

9.4 – Every member shall ensure that the positions adopted by the Supervisory Board are the subject of formal decisions, which are correctly reasoned and registered in the minutes of its meetings, without exception.

9.5 – In the event that a member of the Supervisory Board ceases to be in a position to fulfil their mandate in compliance with the Charter, whether of their own volition or for any other reason, they must inform the Chairman and the Board, seek solutions to resolve the situation, and failing which, make their mandate available to the Board.

Article 10 – Endorsement of the charter

Every member of the Supervisory Board shall endorse this Charter as soon as they assume their office.

Statutory Auditor's special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditor's special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and conducted in accordance with, French law and professional auditing standards applicable in France.

Annual General Meeting to approve the statement of accounts for the year ended December 31st 2012

LA BANQUE POSTALE S.A.

Registered office: 115 rue de Sèvres – 75275 Paris Cedex 06

Equity capital: 3,185,734,830 euros

To the Shareholders,

In our capacity as your Company's Statutory Auditors, we hereby present our report on related-party agreements and commitments.

Our role is to inform you, based on the information that has been provided to us, of the characteristic features and of the main terms and conditions of the agreements and undertakings that have been disclosed to us, or of which we may have become aware during our assignment. It is not up to us to issue an opinion on their usefulness and legitimacy, or to see whether other agreements and undertakings exist. Your role, in accordance with the terms of Article R. 225-58 of the French Commercial Code, is to assess the Company's interest in entering into these agreements and undertakings, with a view to their approval.

Furthermore, it is our role, where applicable, to disclose the information specified in Article R. 225-58 of the French Commercial Code on the execution of the agreements and undertakings that have already been approved by the General Meeting during the financial year just ended.

We have performed the checks that we considered necessary, in light of the professional standards of the French National Institute of Auditors relating to this assignment. These checks consisted in ensuring that the information provided to us was consistent with the background material from which it was derived.

Agreements and undertakings submitted for the approval of the General Meeting

Agreements and undertakings approved during the financial year just ended

Pursuant to Article L. 225-58 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorised by your Supervisory Board.

Amendment No. 4 to the Implementation Agreement regarding the Framework Agreement between La Banque Postale and La Poste on "transactions performed at post office counters in the name and on behalf of La Banque Postale"

Nature and purpose

The original agreement, entered into on December 30th 2005, outlines the conditions under which La Banque Postale entrusts La Poste with the execution of banking, financial, and insurance transactions and services relating to these transactions at post office counters. La Poste re-invoices these services to La Banque Postale on the basis of the costs incurred by La Poste for the time taken to perform these transactions.

This amendment, retroactive from January 1st 2011, seeks to update the implementation agreement regarding "transactions performed name and on behalf at post office counters in the of La Banque Postale".

The amendment does not substantially modify the formula used to calculate how costs are re-invoiced, but lists the key criteria for 2012. The previous amendment on September 16th 2011 confirmed the criteria for the 2011 fiscal year only.

Furthermore, the amendment redefines the notional NBI used to calculate La Poste's additional remuneration according to La Banque Postale's performance.

The other clauses detailed in the implementation agreement regarding "transactions performed name and on behalf at post office counters in the of La Banque Postale" and its amendments No.1 on July 9th 2009, No.2 on March 10th 2010 and No.3 on September 16th 2011 take precedence unless they are incompatible with the present amendment.

Directors concerned

- Philippe Wahl, President of the Executive Board of La Banque Postale, Executive Director and Head of Financial Services of La Poste;
- Jean-Paul Bailly, Chairman of the Supervisory Board and member of La Banque Postale's Appointments and Remuneration Committee, Chairman and Chief Executive of La Poste;
- La Poste, member of the Supervisory Board and shareholder of La Banque Postale;
- Marc-André Feffer, Vice-chairman of the Supervisory Board and Chairman of the Strategy Committee of La Banque Postale, Executive Director responsible for International and Legal Business Development Strategy and for the Regulation of La Poste;
- Georges Lefebvre, permanent representative on the Supervisory Board of La Poste, member of the Appointments and Remuneration Committee of La Banque Postale and Delegate General of La Poste;
- Xavier Girre, member of the Supervisory Board and Audit Committee of La Banque Postale, Executive Director and Chief Financial Officer of La Poste.

Terms and Conditions

The costs of this agreement are determined on the basis of Point-per-Minute operating income, as applied to the time taken to perform the transactions recorded at post office counters.

Pursuant to this agreement, the costs borne by La Banque Postale for the fiscal year ending December 31st 2012 came to €962 million. The Supervisory Board authorised this agreement on August 29th 2012.

Agreements and commitments authorised since the closing of accounts

We have been informed of the following agreements and commitments previously authorised by your Supervisory Board since the end of the last fiscal year.

Undertakings given to Philippe Wahl and Philippe Bajou by La Banque Postale in relation to the awarding of a severance payment in the event of the termination of their term of office

Nature and purpose

On February 27th 2013, the Supervisory Board authorised a severance payment to the three Executive Board members in the event of termination of their duties.

Directors concerned

- Philippe Wahl, President of the Executive Board of La Banque Postale;
- Marc Batave, member of the Executive Board of La Banque Postale;
- Yves Brassart, member of the Executive Board of La Banque Postale.

Terms and Conditions

Subject to fulfilling the performance condition set out below, in accordance with and under the conditions provided for in Article L. 225-90-1 of the French Commercial Code (Code de commerce), Philippe Wahl, President of the Executive Board, Marc Batave, member of the Executive Board and Yves Brassart will receive a severance payment if their term of office is terminated, except in cases of gross misconduct or serious professional misconduct that has a material impact on the Company's financial position, in the following cases:

- dismissal during their term of office;
- a merger, change of control or change of strategy resulting in the departure of the Executive Board member.

The severance payment shall be subject to fulfilment of the following performance condition:

- a success rate of 80% or above in meeting the annual targets set for two out of the last three full financial years.

The severance payment will be calculated on the basis of the aggregate amount of the director's last annualised fixed remuneration, on the day of cessation of duties, and to the average annualised variable component of their remuneration over the last three years. It will be equal to:

- twice the aggregate amount for Mr Philippe Wahl;
- once the aggregate amount for Mr Yves Brassart and Mr Marc Batave.

Where a director's term of office is not renewed, the decision of whether to make a severance payment will be at the Supervisory Board's discretion, on the basis of advice received from the Appointments and Remuneration Committee. The Supervisory Board will draw on the same rules and performance conditions as those applying to departure during a term of office when setting the amount of the severance payment.

Should an executive rejoin the Public Sector within two years of his or her forced departure from the Company, the severance payment will be reduced commensurate with the remuneration (including bonuses) accruing to the civil service rank in question. Mr Marc Batave will be entitled to an unemployment insurance policy taken out by La Banque Postale and providing compensation in all cases limited to one year's remuneration over the chosen compensation period. If selected, this insurance policy will replace the severance payment listed above on completion of the waiting period.

We note that a similar undertaking granting compensation to Executive Board members Philippe Wahl and Philippe Bajou in the event of termination of their term of office was approved in previous financial years. This undertaking expired on 9th January 2013 for Philippe Bajou and on 27th February 2013 for Philippe Wahl.

Agreements and undertakings already approved by the general meeting

Agreements and undertakings approved in prior financial years

a) and that continued to be implemented during the last financial year

Pursuant to Article R. 225-57 of the French Commercial Code, we have been informed that implementation of the following agreements and undertakings, which had already been approved by the General Meeting in prior financial years, was ongoing during the financial year just ended.

Framework agreement regarding the implementation agreements between La Banque Postale and La Poste

Nature and purpose

Under the terms of Article 16 of Law No. 2005-216 of May 20th 2005 on the regulation of postal activities, La Poste and La Banque Postale have entered into twelve agreements as defined in Article L. 518-25 of the French Monetary and Financial Code in order to determine the conditions under which La Banque Postale makes use of La Poste for its business activities.

Pursuant to these provisions, La Poste and La Banque Postale entered into a framework agreement on December 30th 2005 aimed at determining the fundamental principles governing all the agreements entered into for an initial period of 10 years, pursuant to the aforementioned Article L. 518-25, which defines the respective roles and responsibilities of La Banque Postale and of La Poste.

This agreement was amended on June 13th 2008, extending its implementation period to 31st December 2019.

A second amendment was signed on July 12th 2010 in order to update the contractual terms arising from the implementation of the Digital Development Contract (Contrat d'Exploitation Informatique) authorised by the Supervisory Board on June 17th 2010. This amendment acknowledged the creation of the Digital Financial Services Division (DISFE) and prolonged the implementation agreement until December 31st 2025.

Terms and conditions

This agreement had no bearing on the accounts of La Banque Postale for the financial year ended December 31st 2012.

Implementation agreement regarding the framework agreement between La Banque Postale and La Poste on the "Financial Services Marketing Chain", renamed "Implementation Agreement – Conditions under which La Banque Postale makes use of La Poste Banking Advisory personnel from the La Poste Retail Brand"

Nature and purpose

Pursuant to the framework agreement, La Banque Postale and La Poste entered into an implementation agreement regarding the "Financial Services Marketing Chain" on December 30th 2005 aimed at determining the conditions under which La Banque Postale makes use of La Poste Banking Advisory personnel to market its banking, financial and insurance products and services.

An amendment to this agreement was signed on June 13th 2008 to take account of restructuring at La Poste.

Terms and conditions

La Poste re-invoices La Banque Postale for the costs relating to these employees on a euro for euro basis.

Pursuant to this agreement, the costs borne by La Banque Postale for the financial year ended December 31st 2012 came to €1,075 million.

Implementation agreement regarding the framework agreement between La Banque Postale and La Poste on “Regional Financial Services Centres (CRSF)”, renamed “Implementation Agreement – Conditions under which La Banque Postale makes use of Financial Center personnel”

Nature and purpose

Pursuant to the framework agreement, La Banque Postale and La Poste entered into an implementation agreement regarding “CRSFs” on December 30th 2005 to determine the conditions under which La Banque Postale makes use of La Poste personnel assigned to national and regional financial centres (formerly CFNs and CRSFs) and to Head Office (formerly DESF), who perform banking and marketing services in the name and on behalf of La Banque Postale within the framework of the General and Operating Policies.

This agreement was amended on June 13th 2008, following the restructuring of La Poste’s Financial Services Division (DESF) to reflect the subsequent use of La Poste Financial Marketing Services Chain network personnel by La Banque Postale.

Terms and conditions

La Poste re-invoices La Banque Postale for the costs relating to these employees on a euro for euro basis. Pursuant to this agreement, the costs borne by La Banque Postale for the financial year ended December 31st 2012 came to €783.3 million.

Implementation agreement regarding the framework agreement between La Banque Postale and La Poste on the “Conditions under which La Banque Postale makes use of La Poste Financial Services Head Office personnel”

Nature and purpose

Pursuant to the framework agreement, this agreement aims to determine the conditions under which La Banque Postale makes use of La Poste personnel assigned to the Financial Services “head office” who perform banking and marketing services in the name and on behalf of La Banque Postale, within the framework of the General and Operating Policies.

Terms and conditions

La Poste re-invoices La Banque Postale for the costs relating to these employees on a euro for euro basis. Pursuant to this agreement, the costs borne by La Banque Postale for the financial year ended December 31st 2012 came to €98.5 million.

Implementation agreement regarding the framework agreement between La Banque Postale and La Poste on the “Conditions under which La Banque Postale makes use of La Poste Financial Information Services Division (DISF) personnel” (now the DISFE)

Nature and purpose

Pursuant to the framework agreement, La Banque Postale and La Poste entered into an implementation agreement regarding the “DISF” on December 30th 2005 to determine the conditions under which La Banque Postale makes use of La Poste DISF personnel, who are responsible for the information systems (research, development and production) used to perform banking, financial and insurance services in the name and on behalf of La Banque Postale, within the framework of the General and Operating Policies.

Terms and conditions

La Poste re-invoices La Banque Postale for the costs relating to these employees on a euro for euro basis.

Pursuant to this agreement, the costs borne by La Banque Postale for the fiscal year ended December 31st 2012 came to €125.3 million.

Implementation agreement between La Banque Postale and La Poste regarding the “Conditions under which La Banque Postale Uses the Services of La Poste’s Financial Services’ Commercial Banking Expertise Line Staff”

Nature and purpose

Pursuant to the framework agreement, the aim of this “Financial Services’ Commercial Banking Expertise Line” agreement is to establish the conditions under which La Banque Postale uses the services of the La Poste staff assigned to the Financial Services’ Commercial Banking Expertise Line as part of the marketing of its banking, financial and insurance products and services, in accordance with the Marketing Charter.

Terms and conditions

La Poste re-invoices La Banque Postale for the costs relating to these employees on a euro for euro basis.

IT systems operating agreement between La Banque Postale and La Poste

Nature and purpose

The "IT Systems Operating Agreement" between La Banque Postale and La Poste aims to set out the conditions under which La Banque Postale hosts and operates La Poste's IT systems.

This agreement sets out the services that La Banque Postale must provide in accordance with the specifications drawn up by La Poste.

Terms and conditions

Payments made by La Poste to La Banque Postale are calculated on an actual cost basis, *i.e.* on the basis of direct, indirect, personnel and equipment costs incurred by La Banque Postale in accordance with the work packages specified in the agreement.

Pursuant to this agreement, the amount invoiced by La Banque Postale came to €28 million for the financial year ended December 31st 2012.

Partnership agreement between La Banque Postale and La Poste regarding the special discount on loans granted to postal workers for improved access to home ownership

Nature and purpose

The aim of this agreement is to determine the conditions under which La Banque Postale offers La Poste an additional discount on the lending rate, which is already subsidised.

Terms and Conditions

Through this agreement, La Banque Postale commits to apply a 50 basis point discount to loans offered to postal workers, without prejudice to the application of preferential conditions, for purchases deemed eligible by La Poste under the conditions described below.

The following limits apply to the special discount:

- purchases are limited to a maximum number of 300;
- loans benefiting from the additional discount are limited to a maximum amount of €100,000 per household (including cases where two postal workers are eligible co-borrowers);
- the agreement will expire on or before December 31st 2013.

The total financial cost of the additional discount is borne equally by La Banque Postale and La Poste.

This agreement had no bearing on the accounts of La Banque Postale as of December 31st 2012, as it re-invoices La Poste for the discounts accorded to postal workers euro for euro.

The Supervisory Board authorised this agreement on October 5th 2011.

Framework memorandum of understanding setting out the new principles for collaboration between CNP, Écureuil Vie and La Banque Postale

Nature and purpose

La Banque Postale has entered into a memorandum of understanding governing the principles according to which CNP Assurances and Ecureuil Vie collaborate with La Banque Postale branches to distribute insurance policies.

The provisions of this memorandum apply retroactively from January 1st 2006 to December 31st 2015.

Terms and conditions

This memorandum had no bearing on the accounts of La Banque Postale for the financial year ended December 31st 2012.

Implementation memorandum between La Banque Postale and CNP Assurances regarding the distribution of life insurance and investment-based insurance policies

Nature and purpose

La Banque Postale has entered into an implementation memorandum governing the principles for collaborating with CNP Assurances in distributing CNP Assurances' life insurance and investment-based policies via La Banque Postale, as part of the latter's business activities.

The provisions of this memorandum apply retroactively from January 1st 2006 to December 31st 2015. The conditions of their partnership are subject to review. The President of the Executive Board of La Banque Postale and the President of the Executive Board of CNP have set up a negotiation committee to propose amendments to the partnership agreement for the 2013-2015 period.

Terms and conditions

This memorandum had no bearing on the accounts of La Banque Postale for the financial year ended December 31st 2012.

Partnership agreement with CNP, as amended on July 9th 1998, June 6th 2006, and July 24th 2006

Nature and purpose

La Banque Postale has entered into a memorandum of understanding governing the principles for collaborating with CNP Assurances in distributing CNP Assurances' insurance, life insurance and investment-based policies via La Banque Postale, as part of the latter's business activities.

Pursuant to the framework agreement mentioned above, the amendment to the partnership agreement between La Banque Postale and CNP was signed on July 24th 2006, primarily in order to define the new tariff breakdowns.

The new provisions of this amendment were signed on July 24th 2006 and apply retroactively from January 1st 2006 to December 31st 2015.

Terms and conditions

Pursuant to this amendment, the income received by La Banque Postale for the financial year ended December 31st 2012 came to €527.5 million.

Memorandum of understanding with Oddo & Cie

Nature and purpose

La Banque Postale and Oddo & Cie entered into a memorandum of understanding on October 25th 2007 aimed at determining the terms and conditions of a discretionary asset management partnership.

This memorandum was terminated on May 16th 2012, effective as from March 31st 2013.

Terms and conditions

This memorandum had no bearing on the accounts of La Banque Postale for the financial year ended December 31st 2012.

Memorandum of agreement between CNP Assurances and La Banque Postale regarding the increased autonomy of La Banque Postale Prévoyance

Nature and purpose

The agreement signed on January 17th 2011 aims to determine the terms and conditions under which La Banque Postale Prévoyance may acquire greater autonomy to perform services described in the agreement, on a case-by-case basis, immediately or gradually (within three years at the most) from the date of the agreement, by granting La Banque Postale Prévoyance the appropriate means and resources.

Terms and conditions

This memorandum had no bearing on the accounts of La Banque Postale for the financial year ended December 31st 2012.

Paris – La Défense and Neuilly-sur-Seine, February 28th 2013

KPMG Audit

A division of KPMG S.A.
Isabelle Goalec
Partner

PricewaterhouseCoopers Audit

Agnès Husherr
Partner

Person responsible for the registration document

Person responsible for the Registration Document

Mr Philippe Wahl
Chairman of the Executive Board
La Banque Postale

Statement by the person responsible for the Registration Document

I hereby certify that I have taken all reasonable steps to ensure that the information contained in this Registration Document is, to my knowledge, consistent with reality, and does not contain any omission likely to affect its import.

I certify that, to my knowledge, the financial statements have been drawn up in accordance with applicable accounting standards, and give a true and fair view of the assets, financial position and results of the Company and of all companies included in the scope of consolidation, and that all the information shown in the management report (featured on pages 8 to 204 of this Registration Document) provides a true picture of the business trend, the results and of the financial position of the Company and of all companies included in the scope of consolidation, together with a description of the main risks and uncertainties that they are facing.

I have received a letter from the legal auditors stating that they have completed their assignment, and in which they mention that they have checked the information relating to the financial position and financial statements provided in this document, and have read this document from end to end.

The historic financial information presented in this document has been the subject of reports by the statutory auditors, which are featured on pages 162-163 and 203-204 of this document, and on pages 162, 202 and 218 of the 2011 Registration Document and page 180 of the 2010 Annual Report respectively, which are incorporated by reference in this document. The statutory auditors' report on the separate financial statements for the financial year ending December 31st 2010 includes an observation.

Paris, March 28th 2013

Mr Philippe Wahl
Chairman of the Executive Board

Correlation tables

12

12.1. Registration Document correlation table	262
12.2. Financial report correlation table	264

12.1. Registration Document correlation table

(Appendix 1 of European Regulation 809/2004)

	Pages	Items in Appendix 1
Registration Document		
Responsible persons	260	1
Statutory Auditors	72	2
Selected financial information		3
• Historical financial information	8-9	3.1
• Interim financial information	NA	3.2
Risk factors	74-100; 126-129	4
Information about the issuer		5
• Company background and developments	8-9	5.1
• Investments	81	5.2
Business overview		6
• Main businesses	9-10	6.1
• Main markets	14-16	6.2
• Exceptional events	71	6.3
• Potential dependency	NA	6.4
• Key elements of any statement made by the issuer regarding their competitive position	8-9	6.5
Organisational chart		7
• Summary description	12	7.1
• List of major subsidiaries	12; 200-201	7.2
Property, plant and equipment		8
• Major existing or planned tangible fixed asset	136	8.1
• Environmental issue that may affect the use of the tangible fixed assets	216-217	8.2
Review of the financial position and results		9
• Financial position	102-204	9.1
• Operating profit	102-204	9.2
Cash and equity capital		10
• Issuer's equity capital	23; 105	10.1
• Origin and amount of cash flows	106	10.2
• Borrowing conditions and financial structure	79; 99-100	10.3
• Information regarding any restriction on the use of capital that has had, or may have a material impact on the issuer's operations	NA	10.4
• Expected source of financing	79	10.5
Research and development, patents and licenses	NA	11
Information on trends	71	12
Profit forecasts or estimates	NA	13
Administrative, supervisory management, and general management bodies		14
• Administrative and management bodies	59-60	14.1
• Conflict of interest at the level of the administrative and management bodies	26	14.2
Remuneration and benefits		
• Remuneration amount paid and benefits in kind	54-58	15.1
• Total amounts provisioned or recorded for the purpose of paying pension and retirement, or other benefits	58	15.2

Operation of the management bodies		16
• Current mandate end-date	49-54	16.1
• Service agreement binding the members of the administrative bodies	NA	16.2
• Information on the audit committee and on the remuneration committee	32-34	16.3
• Current corporate governance rules in the issuer's country of origin	27	16.4
Employees		17
• Number of employees	223	17.1
• Profit sharing and stock options	195; 224	17.2
• Agreement providing for employee participation in the issuer's capital	NA	17.3
Main shareholders		18
• Shareholders with over 5% of the equity capital	23	18.1
• Existence of voting rights	23	18.2
• Control of the issuer	23	18.3
• Agreement known to the issuer, where the implementation could subsequently result in its control changing hands	NA	18.4
• Transaction with related parties	158-159	19
Financial information on the issuer's assets, financial position, and results		20
• Historical financial information	102-204	20.1
• Pro forma financial information	NA	20.2
• Financial statements	102-204	20.3
• Verification of the annual financial information	162-163	20.4
• Date of the latest information available	December 31 st 2012	20.5
• Interim and other financial information	NA	20.6
• Dividend distribution policy	24	20.7
• Legal and arbitration proceedings	97	20.8
• Material change to the financial or commercial position	232	20.9
Additional information		21
• Registered capital	23	21.1
• Deeds of incorporation and articles of association	236-245	21.2
Major contracts	232	22
Information from third parties, expert statements, and declarations of interest		23
• Procedures for drawing up employee-related and environmental information	220	23.1
Publicly available documents	232	24
Information on equity investments	200-201	25
Significant events that have occurred between the year-end and the date on which the management report was drawn up (Paragraph 2 of Article L. 232-1 of the French Commercial Code)	71	
Tables featuring key financial data for the past five years	202	
Information on non-financial employee-related and environmental data	206-228	

Annual financial Report

• Statement by the person responsible for the document	260
• Management report	62-72
• Review of the results, financial position, risks, and list of delegations of authority relating to increasing the share capital of the parent company and of the consolidated entity	62-72; 74-100
• Required information likely to have an impact in the event of a public offering (article L. 225-100-3 of the french commercial code)	36
• Expenses not deductible for tax purposes	70
• Statutory auditors' fees	160
• Information regarding share buybacks (paragraph 2 of article L. 225-211 of the french commercial code)	NA
• Chairman's report on the work performed by the supervisory board and on internal control procedures	26-45
• Equity investments made over the year (article L. 233-6)	111-112
• Significant events that have occurred between the year-end and the date on which the management report was drawn up (paragraph 2 of article L. 232-1 of the french commercial code)	71
• Tables featuring key financial data for the past five years	202
• Information on non-financial employee-related and environmental data	206-228
Financial statements	
Annual financial statements	164-202
Statutory auditors' report on the annual financial statements	203-204
Consolidated financial statements	102-161
Statutory auditors' report on the consolidated financial statements	162-163

12.2. Financial report correlation table

Pursuant to Article 222-3 of the French Financial Markets Authority's General Regulations, the financial report mentioned in Section I of Article L. 451-1-2 of the French Monetary and Financial Code includes the items described in the following pages of the registration document:

Page No.

Annual financial report

Statement by the person responsible for the document	260
Management Report	
• Review of the results, financial position, and risks of the parent company and of the consolidated entity, and list of delegations of authority relating to increasing the share capital (articles L. 225-100 and L. 225-100-02 of the french commercial code)	62-72; 74-100
• Information required by article L. 225-100-03 of the french commercial code regarding the items likely to have an impact on a public offering	36
• information regarding share buybacks (paragraph 2 of article L. 225-211 of the french commercial code)	NA
Financial statements	
• Parent company financial statements	164-202
• Statutory auditors' report on the annual financial statements	203-204
• Consolidated financial statements	102-161
• Statutory auditors' report on the consolidated financial statements	162-163

In addition, and pursuant to Article 28 of EC Regulation 809/2004 of April 29th 2004, the following documents have been included in this Registration Document for reference purposes:

- the consolidated and annual financial statements for the 2011 financial year, together with the Statutory Auditors' report on the consolidated and annual financial statements, which are shown on pages 162-163 and 202-203 respectively of the 2011 Registration Document, as filed with the AMF on May 3rd 2012 under No. R. 12-018;
- the consolidated and annual financial statements for the 2011 financial year, together with the Statutory Auditors' report on the consolidated and annual financial statements, which are shown on pages 90 and 160 respectively of the 2010 Registration Document, as filed with the AMF on November 23rd 2011 under No. R. 11-605.

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General secretary
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Executive Committee

Chaired by Philippe Wahl, the Executive Committee is made up of members of the Operational Committee plus:

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Chairperson of the Executive Board
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The Board of Directors of the Bank is made up of members of the Executive Committee and the following:

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La Banque Postale

Limited Company with Executive Board and Supervisory Board, capitalised at €3,185,734,830.

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APE code 6419Z, insurance intermediary at ORIAS under No. 07 023 424.



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