UPDATE OF THE 2016 REGISTRATION DOCUMENT (N° D. 17-0164) AND HALF YEAR FINANCIAL REPORT REGISTERED BY THE AMF ON 9 AUGUST 2017

Registration Document N° D.17-0164 filed with the French Financial Markets Authority (AMF)
on 14 March 2017

The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

Only the French version of the Registration Document has been submitted to the AMF. It is therefore the only version that is binding in law.
This updated Registration Document was filed with the AMF on 9 August 2017, in accordance with article 212-13 of its General Regulations. It may be used in support of a financial transaction only if supplemented by a Transaction Note that has received approval from the AMF. This document was prepared by the issuer and its signatories are liable for its content

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1. PRESENTATION OF THE BANQUE POSTALE GROUP

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

A civic-minded bank, it was built on La Poste's values of trust, accessibility and local presence, endowing it from the start with an unusual and unique positioning on the French market. This policy is driven by an offer based on low service rates, access for all customers and a simple product range that focuses on customer needs.

The Group's organisational structure is based primarily on 23 financial centres (19 in Metropolitan France and 4 in the French overseas departments) including four national Financial Centres that have specific expertise, and a dedicated IT Department. It is also based on 44 subsidiaries and strategic investments and on the distribution capacity of La Poste Retail Brand network.

La Banque Postale Group employs 4,389 staff throughout France. Moreover, the 14,905 employees working in La Poste Financial Services have been placed under the responsibility of the Chairman of La Banque Postale's Executive Board, in his capacity as Executive Vice-President of La Poste responsible for Financial Services[1].

As at 30 June 2017, La Banque Postale represented:

- 10.6 million active customers;
- 11.4 million deposit accounts.

La Banque Postale Group's business is focused on retail banking activities in France. It is organised around three business segments:

- retail banking, its core business, mainly focused on individual customers, and extended to corporate customers in 2011 and local authorities in 2012;
- insurance (life insurance, contingency, property and casualty, and health);
- asset management (asset management subsidiaries).

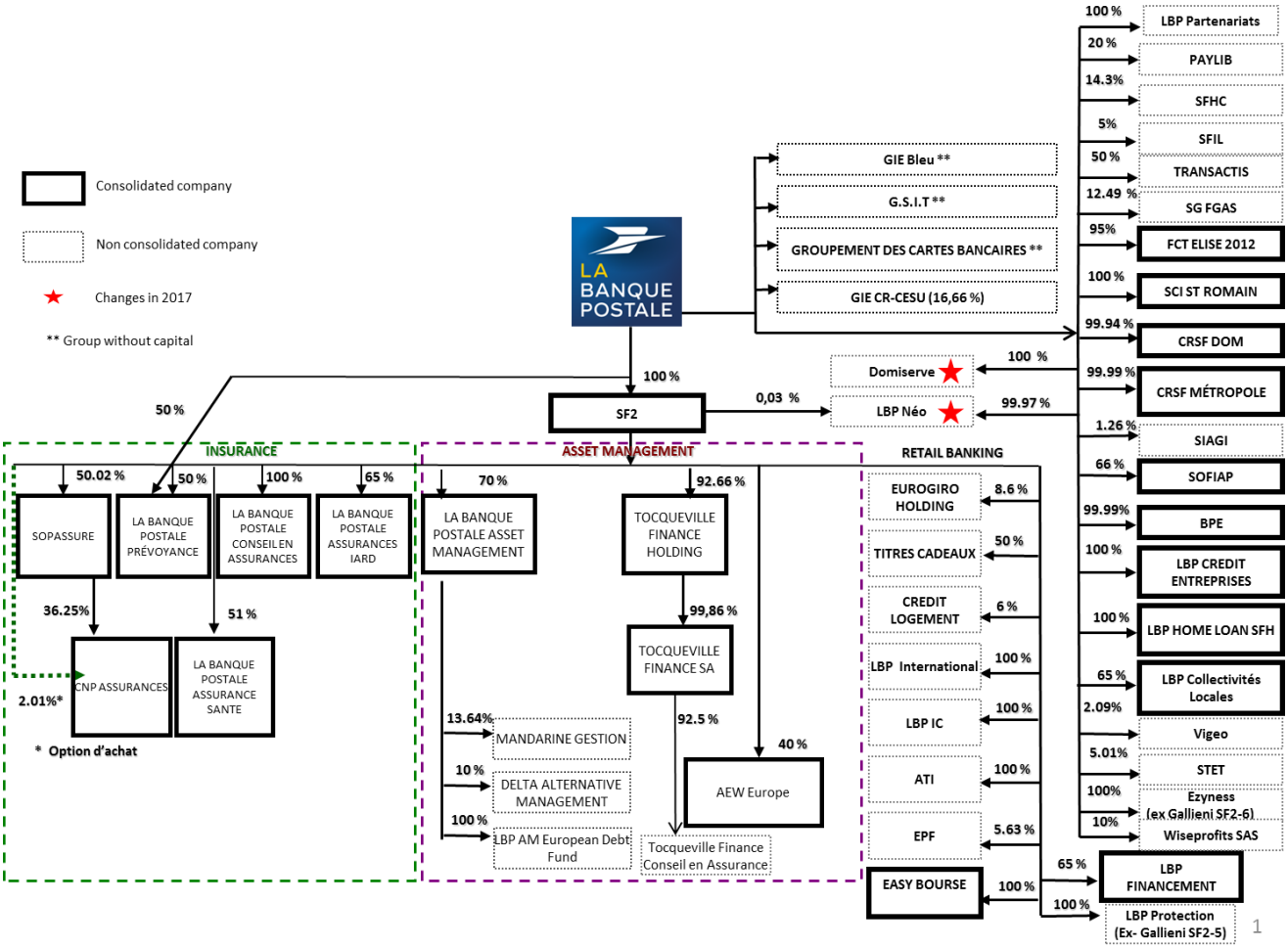
Key consolidated figures (published data)

(€ millions)	**2013**	**2014**	**2015**	**H1 2016**	**2016**	**S1 2017**
Net banking income	5,539	5,673	5,745	2,974	5,602	2,808
Operating expenses (1)	4,685	4,672	4,693	2,388	4,587	2,331
Gross operating income	854	1,001	1,052	586	1 015	477
Cost of risk	154	163	181	84	181	71
Net income, Group share	574	579	677	360	694	367
Total balance sheet (€ billions)	196	200	213	219	230	233
Cost-to-income ratio (2)	84.9 %	82.7 %	82.1 %	80.7 %	82.4 %	83.6 %

(1) Operating expenses = general operating expenses + net depreciation, amortisation and impairments of tangible and intangible assets.
(2) Cost-to-income ratio = operating expenses / (net banking income - doubtful interest).

[1] Number of permanent employees at the end of the period (including fixed-term contracts)

Organisational chart as at 30 June 2017



The organisational chart shown does not include entities to be divested or unconsolidated entities below a 2% holding threshold (except for SIAGI, shown historically).

2. CORPORATE GOVERNANCE

(On the day of this update)

Composition of the Executive Board:

- Rémy Weber, Chairman of the Executive Board
- Marc Batave, Chief Executive Officer of Commercial Banking and Insurance. Undertakes general secretariat duties pending appointment
- Anne-Laure Bourn

Composition oif the Supervisory Board:

- Philippe WAHL, Chairman of the Supervisory Board
- Yves BRASSART, Vice-Chairman of the Supervisory Board
- Elisabeth AYRAULT
- Philippe BAJOU, Permanent Representative of La Poste
- Virgile BERTOLA
- French state represented by Nathalie DIERYCKXVISSCHERS
- Sylvie FRANCOIS
- Thierry FRESLON
- Jean-Robert LARANGE
- Sophie LOMBARD
- Steeve MAIGNE
- Françoise PAGET BITSCH
- Didier RIBADEAU DUMAS
- Nicolas ROUTIER
- Hélène WOLFF

Dominique Bocquet is Government commissioner.

3. ACTIVITY AND RESULTS OF LA BANQUE POSTALE GROUP

3.1. BUSINESS ENVIRONMENT AND HIGHLIGHTS

3.1.1. Economic and financial environment

Acceleration in world growth

Since mid-2016, world growth has accelerated, moving closer to its long-term average. The US economy maintained its growth, which despite disappointing in Q1 (an event that appears to have become recurring in the past couple of years), recorded a rebound in the spring. Although the unemployment rate has fallen to very low levels (a bit above 4%), wages have not really accelerated, leading the Federal Reserve to continue the normalisation of its monetary policy at a very gradual pace. In China, authorities softened their monetary and budgetary support, after being very active in this respect in 2016, and growth showed signs of a slowdown in the spring, after having picked up nicely last year. In addition, Russia came out of a severe recession following the rise in oil prices in 2016. Brazil also returned to growth at the start of 2017 thanks to good harvests, but the country remains weakened by the unstable political situation. Lastly, the buoyant world economic environment benefited Japan, whose GDP continued to grow at the start of 2017. Growth in the euro zone also strengthened at the beginning of 2017. Although household spending suffered in the first quarter from the rebound of oil prices at the end of 2016, exports held up well, as did investments. The job creation momentum led to a drop in unemployment in pretty much all countries. In the UK, in the second half of 2016, it seemed that the economy was withstanding the decision to leave the European Union. However, signs of a slowing of activity have multiplied, while inflation has accelerated under the effect of the depreciation of the pound.

In the wake of positive economic surveys, growth in the French economy rose in H1 2017 to an annual rate of close to 2%. Although household consumption slowed in Q1 following the rise in the oil price, corporate investments remained dynamic, driven at the start of the year by the extension of the tax measure allowing overdepreciation. Exports followed a fluctuating trend, but were up overall. The French economy was marked by a strong rebound of the property market, both new and existing, mainly due to the effect of very low interest rates and probably because of expectations of a future increase. Net job creations, a sign of stronger economic momentum and benefiting from specific measures (reduction in the cost of labour and recruitment aid for SMEs), were particularly buoyant.

Slowdown in inflation after a peak at the start of 2017

Oil prices had risen significantly at the end of 2016 after OPEC countries and other major producers, including Russia, signed an agreement to cut their production. However, they hit a ceiling in Q1 2017 before falling again in Q2, as US supply increased. As a result, after hitting the 2% mark in February, consumer price inflation in the euro zone dropped back to 1.3% in June (0.7% in France). Core inflation (i.e. excluding energy and food) is still very low in France (0.5%) and weak in the euro zone (1.2%).

Volatility and erosion of interest rates

The end of 2016 was marked by a rise in medium/long-term interest rates in the US and, to a lesser extent, the euro zone. A rise in inflation was in fact anticipated as a result of the rebound in the oil price. Moreover, investors were expecting more growth and inflation thanks to Donald Trump's stimulus programme. These expectations were disproved when the oil price hit its ceiling and then fell sharply, along with the difficulties encountered by the new president's administration in implementing its programme. The rise in rates was thus cut short and, in the US, made way for a dip in Q2. In addition, medium/long-term rates in the euro zone were somewhat volatile in H1 due to the high level of political risk: the closely-fought Dutch and French elections, with important consequences on both the national and European level, and the still muddled political situation in Italy, which is also facing the major difficulties of some of its banks. A risk premium thus drove French sovereign bond rates up until end-April. With the victory of Emmanuel Macron, investors were then reassured and the risk premium was absorbed. In all, the US 10-year Treasury note lost close to 13 basis points over the first half of the year. The yield of the German Bund fluctuated (0.28% in June, just under its December 2016 level). After reaching a high of 1.15% at the start of February when the risk premium was at its maximum, the French 10-year OAT moved back down to 0.65% in June, close to its December 2016 level (0.66 %).

Conversely, euro zone interbank rates hardly varied over the first half of the year, and remained negative due to the ECB's monetary policy. The ECB maintained the rate on its deposit facility for commercial banks at -0.4%, currently the true key rate for the euro zone. Eonia stabilised at around -0.35%, while the Euribor 3 months converged toward -0.33%.

The interest rates on the French regulated savings accounts (Livret A, Sustainable Development Account, National Savings Account (LEP), Home Savings) remained stable in H1. The rate of the Livret A has been maintained at 0.75% since August 2015. Likewise, the rate on the PEL home ownership saving scheme (Plan d'épargne logement) did not change in H1, after it was lowered to 1% in August 2016.

Strong rise in markets

In both the US and the euro zone, stock markets rallied strongly in the first half of the year, driven by the earnings growth of listed companies against the backdrop of a favourable global economic environment. The main US indices beat the records one by one, buoyed at the start of the year by investor optimism kindled by Donald Trump's promises (including a reduction in corporate tax). In the euro zone, the removal of some of the political risks following the Dutch and French elections also contributed to the rise in stock prices, notably with a jump in the CAC 40 at end-April/beginning-May. In all, the CAC 40 gained 5.3% in H1, to stand at 5,121 points at the end of June.

3.1.2. Highlights of the first half of 2017

In H1, La Banque Postale's ambition to broaden its range of banking services was materialised via two acquisitions. In June 2017, La Banque Postale announced the acquisition of 100% of the company KissKissBankBank & Co, a European leader in crowdfunding, with a community of close to 1.3 million members. Meanwhile, in March 2017 La Banque Postale also acquired 100% of the company Domiserve, specialised in issuing prepaid universal employment services (CESU) vouchers (HR and Social) and managing services to individuals.

La Banque Postale's half-year results reflected its continued development and diversification of its business, with the aim of serving its clients. The persisting low interest rate environment constitutes an additional incentive to continue the fast paced deployment of its strategic plan.

At the same time, several commercial development actions were taken to meet the needs of all clients of La Banque Postale.
As a bank that is committed to useful innovation, during H1 2017 La Banque Postale rounded out its package of services associated with day-to-day payments: the "Paylib sans contact" service now enables all of the Bank's clients equipped with a smartphone to make contactless payments at on-line partner merchants without entering their bank card information and to make contactless payments in stores using their mobile phones. The "Talk to Pay" service, using remote payment authentication via voice biometrics, was also launched in June. Electronic signing by customers for consumer credit products was rolled out to all distribution channels in H1, as were requests for revolving credit funds via the mobile application.

Continuing its constant drive to improve customer experience and satisfaction, La Banque Postale has set up delegations for granting property and consumer loans[2], which will now enable network employees to directly grant loans at post offices[3]. La Banque Postale's training programme, L'Ecole de la Banque et du Réseau, thus played its role to the fullest by supporting network employees with more than 22,000 training days dedicated to their new responsibilities.

As a major player in public sector financing, La Banque Postale continued to support all local authorities, of all sizes, in their development projects and actions: road works, water and sanitation, schools, nursing homes, etc. La Banque Postale thus decided in June to once again lower the lending threshold on medium/long-term loans to local authorities from 50,000 euros to 40,000 euros, notably in order to meet the needs of small municipalities and thus play its role in regional development to the fullest.

La Banque Postale continues to roll out its business banking services dedicated to professional customers. 248 managers are now available to small businesses, retailers, artisans, self-employed professionals and franchisees, with this segment generating double-digit growth over the half-year period.
It also continued to diversify in terms of business services, notably via the development of the factoring activity, for which outstandings rose from €0.4bn to €1.3bn in one year.

[2] Launched in October 2016 for consumer credit, H1 2017 was thus their first full period of operation.
[3] These delegations are strictly controlled and secured, notably with regard to analysis of lending risk.

Initiatives and projects to improve the operating efficiency of La Banque Postale, in the framework of the "Excellence 2020" plan[4], are materialising via concrete actions. The organisation of the middle and back-office activities was optimised through the implementation of new poles of expertise for customers, and the consolidation of La Banque Postale's omni-channel model continues with the improvement in its customer relations tools.

Lastly, La Banque Postale continues to hold its values as a civic bank at the centre of its development.
By launching the first conference focused on civic banking, "Assises de la banque citoyenne", in March, it brought together its partners, both associations and private sector, with which it jointly builds its offer and develops practices that favour banking inclusion. On this occasion, it announced the launch of a digital banking inclusion plan, in partnership with WeTechCare, an association set up by Emmaüs Connect. This plan concerns all financially vulnerable customers and/or those affected by digital exclusion with respect to the daily monitoring of their money, the financing of their projects, or managing over-indebtedness.

Moreover, in March 2017, La Banque Postale confirmed for the third year in a row its status as the top French bank in terms of performance with respect to its Corporate Social Responsibility (CSR) policy, as ranked by extra-financial rating agency Oekom Research.

[4] aiming to make €1bn in transformation investments over the period 2014-2020.

3.2. BUSINESS ACTIVITY AND RESULTS FOR THE FIRST HALF OF 2017

The results reported by La Banque Postale reflect both the effects of the persisting low interest rate context, and the positive momentum in credit activity (notably via income from commissions) and the income of all its subsidiaries, to be placed in the perspective of the base effects linked to non-recurring items in the H1 2016 results.

Consolidated income statement

Main items on the income statement (€ millions)	**H1 2017**	**H1 2016**	**%**
Net banking income	**2,808**	**2,974**	**-5.6%**
Operating expenses	(2,331)	(2,388)	-2.4%
Gross operating income	**477**	**586**	**-18.6%**
Cost of risk	(71)	(84)	-15.5%
Operating income	**406**	**502**	**-19.2%**
Share of equity associates *	133	87	52.9%
Pre-tax income	**538**	**588**	**-8.5%**
Tax and non-controlling interests	(171)	(228)	-24.7%
Net income, group share	**367**	**360**	**1.7%**
Cost-income ratio	83.6%	80.7%	+2.9 points

* Share of not profit in equity associates CNP and AEW Europe.

Consolidated net banking income (NBI) totalled €2,808 million, i.e. down 5.6% compared to H1 2016. Excluding the home savings provision and on a constant scope basis[5], the drop in NBI was limited to 2.3%. Adjusted for the non-recurring effect of the capital gain on the Visa disposal, the home savings provision and on a like-for-like basis, the change in NBI is positive at +1.6%.

Despite significantly increased charges for subsidiaries to support their development, the Group's overall operating expenses were down 2.4% to €2,331 million (down 2.2% like-for-like)[6].

The cost-income ratio was 83.6%, impacted by the decline in NBI that was not fully offset by the lower operating expenses.

The cost of risk remained controlled and was down 15.2% to €71m. Compared with the commercial banking outstandings, it stands at 16 basis points.

The share of profits of equity associates was up a sharp 52.9% to €133 million. As a reminder, the H1 2016 figure had been negatively impacted by the capital gain realised by CNP Assurances on the sale of its stake in La Banque Postale Prévoyance, eliminated from La Banque Postale's consolidated financial statements.

Pre-tax income amounted to €538 million, i.e. a fall of 8.5%.

In all, net income, Group share was up 1.7% to €367 million under the joint effect of a decrease in pre-tax income and in non-controlling interests.

[5] Ciloger for €13 million
[6] Ciloger for €6 million

3.3. ACTIVITY AND RESULTS BY BRANCH

3.3.1. Retail banking

(€ millions)	H1 2017	H1 2016	%
Net banking income	**2,617**	**2,797**	**-6.5%**
Operating expenses	(2,236)	(2,292)	-2.4%
Gross operating income	**381**	**506**	**-24.7%**
Cost of risk	(71)	(84)	-15.3%
Operating income	**309**	**421**	**-26.6%**

Commercial results of retail banking customers: savings

In an environment where interest rates remain very low, the Livret A regulated savings account, which has paid out a fixed rate of 0.75% since August 2015, seems to have become attractive to savers once again, with outstandings increasing by €0.5bn to €60.2bn (+0.9%). Ordinary savings increased overall by 1.1% to €81.3 billion.

Sight deposits also continued to benefit from the low inflation environment and short-term rates close to zero, leading savers to prefer liquidity, and rose 8.1% to €61.3 billion. This rise was observed both for household sight deposits, up 7.8% to €54.9 billion, and those of legal entities, up 10.1% to €6.4 billion.

The outstandings of home savings accounts totalled €32.2 billion (up 2.4%).

In all, savings on the balance sheet increased by €5.6 billion to €175.1 billion (up 3.3%).

Life insurance outstandings increased by 0.8% to €124.9 billion, with a significant rise for the unit-linked part. UCITS outstandings were up sharply by 10.2% to €12.7bn, due to the rise in equity markets vs. H1 2016.

Total private banking outstandings (including discretionary asset management) also rose, by 14% to €7.1bn, with a clear success for the "CNP One" life insurance product, which contributed significantly to the increase in inflows (+41%)[7].

In all, outstanding savings totalled €312.7 billion, up by €7.8 billion (+2.6%).

Commercial results of retail banking customers: loans

Commercial momentum was observed across all credit segments during the half year.

The expectation of a rise in long-term rates at the end of 2016 favoured home loan production[8], which reached €8.2 billion, i.e. a 77.6% increase. This performance was partly driven by a buoyant market and a pick-up in early redemptions, although these have slowed since May.

[7] The savings and credit outstandings of the private bank are included in the different retail banking totals
[8] Including the subsidiaries BPE and Sofiap

Consumer loan production continued to grow, amounting to €1.2 billion, up 2.8% compared to H1 2016, with an increase in the share of Internet and remote-platform sales.

Outstanding loans to individuals rose by 5.7% overall to €63.5 billion, including €5.0 billion of outstandings in consumer loans, up 6.3% over the period, while outstandings in home loans were up 5.7% at €57.7 billion.
In private banking, loan production was up sharply by 49%, with outstandings totalling €2.7bn, up 8%.

Commercial results of local public sector, corporate and professional customers

La Banque Postale continues to develop its activities serving legal entities. The financing activity was especially buoyant over the period in terms of depreciable loans and factoring. At the end of H1, loan production for legal entities stood at €7.3 billion, up 34%[9]. Issuance of loans is divided between €3.9 billion granted to companies and €3.5 billion granted to the local public sector[10].

Outstanding loans to legal entities totalled €16.0 billion overall, an increase of 48.2%. The outstandings sold to CAFFIL in the framework of the refinancing of loans to local authorities and public healthcare institutions totalled €3.6 billion from 1 July 2016 to 30 June 2017.

Financial results of retail banking

Net banking income of the retail banking division came to €2,617 million, down 6.5% (down 3.4% excluding the change in the home savings provision). It was up slightly after adjusting for the capital gain on the disposal of Visa shares in 2016 (+0.6%). Commissions and other income totalled €1,176 million, up 6.2%, thanks notably to the favourable credit momentum.

Interest and similar income amounted to €1,441 million, down 14.8%[11]. Excluding the effect of the home savings provision, it fell by 10.3%, and by 3.7% adjusted for the Visa transaction. This decline is linked to the drop in income from centralised savings, due both to the impact of mandatory decentralisation of some outstandings of the LEP popular savings accounts on 1 July 2016, and to the decline in commission on centralised savings at the start of 2016, as well as to the drop in income from home loans, showing the extended effect of previous renegotiations and early repayments. Income from loans to legal entities and consumer loans continued to increase.

Operating expenses for the retail banking activity were down 2.4% to €2,236 billion. Operating expenses of subsidiaries rose 5.0%, in line with the equipment and resources needs linked to their development, while expenditure by LBP SA was down 2.7%, reflecting the group's cost-control efforts.

3.3.2. Asset management

(€ millions)	H1 2017	H1 2016	%
Net banking income	**71**	**80**	**-11.7%**
Operating expenses	(42)	(46)	-8.6%
Gross operating income	**29**	**34**	**-16.0%**
Cost of risk	-	(0.1)	NS
Operating income	**29**	**34**	**-16.4%**

[9] Including factoring
[10] Local authorities, mixed economy companies, social housing associations, public healthcare institutions
[11] H1 2016 had benefited from the capital gain recorded on the disposal of Visa Europe shares for €107 million.

Assets under management at 30 June 2017 consisted of the assets of La Banque Postale Asset Management and those of Tocqueville Finance. They totalled €191.3 billion, up 6.9% over the period.

AUM of La Banque Postale Asset Management increased by 5.8%. The new flexible allocation range, comprising five funds, launched in mid-May 2016, continued its positive momentum, with €1.4 billion under management at the end of the half year.

Assets in Tocqueville Finance (excluding the LBPAM management delegation) totalled €1.7 billion, with positive net inflows and market effects.

Adjusted for the disposal of Ciloger, NBI in the Asset Management Division rose 5.8% (down 11.7% reported).

Operating expenses increased by 4.1% to €42 million like-for-like12 (and were down 8.6% on a reported basis).

In all, and adjusted for the disposal of Ciloger, the operating income of the asset management subsidiaries was down 8.3% at €29 million (down 16.4% reported).

3.3.3. Insurance

(€ millions)	H1 2017	H1 2016	%
Net banking income	**120**	**97**	**24.5%**
Operating expenses	(53)	(50)	4.8%
Gross operating income	**68**	**47**	**45.6%**
Cost of risk	-	-	NS
Operating income	**68**	**47**	**45.6%**

The overall policy portfolio numbered almost 4,516,000, an increase of 3.2%. This increase was driven by La Banque Postale's strategy to equip its client base with insurance products and by a decline in cancellations.

The health insurance policy portfolio grew by 25.7% to stand at over 177,000 policies, thanks to the continuing strong growth of ACDS (Assurance Coups Durs Santé, or hard times health insurance) and "Oui Santé" ("Yes to Health" – supplementary health insurance assistance) products, which on their own accounted for over 36,000 new policies.

The IARD insurance portfolio grew by 9.4 % to more than 1,608,000 policies.

The individual contingency insurance portfolio of La Banque Postale Prévoyance was down slightly (-1.2%) to close to 2,730,000 contracts, notably due to the temporary halt in the marketing of the single premium funeral policy.

NBI in the division grew sharply by 24.5% to €120 million. This strong rise was notably linked to the overall increase in premiums, an improved loss ratio and good financial results.

Insurance subsidiaries' operating expenses were up 4.8% at €53 million.

All in all, the operating income of the insurance subsidiaries was €68 million, up 45.6%.

[12] **Ciloger for €6 million**

3.3.4. Financial structure

La Banque Postale has a solid financial structure: prudential capital increased by €400 million to over €11.9 billion.

- La Banque Postale's Common Equity Tier 1 ratio[13] stood at 13.6%, down 0.1 point compared to December 2016.
- The total estimated solvency ratio of La Banque Postale stood at 18.9%, down 0.5 point compared to December 2016.
- The Bank's estimated leverage ratio, taking account of the transitional measures relating to savings funds centralised within the Caisse des Dépôts (CDC), pursuant to the European Central Bank decision of 24 August 2016, works out at 4.5%. Excluding outstanding savings funds centralised within the Caisse des Dépôts (CDC) in accordance with the Delegated Act of 10 October 2014, it stood at 5.3%.

La Banque Postale confirmed its comfortable liquidity position:

- The loan-to-deposit ratio of 75.6%[14] is up 1.2 point compared to December 2016.
- The LCR was 174.3%, down 5.2 points compared to December 2016[15].

As at 30 June 2017, La Banque Postale had good credit ratings, reflecting its financial soundness and thorough risk management

	Standard & Poor's	**Fitch**
Long-term rating	A	A-
Outlook	Stable	Stable
Short-term ratings	A-1	F1
Date updated	26 October 2016	25 April2017

In April 2017, Fitch confirmed La Banque Postale's rating following his annual review.

[13] CRR/CRD 4 with transitional measures. The fully loaded ratio is 13.8%.

[14] The Group's loan-to-deposit ratio is calculated by dividing loans by deposits, excluding outstanding savings funds centralised within the Caisse des Dépôts (CDC).

[15] The method of calculation of the liquidity coverage ratio (LCR) underwent a revision at 31 March 2017 due to a change in the treatment of the European Central Bank's marginal facility deposit. The variation displayed corresponds to the relative variation between the LCR at 30 June 2017 and the LCR at 31 December 2016 recalculated according to the new method (i.e. 179.5%). The published LCR for 31 December calculated according to the old method was 260%. This change in method, authorised by prudential regulations and approved by the European supervisory body, corresponds to the simple transfer of the surplus amount deposited with the ECB on top of the mandatory reserves from the denominator to the numerator of the ratio, and in no way does it reflect a structural change in La Banque Postale's liquidity position.

3.4. BALANCE SHEET ANALYSIS

The consolidated balance sheet at 30 June 2017 stood at €233 billion, versus €230 billion at 31 December 2016, i.e. an increase of €3 billion.

The main asset items in the balance sheet comprised:

- Financial assets at fair value through profit and loss (€12.9 billion as at 30 June 2017 versus €12.3 billion as at 31 December 2016). This item essentially comprises bonds and other fixed-income securities for €10.5 billion versus €11 billion at the end of 2016, held for transactional purposes.
- Available-for-sale financial assets (€18.7 billion as at 30 June 2017 compared with €18.9 billion as at 31 December 2016). This item essentially consists of bonds and other fixed-income securities for €10.4 billion versus €10 billion at the end of 2016 and of government paper and similar securities for €7 billion versus €7.5 billion at 31 December 2016.
- Loans and receivables – credit institutions (€86.5 billion as at 30 June 2017 compared with €84.5 billion as at 31 December 2016). This item mainly comprises funds from the Livret A, the Sustainable Development Account (LDD) and the National Savings Account (LEP) centralised in the Caisse des Dépôts et Consignations (CDC) for €71 billion, versus €70.7 billion at the end of 2016.
- Loans and receivables – customers (€81.5 billion as at 30 June 2017 compared with €78.8 billion as at 31 December 2016). This item essentially includes outstandings for home loans, consumer loans and corporate (businesses, professionals and local public sector) loans under development.
- Financial assets held to maturity (€21.5 billion as at 30 June 2017 compared with €22.3 billion as at 31 December 2016). This item, essentially consisting of government paper and similar securities for €19.1 billion, reduces as assets mature.

In addition to equity, Group share, of €9.7 billion, the main liability items in the balance sheet consist of:

- Liabilities due to credit institutions for €17.1 billion (versus €19 billion as at 31 December 2016). This item essentially includes securities assigned under repo agreements for €14.8 billion versus €15.7 billion as at 31 December 2016.
- Liabilities to customers for €182 billion (versus €176 billion as at 31 December 2016). This item comprises demand deposits for €61.3 billion and special savings accounts for €114.3 billion, including €32.2 billion in home savings, €60.2 billion in Livret A accounts and €22 billion in other special accounts (LEP, LDD and other accounts).
- Debt securities for €10.4 billion (versus €10.5 billion as at December 2016).
- Subordinated debt for €3.9 billion (versus €3.8 billion as at 31 December 2016).

3.5. POST BALANCE SHEET EVENTS

In early July, CNP Assurances announced that it was entrusting a portion of its capital management, amounting to 23 billion euros, to La Banque Postale Asset Management, which will bring its assets under management to more than 210 billion euros in the second half of the year.

La Banque Postale also signed, in early July, a partnership agreement with Socfim, the second largest player in the private real estate development market. The agreement is designed to complement its range of real estate financing products using real estate development credit, a bank facility that supports real estate developers' projects up until the time of their resale. This real estate development credit facility rounds off the Bank's existing products – real estate leasing and mortgage lending – and enables the Bank to meet the demands of its real estate development clients.

3.6. RECENT CHANGES AND OUTLOOK FOR 2017

At the service of each and all, La Banque Postale will continue its transformation while rising to the challenges involved in the change in customer habits, the digital revolution, and the macroeconomic uncertainties that continue to weigh on the European economy, notably the persisting low interest rate environment.

As a useful bank, La Banque Postale will continue to expand its product and services offering. It will launch the first 100% on-line life assurance offer (subscription, management, etc.). It will also launch at end-2018 its digital bank "mobile first", focused on customers' mobile habits.

It will extend its private banking network by continuing its strategy to set up dedicated spaces in post offices.

Lastly, it will continue to strengthen its position as an asset manager with its European partner Aegon. In this respect, a €23 billion management mandate signed on 3 July with CNP Assurances will bring its AUM to over €210 billion in the second half of 2017.

There has been no significant change to the risk factors and uncertainties described in Chapter 4 of the 2016 Registration Document.

3.7. RELATED-PARTY DISCLOSURES

The parties related to La Banque Postale Group include the main managers and the companies consolidated by the Group La Poste, wholly or jointly controlled subsidiaries and companies on which the Group has a significant influence. There has been no significant change to this information as described in Chapter 6 of the 2016 Registration Document, note 9.

3.8. ALTERNATIVE PERFORMANCE MEASURES – ARTICLE 223-1 OF THE AMF REGULATIONS

Alternative performance indicators	Definition and method of calculation
NBI excluding the effect of the home savings provision	NBI restated for provisions or reversal of provisions on liabilities related to home loans savings accounts (PEL and CEL)
Operating expenses	Sum of operating expenses and net depreciation and amortisation and impairment of property, plant and equipment and intangible assets
Cost-income ratio	Operating expenses divided by NBI corrected for doubtful interest
Cost of risk in basis points	Average commercial banking credit risk costs for the quarter divided by outstandings at the beginning of each quarter

4. RISK MANAGEMENT

4.1. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

4.1.1. Transition from the consolidated statutory balance sheet to the prudential balance sheet at 30 June 2017

The prudential scope of application defined in Regulation CRR 575/2013 on capital requirements is not the same as the accounting scope of consolidation whose composition is determined by the application of IFRS standards.

Particularities of accounting treatment and prudential treatment

Entities	Accounting treatment	Prudential treatment
CNP Assurances Group AEW Europe	Equity method	Equity method
LBP Prévoyance LBP Assurances IARD LBP Assurance Santé	Full consolidation	Equity method

(in € thousands)	30.06.2017 Statutory format	Adjustments linked to insurance companies consolidated using equity method	30.06.2017 Prudential format
ASSETS			
Cash, central banks	2,532,280	-	2,532,280
Financial assets at fair value through profit and loss	12,900,741	(59,355)	12,841,386
Hedging derivative instruments	1,248,880	-	1,248,880
Available-for-sale financial assets	18,700,980	(2,224,179)	16,476,801
Loans and receivables – credit institutions	86,506,206	(7,069)	86,499,137
Loans and receivables – customers	81,510,948	5,917	81,516,865
Revaluation differences on rate hedged portfolios	96,235	-	96,235
Financial assets held to maturity	21,462,642	(32,554)	21,430,088
Current tax assets	166,402	(2,085)	164,317
Deferred tax assets	73,474	-	73,474
Accruals and other assets	3,210,442	(742,907)	2,467,535
Non-current assets held for sale	-	-	-
Deferred profit-sharing	-	-	-
Investments in associates	3,219,756	475,096	3,694,852
Investment properties	-	-	-
Property, plant and equipment	646,080	(1,577)	644,503
Intangible assets	534,298	(148,411)	385,887
Goodwill	160,227	-	160,227
TOTAL	**232,969,591**	**(2,737,124)**	**230,232,467**
LIABILITIES			
Central banks	-	-	-
Financial liabilities at fair value through profit or loss	511,186	-	511,186
Hedging derivative instruments	605,908	-	605,908
Liabilities due to credit institutions	17,096,978	(10,647)	17,086,331
Liabilities to customers	182,031,616	14,849	182,046,465
Debt securities	10,413,555	-	10,413,555
Revaluation differences on rate hedged portfolios	791,793	-	791,793
Current tax liabilities	9,321	(3,149)	6,172
Deferred tax liabilities	125,746	(84,209)	41,537
Debts linked to non-current assets held for sale	-	-	-
Accruals and other liabilities	4,859,815	(329,417)	4,530,398
Underwriting provisions of insurance companies and shadow accounting	2,305,659	(2,305,659)	-
Provisions	525,122	(1,899)	523,223
Subordinated debt	3,902,680	-	3,902,680
NON-CONTROLLING INTERESTS	**72,013**	**(16,993)**	**55,020**
EQUITY, GROUP SHARE	**9,718,198**	**1**	**9,718,198**
Share capital	4,046,408	-	4,046,408
Consolidated and other reserves	4,214,375	7	4,214,382
Gains and losses recognised directly in equity	1,090,866	(7)	1,090,859
Profit (loss) for the period	366,549	0	366,549
TOTAL	**232,969,591**	**(2,737,124)**	**230,232,467**

4.1.2. Composition of equity capital

(in € thousands)	30.06.2017 Phased-in Basel 3	31.12.2016 Phased-in Basel 3
Equity capital and reserves, Group share (prudential)	9,718,198	9,744,578
Dividend distribution plan	(164,947)	(312,101)
Deduction of goodwill and other intangible fixed assets	(584,418)	(560,736)
Transitory and other adjustments applicable to CET1 equity capital	(441,480)	(700,635)
Common Equity Tier 1 capital (CET1)	**8,527,354**	**8,171,106**
Eligible AT1 equity instruments	800,000	800,000
Additional T1 equity	**800,000**	**800,000**
T1 equity	**9,327,354**	**8,971,106**
Capital instruments and subordinated loans	2,506,233	2,452,110
Other clawbacks	69,835	128,041
T2 equity	**2,576,068**	**2,580,151**
Overall equity capital	**11,903,422**	**11,551,257**

4.1.3. Super-subordinated securities and preferred shares

Issuer		La Banque Postale	
ISIN	FR0011659184	FR0010969410	FR0011855865
Law governing the instrument	French law	French law	French law
Regulatory treatment			
Transitory CRR regulations	Additional T1 equity	T2 equity with grandfathering	T2 equity
CRR rules after transition	Additional T1 equity	Not eligible	T2 equity
Level	Consolidated	Consolidated	Consolidated
Type of instruments	Additional CET1 (Art. 51-52 of the CRR)	Tier 2 subordinated securities (art. 484)	Tier 2 subordinated securities (art. 63)
Amount recognised in regulatory equity (in € thousands)	800,000	750,000	750,000
Nominal instrument value (in %)	100	100	100
Issue price (in %)	100	99.310	99.705
Redemption price (in %)	0	100	100
Accounting classification	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
Date of initial issue	13/12/2013	30/11/2010	23/04/2014
Term	Perpetual	fixed-term	fixed-term
Initial maturity	no maturity date	30/11/2020	23/04/2026
Buyback option subject to the prior approval of the supervisory authority	Yes	Yes	Yes
Optional date for exercising the option	13/12/2019 Option in the case of regulatory, fiscal, accounting event or methods for calculating the solvency ratio	Option in the case of fiscal event	23/04/2021 Option in the case of regulatory or fiscal events
Subsequent dates	Every 5 years from 13/12/2019	0	0
Coupons/Dividends			
Dividend/coupon	Fixed	Fixed	Fixed
Coupon rate	8%	4.375%	2.75%
Existence of a mechanism to suspend dividend/coupon payments	Yes	No	No
Full discretion, partial discretion or mandatory (in terms of schedule)	Full discretion	Mandatory	Mandatory
Full discretion, partial discretion or mandatory (in terms of amount)	Full discretion	Mandatory	Mandatory
Existence of a step-up mechanism or another buyback incentive	No	No	No
Cumulative or non-cumulative	No	No	No
Convertible or non-convertible	Yes	Yes	No
If convertible, conversion trigger	decided by the holder or falling 7% under the solvency ratio specified for CET1	Regulatory reclassification	
If fully or partially convertible	Always fully converted	Always fully converted	
If convertible, conversion rate	Based on the issuer's equity at the time of conversion	At par	
If convertible, conversion mandatory or optional	Mandatory based on trigger criterion and the choice of the holder	Optional at the choice of the issuer	
If convertible, type of instrument converted to	T1 equity	Other	
If convertible, issuer of the instrument converted to	Holder	Holder	
Characteristics in terms of capital reduction	No	No	
Existence of non-compliant characteristics	No	No	No

Issuer	La Banque Postale			
ISIN	FR0013054913	FR0013181898	FR0013207354	FR0013181898
Law governing the instrument	French law	French law	French law	French law
Regulatory treatment				
Transitory CRR regulations	T2 equity	T2 equity	T2 equity	T2 equity
CRR rules after transition	T2 equity	T2 equity	T2 equity	T2 equity
Level	Consolidated	Consolidated	Consolidated	Consolidated
Type of instruments	Tier 2 subordinated securities (art. 63)	Tier 2 subordinated securities (art. 63)	Tier 2 subordinated securities (art. 63)	Tier 2 subordinated securities (art. 63)
Amount recognised in regulatory equity (in € thousands)	750,000	500,000	100,000	150,000
Nominal instrument value (in %)	100	100	100	100
Issue price (in %)	99.623	99.97	99.593	101.51
Redemption price (in %)	100	100	100	100
Accounting classification	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
Date of initial issue	19/11/2015	09/06/2016	05/10/2016	16/01/2017
Term	fixed-term	fixed-term	fixed-term	fixed-term
Initial maturity	19/11/2027	09/06/2028	05/10/2028	09/06/2028
Buyback option subject to the prior approval of the supervisory authority	Yes	No	No	No
Optional date for exercising the option	19/11/2022 Option in the case of regulatory or fiscal events			
Subsequent dates				
Coupons/Dividends				
Dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate	2.75%	3.00%	2.25%	3.00%
Existence of a mechanism to suspend dividend/coupon payments	No	No	No	No
Full discretion, partial discretion or mandatory (in terms of schedule)	Mandatory	Mandatory	Mandatory	Mandatory
Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
Existence of a step-up mechanism or another buyback incentive	No	No	No	No
Cumulative or non-cumulative	No	No	No	No
Convertible or non-convertible	No	No	No	No
If convertible, conversion trigger				
If fully or partially convertible				
If convertible, conversion rate				
If convertible, conversion mandatory or optional				
If convertible, type of instrument converted to				
If convertible, issuer of the instrument converted to				
Characteristics in terms of capital reduction				
Existence of non-compliant characteristics	No	No	No	No

4.1.4. Capital planning and internal capital adequacy

Objectives

La Banque Postale has implemented a Group-level capital planning system in order to meet the following objectives:

- assess the Group's current solvency position with regard to its risk profile and risk appetite;
- anticipate future needs through medium-term forecasts incorporating internal and external constraints, investment opportunities and any regulatory changes that may impact the Bank's capital structure;
- assess capital adequacy and ensure adequate equity allocation between business lines and subsidiaries as regards risk/return management;
- define the measures required in order to attain the capital objectives set by management in connection with major shareholders.

Governance

This planning system is embodied within the Bank's strategic approach; implemented by the Finance Department, it is governed by two committees:

The **Capital Management Committee** was set up in 2014 and meets three to four times a year under the chairmanship of the Chairman of the Executive Board. This committee aims to:

- define capital management objectives (target ratios, etc.);
- examine the trajectory of equity and define the measures required to achieve the capital objectives set by management (security issuance, capital increase request, arbitrages/business line orientation, etc.);
- validate the preventive actions linked to the Bank's financial strength suggested by the Stress Test Operational Committee, based on the results of internal stress tests and those carried out at the request of regulators;
- examine the recommendations of regulatory and supervisory authorities and their impact on La Banque Postale's capital position and the methods used.

The **RWA Committee** was set up in 2014 and is chaired by the Finance Department and the Group Risk Department. This committee, which meets as often as the Capital Management Committee, has as its mission, on the one hand, to validate the assumptions of projected weightings and prudential outstandings; and, on the other, to monitor RWA trends in the business lines in comparison with the RWA estimated in the budget.

With regards to Pillar II, La Banque Postale also has an Internal Capital Adequacy Assessment Process (ICAAP), built upon the following elements:

- medium-term planning of regulatory capital requirements, with a focus on the Group's growth objective and future regulatory changes. This yearly planning exercise aims to evaluate the Group's financial strength both in a central economic scenario (capital planning) and a stressed scenario (annual stress of financial strength);

- assessing capital requirements induced by the principal risks of the Group based on the Bank's internal methods.

Recovery and Resolution

The European Directive of 15 May 2014 "establishing a framework for recovery and resolution" (BRRD – Bank Recovery and Resolution Directive) transposed by Ordinance No. 2015-1024 of 20 August 2015 establishes a framework for the resolution of banks throughout the European Union, providing resolution authorities with instruments and joint enforcement powers to take preventive action on banking crises, preserve financial stability and minimise the exposure of taxpayer money to losses ("bail-out"). The directive provides that losses should be absorbed first by shareholders, then by holders of additional T1 and T2 capital instruments, and finally by other creditors in the order of priority of their receivables based on normal insolvency procedures.

Thus, when an internal bailout mechanism ("bail-in") is used, holders of "eligible" resources (including subordinated debt and senior debt) may have their securities depreciated, converted or the terms thereof modified (in particular their maturity).

The BRRD also allows resolution authorities to depreciate or convert additional T1 and T2 capital instruments to the "point of non-viability", that is, the point at which the authority concerned decides that the institution meets the conditions to trigger the resolution procedure or would become unviable if these capital instruments were not depreciated or converted. The impact of the terms of application of the BRRD on credit institutions, including La Banque Postale, remains uncertain.

La Banque Postale monitors regulatory developments pertaining to recovery and resolution, as well as the work of the Single Resolution Council[16] which in particular determines requirements in respect of MREL (Minimum Requirement for Own Funds and Eligible Liabilities) which must be available to absorb losses in the event of resolution.

Pursuant to the provisions of Article L. 511-41-1, paragraph VII of the French Monetary and Financial Code, La Banque Postale is included on the list of "other systemically important institutions" ("SIFIs"). It is therefore not subject to TLAC (Total Loss Absorbing Capacity) as defined by the Financial Stability Board (FSB) in its standard published on 9 November 2015, which focuses on "global systemically important banks" [17]. It continues, however, to monitor the efforts to transpose the TLAC into EU law, as these efforts should confirm the scope of application of this measure.

Moreover, La Banque Postale submitted its preventive recovery plan to the supervisory authority (BCE) for the first time in December 2015. The main objective of the plan is to identify measures aimed at restoring the Bank's financial health if the macroeconomic environment were to deteriorate significantly or there were specific adverse events affecting the balance sheet of La Banque Postale or its business model.

(16) The Single Resolution Council has been fully operational since 1 January 2016.
(17) Pursuant to the provisions of Article L. 511-41-1 paragraph VI of the French Monetary and Financial Code

4.1.5. Capital requirements and capital adequacy

Overview of risk-weighted assets by approach

(in € millions)	30.06.2017		31.12.2016
	Risk-weighted assets	EFP	Risk-weighted assets
Credit risk (excluding counterparty)	49,202	3,936	46,541
Including standard approach	49,202	3,936	46,541
Including internal ratings-based approach			
Counterparty risk	1,812	145	1,606
Including standard approach	1,812	145	1,606
Including internal ratings-based approach			
Regulatory risk			
Securitisation exposures in banking portfolio	4	-	39
Including internal ratings-based approach			
Including prudential internal ratings-based approach			
Including standard approach/simplified prudential approach	4	-	39
Market risk	2,619	210	2,068
Including standard approach	2,619	210	2,068
Including internal ratings-based approach			
Operational risk	9,280	742	9,280
Including basic indicators approach			
Including standard approach	9,280	742	9,280
Including advanced measure approach			
TOTAL	**62,917**	**5,033**	**59,534**

Overview of risk-weighted assets by asset class

(in € millions)	30.06.2017		31.12.2016
	Risk-weighted assets	EFP	Risk-weighted assets
Credit risk (excluding counterparty)	49,207	3,937	46,580
Including standard approach	49,207	3,937	46,580
• Central government and local banks	69	6	84
• Regional governments and local authorities	1,019	82	1,174
• Public sector entities	94	8	49
• Multilateral development banks			
• International organisations			
• Institutions	9,416	753	9,321
• Corporates	10,834	867	8,171
• Retail	11,504	920	11,507
• Secured by mortgages on immovable property	6,325	506	6,303
• Exposures in default	756	60	786
• Items associated with particularly high risk	957	77	924
• Covered bonds	352	28	350
• Receivables with institutions and corporates with a short-term credit assessment	10	1	
• Undertakings for collective investment	367	29	335
• Equities	5,120	410	5,111
• Other items	2,380	190	2,426
• Securitisations	4	-	39
Including internal methods-based approach			
Counterparty risk	1,812	145	1,606
Including standard approach	1,535	123	1,269
Including mark-to-market			
Including initial risk			
Including internal methods approach			
Including amount for contribution to default of a central counterparty			
Including CVA	277	22	337
Market risk	2,619	210	2,068
Operational risk	9,280	742	9,280
TOTAL	**62,918**	**5,033**	**59,534**

RWAs increased by €3,384 million in the first half of 2017, of which €2,663 million in corporate credit risk due to growth in activity, and €551 million in market risk due to longer maturities and a shift towards corporates in the investment mix.

4.1.6. Prudential ratios

4.1.6.1. Prudential equity and solvency rations

(in € millions)	30.06.2017	31.12.2016
Common Equity T1 amounts	8,527	8,171
T1 equity amounts	9,327	8,971
Total prudential equity	11,903	11,551
Common Equity T1 ratio	13.6%	13.7%
T1 ratio	14.8%	15.1%
Solvency ratio	18.9%	19.4%

Solvency ratios were down slightly due to the increase in risk-weighted assets, which was relatively greater than that of equity (with steady growth in corporate outstandings).

4.1.6.2. Leverage ratio

The leverage ratio is found by dividing the Tier 1 equity (the numerator) by an exposure (to the denominator) made up of balance sheet items and off-balance sheet items among the Bank's prudential assets.
Since 1 January 2015 and up to 31 December 2017, the leverage ratio has been subject to scrutiny and calibration by the European Banking Authority (EBA) and may, as from January 2018, become a ratio under Pillar 1 (minimum capital requirements). Its minimum level is set at 3%.
Under the decision of the European Central Bank on 24 August 2016, La Banque Postale is authorised to gradually integrate, through end-2022, its exposure to the CDC for the centralisation of outstanding regulated savings held by its clients. According to the terms of this decision, and subject to any subsequent amendments to the applicable regulations, La Banque Postale must integrate the total amount of its exposure to the CDC to the extent of its full exposure from 1 January 2023.

The leverage ratio at 30 June stood at 4.5%, slightly down compared with end-2016 following growth in exposures, mainly due to the gradual reintegration of the CDC exposure.

Description of procedures used to manage risk of excessive leverage

The risk of excessive leverage is defined as an institution's risk of vulnerability due to leverage or potential leverage.
The risk of excessive leverage may require unintended corrective measures to financial and capital management, including the non-renewal of debt raised on financial markets via asset sales. The leverage ratio is an indicator defined by the CCR that is used to measure the risk of excessive leverage. This ratio measures, without taking into account the risk specific to each exposure, the relation between the size of the balance sheet assessed using the prudential approach and the level of Tier 1 capital.

The leverage ratio is part of the risk management system, including the 3% limit, defined by the Risk Management Policy (PMR) and monitored by the Group Risk Committee and the Capital Management Committee.
The leverage ratio is currently calculated for information purposes and is scheduled to come into force in 2018, with a limit adopted by the European legislator.
La Banque Postale is focused on the management of its balance sheet and its activity in order to ensure organic capital generation that will support the growth of its balance sheet while meeting the prudential requirements related to leverage.
The regulator has yet to establish the method of calculation and to determine the limit that will be adopted.

As regards credit activity financed by its retail client resources, risk of excessive leverage is under control and monitored through capital planning and the ICAAP (Internal Capital Adequacy Assessment Process).

Summary of comparison of accounting assets and exposure measurement to calculate leverage ratio

(in € millions)	**30.06.2017 (applying transitory provisions)**	**31.12.2016 (applying transitory provisions)**
Total of the IFRS balance sheet	**232,970**	**229,577**
Adjustments for investments in banks, insurance companies or financial or commercial entities that are consolidated for accounting purposes but that are outside the scope of regulatory consolidation	(2,737)	(2,569)
Adjustments for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measurement	-	-
Adjustments for derivative financial instruments	562	568
Adjustments for temporary sale of securities (repurchase agreements and other types of secured loans)	2,675	2,507
Adjustments for off-balance sheet items	11,490	10,354
Other adjustments	(36,665)	(44,341)
Exposure to leverage ratio	**208,294**	**196,096**

4.2. CREDIT RISK

Sovereign exposure

At 30 June 2017, La Banque Postale's direct and indirect exposure to PIIGS (Portugal, Italy, Ireland, Greece, Spain) stood at €2.84 million. The detail of direct and indirect sovereign exposure is as follows:

At 30.06.2017

(in € thousands)	Total Banking Portfolio	Assets at fair value through profit or loss	Derivatives	Total direct exposure[1]	Repurchase transactions	Off-balance sheet	Total direct and indirect exposure[2]	Exposure in %
Greece	-	-	-	-	-	-	-	0.0%
Ireland	-	-	-	-	-	-	-	0.0%
Italy	386,378	749,471	-	1,135,849	226,547	-	1,362,396	4.5%
Portugal	-	-	-	-	-	-	-	0.0%
Spain	6,886	984,993	-	991,879	484,966	-	1,476,845	4.9%
Total PIIGS	**393,264**	**1,734,464**	**-**	**2,127,728**	**711,513**	**-**	**2,839,241**	**9.4%**
Germany	4,185,201	-	-	4,185,201	1,682	-	4,186,883	13.9%
Austria	15,427	-	-	15,427	-	-	15,427	0.1%
Belgium	2,167,420	-	-	2,167,420	-	-	2,167,420	7.2%
Finland	-	-	-	-	-	-	-	0.0%
France	18,040,157	104,452	-	18,144,609	5,369	-	18,149,978	60.1%
Luxembourg	331,456	-	-	331,456	-	-	331,456	1.1%
Netherlands	1,205,125	-	-	1,205,125	-	-	1,205,125	4.0%
Poland	22,311	-	-	22,311	25,417	-	47,728	0.2%
Slovakia	-	-	-	-	-	-	-	0.0%
Slovenia	6,527	-	-	6,527	-	-	6,527	0.0%
Switzerland	24,570	-	-	24,570	-	-	24,570	0.1%
Supranational	-	-	-	-	-	-	-	0.0%
Total Europe	**25,998,194**	**104,452**	**-**	**26,102,646**	**32,468**	**-**	**26,135,114**	**86.5%**
Rest of the world	1,058,072	31,314	-	1,089,386	159,182	-	1,248,568	4.1%
TOTAL	**27,449,530**	**1,870,230**	**-**	**29,319,760**	**903,163**	**-**	**30,222,923**	**100%**

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefiting from a Government guarantee. These exposures do not include deposits centralised with the CDC.

(1) Direct exposure: net book value (including impairment) of exposure on the Bank's own account.

(2) Direct and indirect exposure: direct exposure to which is added indirect exposure via guarantees provided to the Group's collective investment schemes.

The unrealised gains and losses are €8,321 thousand. Securities are classified in N1. No impairment on inventory was recorded as at 30 June 2017.
The primary changes, in nominal value, of sovereign securities in PIIGS were equivalent to -€467 million in maturities and €1,665 million in acquisitions for financial assets at fair value through profit or loss.
The maturity of PIIGS sovereigns is generally less than 3 years.

Summary of sovereign exposure at 31 December 2016

(in € thousands)	Total Banking Portfolio	Assets at fair value through profit or loss	Derivatives	Total Direct exposure[1]	Repurchase transactions	Off-balance sheet	Total Direct and indirect exposure[2]	Exposure in %
Greece	-	-	-	-	-	-	-	0.0%
Ireland	-	-	-	-	-	-	-	0.0%
Italy	387,416	551,205	-	938,621	257,182	-	1,195,803	3.9%
Portugal	-	-	-	-	-	-	-	0.0%
Spain	6,965	-	-	6,965	-	-	6,965	0.0%
Total PIIGS	**394,381**	**551,205**	**-**	**945,586**	**257,182**	**-**	**1,202,768**	**3.9%**
Germany	4,476,964	-	-	4,476,964	13,574	-	4,490,538	14.5%
Austria	15,380	-	-	15,380	4,354	-	19,734	0.1%
Belgium	2,246,720	-	-	2,246,720	11,363	-	2,258,083	7.3%
Finland	-	-	-	-	5,983	-	5,983	0.0%
France	18,586,875	-	-	18,586,875	1,229,552	-	19,816,427	63.9%
Luxembourg	590,547	1,065	-	591,612	-	-	591,612	1.9%
Netherlands	1,248,707	-	-	1,248,707	-	-	1,248,707	4.0%
Poland	22,664	-	-	22,664	25,417	-	48,081	0.2%
Slovakia	1,045	-	-	1,045	-	-	1,045	0.0%
Slovenia	6,552	-	-	6,552	-	-	6,552	0.0%
Supranational	-	-	-	-	-	-	-	0.0%
Total Europe	**27,195,454**	**1,065**	**-**	**27,196,519**	**1,290,243**	**-**	**28,486,762**	**91.8%**
Rest of the world	990,252	170,284	-	1,160,536	182,414	-	1,342,950	4.3%
TOTAL	**28,580,087**	**722,554**	**-**	**29,302,641**	**1,729,839**	**-**	**31,032,480**	**100.0%**

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefiting from a Government guarantee. These exposures do not include deposits centralised with the CDC.

(1) Direct exposure: net book value (including impairment) of exposure on the Bank's own account.

(2) Direct and indirect exposure: direct exposure to which is added indirect exposure via guarantees provided to the Group's collective investment schemes.

Non-sovereign exposure of several European Union countries

Primary non-sovereign exposure to PIIGS represents a total amount of €2,614 million (compared with €2,275 million at 31 December 2016). They are primarily distributed between Banking at €2,079 million and Corporate at €517 million (compared with €1,821 million and €431 million respectively at 31 December 2016).

Local Public Sector risk

This is primarily a risk concerning local authorities as La Banque Postale prioritised the launch of its financing activity on this market in June 2012. The business of financing public health institutions and social housing landlords was gradually launched from 2013.

Corporate risk

At 30 June 2017, the Bank's corporate exposure rose significantly due to the development of La Banque Postale loans to companies and the diversification of issuers in which La Banque Postale invests.
Most amounts outstanding in companies in which the bank has securities investments are companies rated at least BBB-. There is strict monitoring of conditions for companies with lower ratings within the portfolio, in order to mitigate risk: guarantees, clauses to limit the deterioration of counterparty credit risk, covenants, seniority. Most of these commitments involve French companies.

Securitisation

Declared securitisation positions were down sharply at 30 June 2017 due to the reclassification of prudential treatment for certain transactions.

	Value of exposures (by risk weighting range)					Value of exposures (by regulatory approach)				APR (by regulatory approach)				EFP After cap			
	< 20%	20/-50%	50/-100%	100% /1250 %	1250%	AFN NI	AP NI	AS/APS	1250 %	AFN NI	AP NI	AS/APS	1250 %	AF NI	AP NI	AS/ APS	1250 %
Total exposure																	
Traditional securitisation																	
Including securitisation																	
Including underlying retail																	
Including large		18						18				4				0.3	
Including resecuritisation																	
Including senior																	
Including non-senior																	
Synthetic securitisation																	
Including securitisation																	
Including underlying retail																	
Including large																	
Including resecuritisation																	
Including senior																	
Including non-senior																	

4.3. COUNTERPARTY RISK

Counterparty risk is generated by all the derivatives held in LBP's banking and trading portfolios. This risk is systematically calculated when the Financial Transactions Department (DOF) enters into an ISDA (International Swaps and Derivatives Association) or FBF (French Banking Federation) derivative contract with a third party. As currently defined, the scope of stock types that generate counterparty risk includes:

- Credit derivatives,
- Forwards,
- FX forwards,
- Options,
- Swaps.

This risk is limited by the fact that most of these transactions take place primarily with leading financial institutions and are systematically performed as part of agreements stipulating collateral with regular margin calls. Furthermore, most of the instruments used are "plain vanilla swaps".

In addition, with the roll-out of an offering of simple derivatives aimed at corporate clients, the first transactions were carried out in 2016, in which there are no margin calls.

Counterparty risk is also generated by all securities lending and borrowing positions (or similar) held in LBP portfolios, including:

- Repurchase and reverse repurchase agreements (repo and reverse repo transactions), which generally have underlying bonds, and may be covered by GMRA (Global Master Repurchase Agreement) or FBF (Fédération Bancaire Française) contracts. The primary leg (i.e. negotiated at the start of the agreement) of these contracts is the cash leg. The securities leg(s) thus form(s) the collateral of these agreements;
- The securities lending and securities borrowing, which generally have underlying equities, and may be covered by GMSLA (Global Master Securities Lending Agreement) contracts;
- Sell and buy back and buy and sell back transactions, which consist of two distinct buy and sell transactions, one as a spot sale, the other as a forward repurchase, generally involve bonds. These transactions may be covered by GMRA contracts, which must then be amended in order to hedge them correctly.

The residual risk is subject to limits and is periodically monitored by the Corporate Credit, Public Sector and Institutional Risk Department. Exposure is measured using prudential methods known as the “Financial Collateral Comprehensive Method” (Art. 223 CRR) for repurchase agreements and the “Mark-to-Market Method” (Art. 274 CRR) for rate swaps.

Analysis of counterparty risk exposure by approach

	Notional	Cost of replacement/Market value	Potential future exposure	Positive exposure expected	Multiplier	EAD post-ARC	RWA / APR
Mark-to-Market Method		773	472			537	184
Initial exposure							
Standard method							
Financial Collateral Simple Method							
Financial Collateral General Method						2,832	1,351
VaR on financial collateral							
TOTAL							**1,535**

4.4. LIQUIDITY RISK

All of La Banque Postale's activity in terms of management, forward-looking monitoring and liquidity risk measurement is carried out within the framework of the ILAAP (Internal Liquidity Adequacy Assessment Process) as defined in the CRD IV Directive and the EBA guidelines related to prudential supervision and assessment processes.

Risk measurement process

Short-term liquidity monitoring

This system is based on:

- Regulatory liquidity ratios and reporting;
- The Liquidity Coverage Ratio (LCR).

The LCR is a monthly short-term liquidity ratio which measures the bank's ability to withstand a severe deterioration of its position for 30 days in the event of a systemic shock.
The LCR must be greater than 100%. The institutions required to implement it are allowed a transition period to reach that level.
The ratio is calculated by dividing the sum of quality liquid assets free of all commitments by the liquidity requirement under stress over 30 days.
La Banque Postale has applied the principles and methodologies required by Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 since 30.09.2016.

EBA LCR at 30.06.2017

Component	30.06.2017	31.12.2016 (Restated)
Liquid asset buffer	22,684	24,368
Cash outflows	(20,551)	(21,445)
Cash inflows	7,539	7,871
Net cash outflows	(13,012)	(13,574)
LCR	**174%**	**180 %**
Inflow/outflow ratio	37 %	37 %

A ratio of 174% at 30.06.2017 was published.

Growth in sales activity, notably for non-retail customers, together with the reduction in the securities portfolio and a preference for repurchasing securities over issues of certificates of deposit with a maturity greater than one month results in a reduction in the LCR ratio of 6%.
The LCR is also one of the constraints that must be complied with as part of dynamic liquidity projections.
In addition, several LCR ratio stress tests have been developed as part of the ILAAP.
The concentration, cost and structure of refinancing, and the concentration of the asset buffer are reassessed on a regular basis and regulatory reports (ALMM) are prepared for the publication of the LCR.

- Net Stable Funding Ratio (NSFR).

The NSFR corresponds to the amount of stable funding available compared to the stable funding required. Available Stable Funding designates the share of resources which are not payable within the relevant time period, in this case one year within the NSFR framework. The amount of Required Stable Funding of an institution depends on its liquidity characteristics and on the residual maturity of assets (and off-balance sheet positions) held.
This indicator is being transposed into the European Union legislation (CRD5/CRR2 project of the European Commission of 23/11/2016) with a minimal value of 100%. La Banque Postale evaluates this ratio in the context of exchanges with the ECB and maintains it above the required minimum.
The system is also based on:

1) Tools which enable Cash to track intraday positions in real-time;
2) A daily calculation of the Cash liquidity gap and a LCR proxy;
3) Advance liquidity crisis indicators tracked each week and defined in the Bank's emergency funding plan;
4) Biannual market access tests to check borrowing capacity in different currencies.

Long-term liquidity monitoring

The Bank assesses its level of long-term liquidity via a liquidity gap. It consists of static forecasts by due date and limits of one, three and five years. The assumptions taken into account correspond to a stressed approach which results in a conservative view of the Group's liquidity position.
Liquidity gap assessment methodologies are determined based on the type of assets (or liabilities) on the balance sheet:

- scheduled outstandings (contractual outflow, whether corrected with a model or not);
- non-scheduled outstandings (conventional outflow);
- liquidity profile of transferable assets;
- off-balance sheet (liquidity commitments and guarantees).

Transactions without a contractual due date (including deposits and customer accounts) are included in accordance with the outflow agreements approved by the ALM committee and the Group Risk Department (DRG).
Off-balance sheet transactions are integrated taking into account drawdown assumptions.
The transferable nature of certain transactions can be taken into account, if applicable.

Long-term liquidity gap (in € millions) at 30.06.2017

Average spot gap (in € millions)	**1 year**	**3 years**	**5 years**
Use	(83,214)	(62,795)	(47,945)
Resources	101,425	81,697	58,048
Off-balance sheet	(6,272)	(4,649)	(3,063)
Liquidity gap at 30.06.2017	11,940	14,253	7,040
Liquidity gap at 31.12.2016	**14,019**	**16,553**	**10,688**
Difference	(2,079)	(2,300)	(3,648)

The growth in credit outstandings of €4.4 billion (liquidated in the long-term) is offset up to €2 billion through savings and current account collections (liquidated in the shorter-term).
Dynamic liquidity assessments are tracked monthly by the ALM committee. This consists in taking into account the Bank's production and budget funding assumptions and the bank's medium- and long-term plans. These assumptions enable calculation of a "projected balance sheet", a funding plan, a future LCR estimate and a projected static gap.

Liquidity reserve

The purpose of the liquidity reserve is to quantify the amount of cash and the liquidity available quickly via the disposal or repurchase of securities in order to deal with a liquidity crisis.
The liquidity reserve consists of:

- Cash invested with the Central Bank (excluding mandatory reserves);
- The securities in the HQLA (High Quality Liquid Assets) buffer consisting primarily of government securities, covered bonds and corporate securities meeting the prudential liquidity criteria defined by the regulations for the LCR calculation (Liquidity Coverage Ratio) for which the valuation of securities includes a discount in line with prudential regulations;
- Other securities available from the ECB (primarily bank securities) including the ECB discount.

Guaranteed home loans of excellent quality available from the Group's Société de Financement de l'Habitat via the issue of covered bonds are also a significant source of liquidity (over €10 billion in potential collateral at 30.06.2017 in addition to the other funding resources usually used by the bank).

Composition of the liquidity reserve in securities (in € millions) at 30.06.2017

Liquidity reserve (in € millions)	**30.06.2017**
Cash and Central Bank	13,011
Unencumbered HQLA	9,673
Other eligible ECB securities	11,586
TOTAL LIQUIDITY RESERVE	34,270

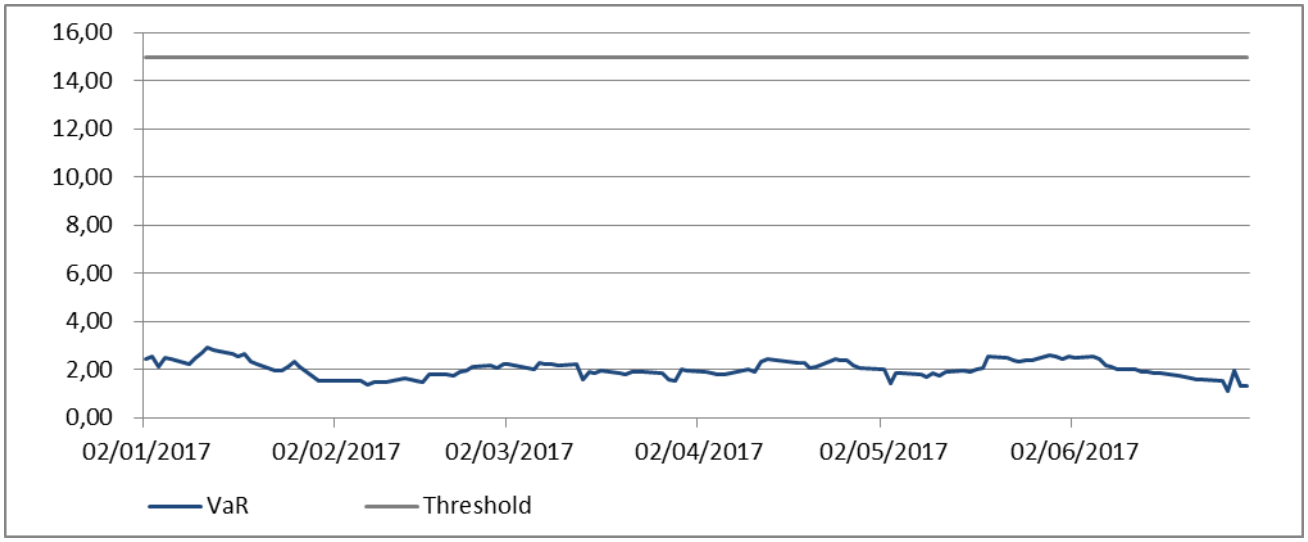
4.5. MARKET RISKS

4.5.1. Risk exposure

La Banque Postale is exposed to market risks due to its cash management and balance sheet management activities (portfolio of assets available for sale and hedging transactions).
The market portfolio, which combines all transactions exposed to market risks, includes not only the trading portfolio, defined in Articles 102 to 104 of EU Regulation No. 575/2013 of the European Parliament and Council dated 26 June 2013 pertaining to capital requirements for credit establishments and investment firms, but also banking portfolio transactions, including available-for-sale securities and certain lending and borrowing transactions.
In terms of market risk management, La Banque Postale is first and foremost exposed to interest rate risk, credit spread risk and equity market risk. Exchange-rate risk, particularly connected with international mandates and financial activities, risk of volatility or commodities risk is moderate.

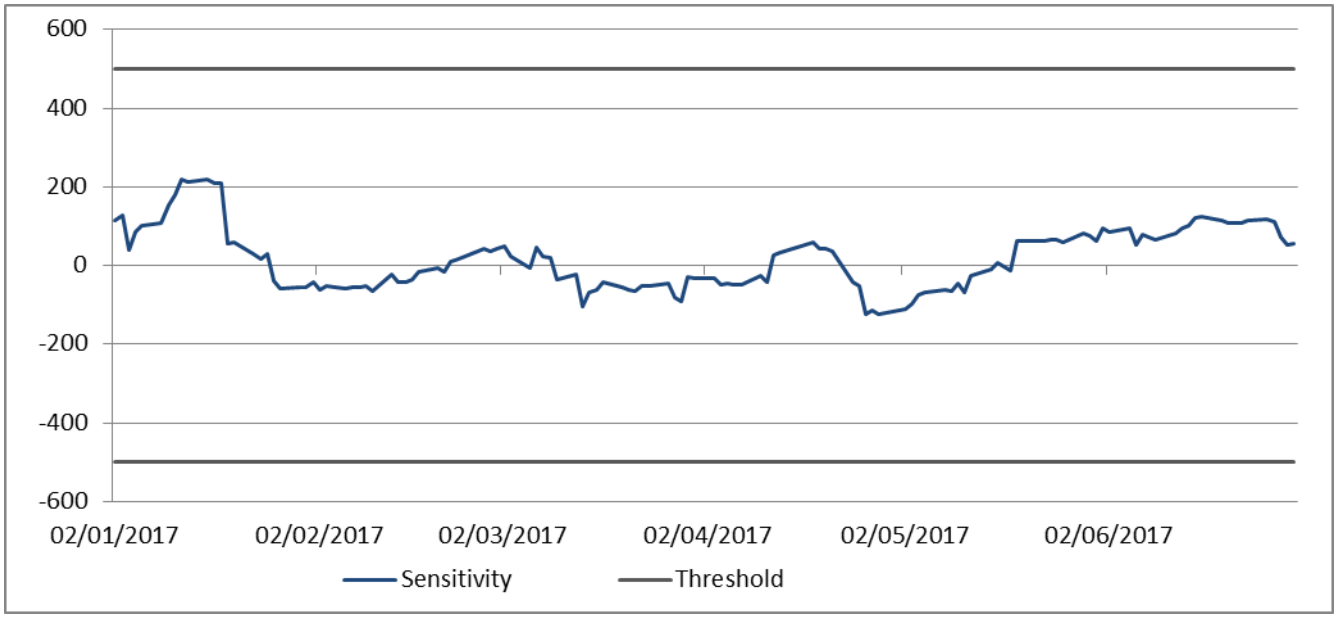
4.5.2. Evolution of the main risk indicators for the trading room and threshold monitoring in 2017

Value at Risk of the trading portfolio (in € millions)



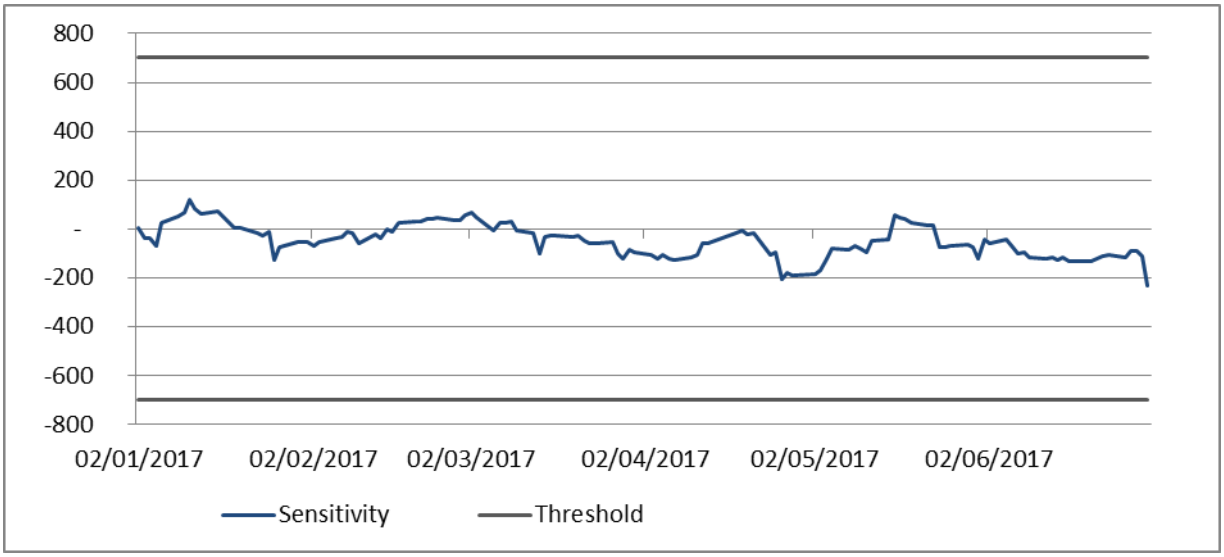
The trading portfolio VaR remained stable and well below the threshold of € 15 million during H1 2017.

Rate sensitivity of the trading portfolio (€ thousand/bp)



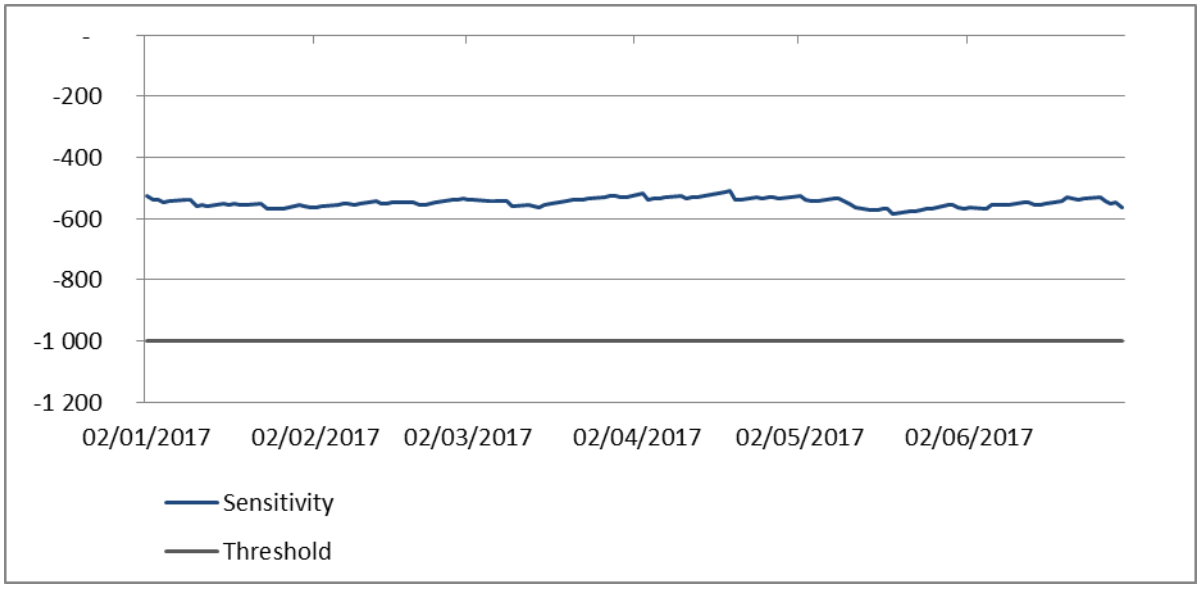
No threshold overrun was reported on the rate sensitivity of the trading portfolio.

Overall rate sensitivity (€ thousand/bp)



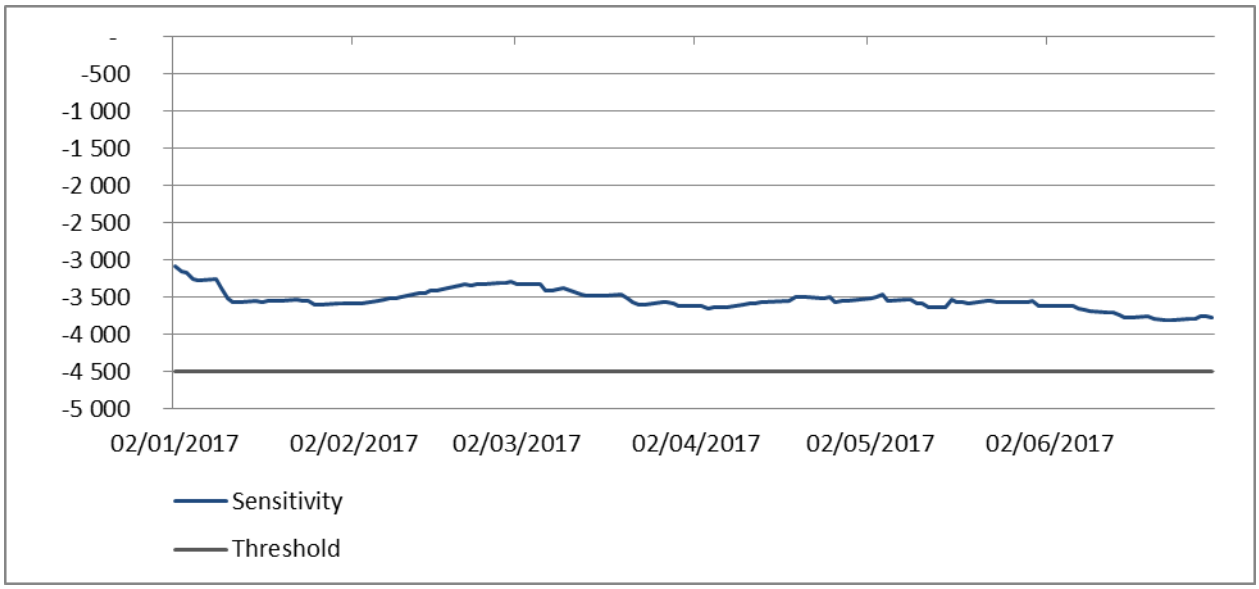
Overall rate sensitivity remained low versus threshold and portfolio positions. Overall exposure is now downward rates.

Credit sensitivity of the trading portfolio (€ thousand/bp)



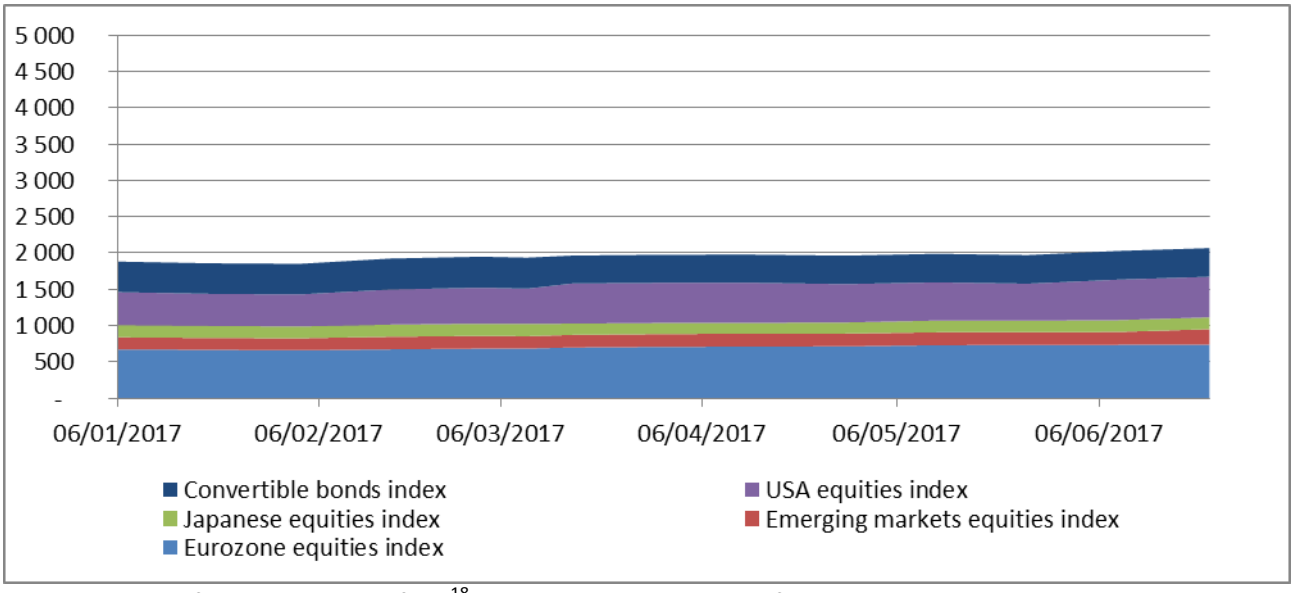
The credit sensitivity of the trading portfolio remained stable; it reflects long positions in bonds.

Overall credit sensitivity (€ thousand/bp)



Credit sensitivity exposure continued to trend upward; it rose by more than 20%, an increase of around €700 thousand per basis point.

Sensitivity to indices



The sensitivity of the UCITS portfolio[18] is slightly increasing, reflecting, in part, the rise in valuations in a favourable environment.

Exceeding the threshold

Within the scope monitored by the Market Risk unit, no threshold overrun was reported in H1 2017.

4.5.3. Authorised products and currencies

In the first half of 2017, the following products were authorised for the transactions:

- Callable bond
- Capped / floored rate swap

4.6. RATE RISK

Overall interest rate risk measurement

Assumptions and models

Interest rate gap and sensitivity assessment methodologies are determined based on the type of assets (or liabilities) on the balance sheet:

- scheduled outstandings (contractual outflow, whether corrected with a model or not);
- non-scheduled outstandings (conventional outflow);
- off-balance sheet (liquidity commitments and guarantees).

Transactions without a contractual due date (including deposits and customer accounts) are included in accordance with the outflow agreements approved by the ALM Committee and the Group Risk Department (DRG).

Off-balance sheet transactions are integrated taking into account drawdown assumptions.

[18] For its component with a daily valuation.

Rate gap

For any given currency, the nominal rate gap is calculated for fixed-rate transactions and variable-rate transactions revisable until their next revision or setting date. The nominal rate gap does not take interest dates into account.

The rate gap is the difference between the average amount of fixed-rate assets and the average amount of fixed-rate liabilities including the effects of off-balance sheet items (swaps and amortisation of balancing payments) by maturity.

Rate gap by maturity (in € millions) at 30.06.2017

(Negative amount = Excess fixed-rate use)

Average spot gaps (in € millions)	**0 - 1 year**	**1-5 years**	**5-10 years**	**> 10 years**
Use	(91,033)	(62,371)	(29,124)	(3,802)
Resources	95,781	73,850	30,767	1,241
Off-balance sheet	(10,740)	(11,319)	(3,684)	(252)
Rate gap 30/06/2017	**(5,922)**	**160**	**(2,041)**	**(2,813)**
Rate gap 31/12/2016	**(6,914)**	**874**	**1,775**	**(1,465)**
Difference	(922)	714	3816	1348

The significant increase in the long-term transformation position over the first half of 2017 was primarily due to the growth in credit outstandings and a better assessment of early redemptions following a change in methodology (€3.8 billion between years 5 and 10).

Value sensitivity (EVE - Economic Value of Equity)

This corresponds to an unfavourable change in value resulting from a sudden shock of ±2%, compared to the bank's prudential equity. It is calculated statically from the contractual payment schedules of the balance sheet items in inventory.
Since 2016, the calculation has been carried out within the framework of the EBA Guidelines published in May 2015.

EVE sensitivity by parallel rate shock level (in € millions) at 30.06.2017

	(200)	**200**
EVE sensitivity (in € millions) at 30.06.2017	(1,365)	1,359
EVE/Equity sensitivity at 30.06.2017	**-11.67%**	**-11.61%**
EVE sensitivity (in € millions) at 31.12.2016	(715)	(712)
EVE/Equity sensitivity at 31.12.2016	**- 6.74%**	**- 6.71%**

The significant increase in the long-term transformation position increased the sensitivity of fixed-rate positions. Exposure to a shock of +/- 200 basis points is now -11.7% of equity.
Note that the regulatory limit is -20% for a shock of +/-200 bp.

NIM sensitivity

Net Interest Margin sensitivity is defined as the NIM difference between a modified rate scenario compared to a reference rate scenario.
NIM sensitivity is calculated for each rate scenario by taking into account rate-dependent behavioural models and maintaining the levels of new production and of collection of commercial activities as well as the assumptions related to financial transactions equivalent to the reference scenario.
Only behavioural models react to the shock scenario. Their impact on outstandings changes the short-term level of financing.

List of different rate scenarios and sudden shock compared to the reference curve.

- parallel + 1 % (translation + 1) ;
- parallel - 1 % (translation - 1) ;
- shock of +0.5% on all curves and on rates less than or equal to 1 year and of -0.5% on all curves and on rates greater than 1 year (flattening scenario);
- shock of -0.5% on all curves and on rates less than or equal to 1 year and of +0.5% on all curves and on rates greater than 1 year (steepening scenario).

Note that a floor rate of -1% is applied to NIM calculations.

NIM sensitivity at 1 year/Scenario (in € millions) at 30.06.2017

	30.06.2017	31.12.2016
Translation + 1	94	94
Translation - 1	(85)	(68)
Steepening	26	18
Flattening	(24)	(8)

The most unfavourable one-year scenario for La Banque Postale is a shock of -100 bp with a loss of NIM of €85 million for a forecast NIM of €2.5 billion, i.e. 3.4%. This exposure to a fall in rates increased slightly over the first half of 2017.

4.7. CONGLOMERATE RISK

(Update of section 4.10 on pages 145/146 of the 2016 Registration Document)

La Banque Postale was identified as the parent of a conglomerate by the Competent Authority at the time of creation of La Banque Postale in 2006. It is subject to Supplementary Supervision as a result.

The obligations of Supplementary Supervision are described in the Order of 3 November 2014 on Supplementary Supervision which transposes European Directive 2002/87/EC, known as FICOD.

At 31 December 2016, the equity of the financial conglomerate meets the solvency requirements for banking and insurance activities.

In € millions	31.12.2016	31.12.2015 proforma
Total equity of the financial conglomerate	12,925	12,860
Regulatory requirements for the regultaed entities	7,458	7,099
Equity excess or shortage	5,378	5,761

4.8. LEGAL AND TAX RISKS

The Legal Department has two roles in terms of controlling legal risk. It advises the bank's Departments, enabling them to measure the legal risk inherent to their activity, and it also defends the bank's interests.

The control of legal risks is being extended within the La Banque Postale Group by the formation of a La Banque Postale Group legal unit. Because the legal officers of the subsidiaries functionally report to the Legal Director of the La Banque Postale Group, the legal unit makes it possible to ensure consolidated information on, and the management of, significant legal risks which may impact the subsidiaries.

The Legal Department also contributes to the work performed by the Bank's various committees:

- within the Regulatory Oversight Committee, the Legal Department defines, disseminates and implements the policy positions concerning the laws and regulations which affect the Bank's business activities;
- within the New Products Committee, the Legal Department analyses the cases presented and issues opinions;

- 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;
- within the national Watch-list Committees and Special Matters & Disputes Committees concerning business markets and regional authorities, the Legal Department acts as an advisor. It presents the matters being litigated and the provisioning related to those markets.

The decision of 20 September 2010 of the French Competition Authority that sentenced 11 retail banks and the Banque de France to a fine of €384.9 million for collusion regarding cheque image exchange (EIC) commissions was reviewed by the Court of Appeal of Paris, after referral on appeal. The deliberation is expected during the second half of 2017.

On 18 May 2017, La Banque Postale was sanctioned by the French Prudential Supervision and Resolution Authority (ACPR), which was of the opinion that an internal warning procedure for the redemption of accumulation units backed by Progressio life insurance policy funds was not applied and monitored via a sufficiently stringent internal system.

The ACPR is investigating La Banque Postale's system to fight against money laundering and terrorist financing.

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.

Fiscal risks are the responsibility of the Tax Department attached to the bank's Finance Department. This Department centralises fiscal management and consultancy for all the bank's different business lines and the subsidiaries of La Banque Postale. It helps the different contacts to prevent and control fiscal risks.

The Tax Department takes part in and issues its opinion within the different internal committees, namely the Product Review Committee, the Regulatory Compliance, Prudential Accounting and Governance Monitoring Committee, Cross-Entity Securities Committee and the Cross-Entity Savings Committee.

La Banque Postale has received a notice of reassessment regarding the conditions under which regulated savings accounts were opened and operated in 2012 and 2013.

4.9. REMUNERATION POLICY

4.9.1. Decision-making process implemented to define the La Banque Postale remuneration policy

Each year, on the recommendation of the Remuneration Committee, the La Banque Postale Supervisory Board approves the remuneration principles applicable to the managers and corporate officers of La Banque Postale and determines their fixed and variable remuneration (within the framework of amended Decree n° 53-707 of 9 August 1953 and the Order of 15 October 2012 applicable to the managers of public companies and their subsidiaries). It also sets the guidelines for La Banque Postale's remuneration policy, notably for, "regulated staff" which include the members of the EXCOM, the Head of the Financial Transactions Department and financial market professionals, as well as the Directors of Risk, Internal Audit and Compliance. The Remuneration Committee of Banque Postale's Supervisory Board reviews the application of the policy annually based on the report prepared by the Human Resources Department.

The Executive Board, within the framework of the principles of the remuneration policy approved by the Supervisory Board, decides on all of the components of the remuneration policy for the salaried employees of La Banque Postale and supervises its implementation within the context of the reporting provided by the Finance Department and the Human Resources Department. In particular, the Executive Board approves La Banque Postale's overall variable remuneration envelope for each financial period, on the joint recommendation of the Finance Department and the Human Resources Department. As part of the envelope, proposals for individual allocations are decided upon by the bank's management bodies in close coordination with the Human Resources Department, which ensures the consistency and fairness of the allocations and monitors compliance with the budgets.

As at 31 December 2016, the Remuneration Committee consisted of six members appointed by the Supervisory Board from among its members: Philippe Wahl (Chief Executive Officer of La Poste Group), Sylvie François (Human Resources Director of La Poste Group), Nathalie Dieryckxvisschers, Elisabeth Ayrault, Hélène Wolff, Didier Ribadeau-Dumas and Sophie Lombard, with the latter also chairing the committee. The committee consists primarily of independent persons who are members of La Banque Postale's Supervisory Board.

Note that, given that La Banque Postale does not have any financing and investment activities, the level of variable remuneration for "regulated staff" (which has few members) is limited and without any real impact on the bank's liquidity and/or its ability to generate equity.

4.9.2. Main characteristics of La Banque Postale's remuneration policy

General framework of La Banque Postale's remuneration policy

La Banque Postale has implemented an overall compensation system to involve employees in its growth.

The system recognises and values expertise in a position, skills development, individual performance and the contribution of each person to the collective performance of the company via the three following elements:

- Fixed annual remuneration paid over 12 months.
- Individual variable remuneration paid in a lump sum (except in cases of deferred and conditional payments detailed further in this report).

- A collective variable remuneration and employee savings system (profit-sharing and bonuses, group savings plans - PEG and PERCO G with matching funds).

Individual variable remuneration allocations are consistent with the annual individual performance reviews of each employee given as part of the assessment and performance management system. Consistency is monitored by the Human Resources Department.

It should be noted that La Banque Postale ensures the consistency between hierarchical levels of responsibility and overall remuneration levels (fixed and variable).

It should also be noted that no La Banque Postale employees, including managers and corporate officers, received remuneration for the 2016 financial year in excess of €1 million.

General framework of La Banque Postale's variable remuneration policy

In accordance with its values, La Banque Postale has not implemented a variable remuneration system which directly and automatically ties variable remuneration to the achievement of quantified objectives. Quantitative performance criteria are consistently combined with qualitative and behavioural criteria.
La Banque Postale does not have any individual or collective remuneration systems which directly tie individual variable remuneration or the determination of a "bonus pool" to the revenue or results generated by employee activities.

The fixed component of remuneration constitutes most of the remuneration of all La Banque Postale employees. With respect to fixed remuneration, variable remuneration is limited and strictly framed by the approval processes: variable remuneration for each employee is determined based on a managerial process using a set of criteria which relies on the performance level observed compared to the annual objectives set at the beginning of each year.

The individual variable remuneration of executive management can vary, upwards or downwards, up to 10% maximum of the target based on the rate of achievement of the quantitative objectives of the roadmap issued by the Chairman of the Board of Directors of the La Poste Group.

It should be noted that neither the individual nor the collective components of variable remuneration include any form of remuneration in capital (stock option plans, free shares, shares with preferred dividends, etc.) given that the Group and its entities are not listed.
In addition, La Banque Postale is fully owned by La Poste, which is itself directly controlled by the French government and via the Caisse des Dépôts. This shareholding makes any form of remuneration in capital at La Banque Postale more complex.

In addition, no form of remuneration is paid by La Banque Postale to employees outside of France.

La Banque Postale's variable remuneration policy includes the following elements, which are prerequisites to the allocation of variable remuneration:
To ensure that there is no impact on the Bank's liquidity and in order not to compromise its ability to generate equity, the total amount of variable remuneration of La Banque Postale's managers and employees must meet both of the following criteria:

- Be less than 30% of La Banque Postale's fixed remuneration;
- Be less than 5% of La Banque Postale's consolidated gross operating income.

Changes in the variable remuneration policy approved by La Banque Postale's Supervisory Board in light of the Order of 3 November 2014

Changes in the variable remuneration policy for regulated staff at La Banque Postale were introduced in order to strictly comply with the new provisions of the Order of 3 November 2014.

The provisions presented below will be applied to La Banque Postale's variable remuneration policy for the 2016 financial year.

Under the terms of Article L. 511-71 of the French Monetary and Financial Code, the remuneration policy rules are applicable to managers of the institution in question and to various categories of personnel, including risk takers, persons in a supervisory capacity as well as all employees who, given their overall income, are in the same remuneration bracket and whose professional activities have a significant impact on the risk profile of the company or of the Group.

- **Professionals affected at La Banque Postale**

Commission Delegated Regulation (EU) no. 604/2014 of 4 March 2014 passed regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.
At La Banque Postale, the professionals impacted by the rules on the remuneration policy and practices of credit institutions are:

- Management: EXCOM members
- Persons in supervisory positions: the three directors with supervisory roles, i.e., the Head of Risk, the Head of Permanent Control and Compliance and the Head of Internal Audit;
- Risk takers: the Head of the Financial Transactions Department (DOF) and market traders.

- **Principle of variable remuneration proportionality**

Given La Banque Postale's internal organisation and the nature, extent and low complexity of its activities as well as the low exposure to risk of La Banque Postale's activities within the scope of the application of the Order of 3 November 2014, La Banque Postale Group has implemented a remuneration policy with a guaranteed annual cap and a deferred remuneration payment system in compliance with the requirements of Articles L. 511-75 to L. 511-88 of the French Monetary and Financial Code. On the other hand, it did not deem it necessary to implement a malus system for variable remuneration given its low exposure to risk.

La Banque Postale:

- Primarily operates retail banking activities for natural persons;
- At this point in time, the financing of legal entities is a minor activity compared to La Banque Postale's overall NBI;
- The Financial Transactions Department's activities are nearly exclusively focused on the rate markets to hedge its home loan operations and it invests its excess cash in the interbank market.

These principles would be reassessed on a regular basis should the risk exposure change.

- **Annual variable remuneration cap**

The variable remuneration of the professionals in question, paid over the course of one financial year, cannot exceed 100% of fixed remuneration.
Payment of the variable remuneration amount is deferred based on the procedures below for all professionals impacted at La Banque Postale benefiting from variable remuneration in excess of:

- €150,000 for members of La Banque Postale's EXCOM;
- €150,000 for the directors of supervisory functions (the Head of Risk, the Head of Permanent Control and Compliance and the Head of Internal Audit);
- €150,000 for the Head of the Financial Transactions Department (DOF); and,

- €100,000 for market traders.

In addition, in line with the framework of Decree n°2012-915 of 26 July 2012 on Government control of the remuneration of executive corporate officers of public companies which institutes a cap mechanism on the remuneration of executive corporate officers of public institutions and enterprises of €450,000 gross annually, the Chairman of the Executive Board of La Banque Postale does not receive variable remuneration.

- **Principle of deferred and conditional variable remuneration payment**

In accordance with the rules on the remuneration policy and practices of credit institutions, La Banque Postale has implemented a deferred payment mechanism, over a period of three years, for the variable component of the remuneration of the professionals in question.

The entire variable remuneration amount is spread out as follows:

- Beyond the variable remuneration thresholds set above based on the categories of professionals in question, a portion of the variable remuneration is paid the year following the year for which the variable remuneration is granted (the "**Paid Portion**") and the remainder of the variable remuneration is deferred (the "**Deferred Portion**") over the three years following the payment year of the Paid Portion;
- The Paid Portion accounts for 60% of total variable remuneration and the Deferred Portion for 40% of the variable remuneration;
- The Deferred Portions are paid in equal amounts over three years, each year in March;
- The Deferred Portion is reassessed based on the growth in La Banque Postale's equity between the financial period with which the variable remuneration is associated and the liquidation date of the remuneration subject to deduction of the capital increases subscribed by third parties and setting aside any changes in the dividend distribution rate.

Payment of the Deferred Portion potentially paid to the employees in question in a given year is subject to achievement of positive consolidated net income at the closing of the financial year preceding the payment year.

- **Ban on guaranteed variable remuneration**

Regulated staff cannot be guaranteed variable remuneration beyond the first year of commitment of the regulated staff in question and subject to the La Banque Postale Group being on a healthy and sound financial footing.

4.9.3. Consolidated quantitative information about the remuneration of the members of the executive body and persons whose professional activities have an significant impact on the risk profile of the company

The total amount of La Banque Postale variable remuneration paid for 2016 is equal to 11.2% of La Banque Postale's total fixed remuneration (of a cap set at 30% of fixed remuneration). The total amount of La Banque Postale individual variable remuneration paid in April 2017 was €16 million, i.e. 1.6% of Banque Postale's consolidated gross operating income (of a cap of 5% of gross operating income).

4.9.3.1. Remuneration amount for the 2016 financial year broken down by fixed and variable components and number of beneficiaries

	Number of beneficiaries	Consolidated remuneration amount	Consolidated Fixed Component amount	Consolidated Variable Component amount
Members of La Banque Postale Executive Board	3	€1,146,635	€945,360	€201,275
Members of the EXCOM (excluding executive corporate officers), the Head of Financial Transactions and market traders, the Heads of Risk, Internal Audit and Compliance of La Banque Postale.	39	€6,579,966	€5,009,266	€1,570,700

4.9.3.2 Amounts and type of variable remuneration, broken down by payments in cash, asset-backed securities (ABS) and other

	Consolidated Variable Component amount	Portion paid in cash	Portion paid in shares and asset-backed securities (ABS)
La Banque Postale Executive Board members	€201,275	100%	0%
Members of the EXCOM (excluding executive corporate officers), the Head of Financial Transactions and market traders, the Heads of Risk, Internal Audit and Compliance of La Banque Postale.	€1,570,700	100%	0%

4.9.3.3 Amount of outstanding deferred remuneration, broken down by vested and non-vested remuneration

	Amount of consolidated deferred variable remuneration	Share vested	Share not vested
La Banque Postale Executive Board members	€0	None	None
Members of the EXCOM (excluding executive corporate officers), the Head of Financial Transactions and market traders, the Heads of Risk, Internal Audit and Compliance of La Banque Postale.	€0	None	None

4.9.3.4 Amount of outstanding deferred remuneration allocated during the period, paid or reduced, after results-based adjustments

	Consolidated amount of deferred variable remuneration allocated during the period	Consolidated amount of deferred variable remuneration paid or reduced after results-based adjustments
La Banque Postale Executive Board members	€0	€25,139
Members of the EXCOM (excluding executive corporate officers), the Head of Financial Transactions and market traders, the Heads of Risk, Internal Audit and Compliance of La Banque Postale.	€0	€0

4.9.3.5 Payments for new hires, retirement benefits and severance pay made during the period and number of payment beneficiaries

	Payments for new hires	Gross compensation at the end of the term of office	Number of beneficiaries
La Banque Postale Executive Board members	None	None	None
Members of the EXCOM (excluding executive corporate officers), the Head of Financial Transactions and market traders, the Heads of Risk, Internal Audit and Compliance of La Banque Postale.	None	None	None

4.10. PILLAR III CORRELATION TABLE

CRR article	Subject	Chapter 4 – Risk management	Page of the update of the Registration Document	Or page of the annual Registration Document
90 (CRDIV)	Return on assets			Page 76
435	Risk management policy and objectives	Operational implementation of the reference framework		Page 84
436	Scope of application	Capital management and capital adequacy	Page 17	
437	Equity capital	Capital management and capital adequacy	Page 19	
438	Capital requirements	Current methodology used to calculate capital requirements Capital management and capital adequacy	Page 24	
439	Exposure to credit and counterparty risks	Credit risks	Page 28	
440	Capital buffers	Capital management and capital adequacy		Page 90
441	Indicators of global systemic importance	Publication of indicators of global systemic importance		Page 103
442	Credit risk adjustments	Credit risks		Page 103
443	Unencumbered assets	Encumbered/unencumbered assets		Page 123
444	Use of external ratings agencies	Use of external ratings agencies		Page 115
445	Market risk exposure	Market risks	Page 34	
446	Operational risks	Operational risks		Page 131
447	Exposures in equities not included in the trading book	Exposures in equities not included in the trading book		Page 137
448	Exposures to i interest rate risk on positions not included in the trading book	Interest rate risk	Page 37	
449	Exposures to securitisation positions	Securitisation	Page 30	
450	Remuneration policy		Page 41	
451	Leverage	Prudential ratios	Page 26	
452	Use of the IRB approach for credit risk	NA		
453	Use of credit risk mitigation techniques	Credit risks		Page 114
454	Use of the advanced measurement approach for operational risk	NA		
455	Use of internal models for market risk	NA		

5. CONSOLIDATED FINANCIAL STATEMENTS

5.1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement as at 30 June 2017

(in € thousands)	Notes	30.06.2017	30.06.2016
Interest and similar income (1)	3.1	2,181,951	2,347,431
Interest and similar expenses (1)	3.1	(880,216)	(808,842)
Commissions (income)	3.2	1,392,904	1,337,616
Commissions (expenses)	3.2	(138,253)	(138,515)
Net gains and losses on financial instruments at fair value through profit or loss	3.3	7,542	(57,072)
Net gains and losses on assets available for sale	3.4	124,714	157,706
Income from other activities	3.5	542,526	549,736
Expenses from other activities	3.5	(423,070)	(413,664)
Net banking income		**2,808,098**	**2,974,396**
General operating expenses	3.6	(2,241,596)	(2,299,573)
Net depreciation and amortisation of tangible and intangible fixed assets		(89,214)	(88,390)
Gross operating income		**477,288**	**586,433**
Cost of risk	3.7	(71,271)	(84,029)
Operating income		**406,017**	**502,404**
Share of profits of equity associates	2.7	132,503	86,658
Net gains and losses on other assets		(594)	(890)
Changes in the value of goodwill		-	-
Pre-tax income		**537,927**	**588,172**
Income tax	3.8	(155,253)	(204,322)
Net income		**382,673**	**383,850**
Non-controlling interests		16,124	23,407
NET INCOME, GROUP SHARE		**366,549**	**360,443**
Undiluted earnings per ordinary share (in euros)		10.42	10.24
Diluted earnings per ordinary share (in euros)		9.20	8.97

(1) 2016 negative interest was reclassified between income and expenses

Consolidated balance sheet as at 30 June 2017

(in € thousands)	Notes	30.06.2017	31.12.2016
ASSETS			
Cash, central banks		2,532,280	2,732,044
Financial assets at fair value through profit and loss	2.1	12,900,741	12,329,901
Hedging derivatives		1,248,880	1,577,501
Available-for-sale financial assets	2.2	18,700,980	18,879,482
Loans and receivables – credit institutions	2.3	86,506,206	84,461,375
Loans and receivables – customers	2.4	81,510,948	78,783,991
Revaluation differences on rate hedged portfolios		96,235	137,559
Financial assets held to maturity	2.5	21,462,642	22,270,714
Current tax assets		166,402	339,671
Deferred tax assets		73,474	84,450
Accruals and other assets	2.6	3,210,442	3,412,488
Non-current assets held for sale		-	-
Deferred profit-sharing		-	-
Investments in associates	2.7	3,219,756	3,226,660
Investment properties		-	-
Property, plant and equipment		646,080	661,900
Intangible assets		534,298	519,456
Goodwill	2.8	160,227	160,227
TOTAL		**232,969,591**	**229,577,420**
LIABILITIES			
Central banks		-	-
Financial liabilities at fair value through profit or loss	2.1	511,186	600,095
Derivative hedging instruments		605,908	914,107
Liabilities due to credit institutions	2.9	17,096,978	19,003,276
Liabilities to customers	2.10	182,031,616	175,994,407
Debt securities		10,413,555	10,483,528
Revaluation differences on rate hedged portfolios		791,793	1,050,505
Current tax liabilities		9,321	17,489
Deferred tax liabilities		125,746	123,126
Accruals and other liabilities	2.11	4,859,815	4,965,332
Insurance company underwriting provisions and shadow accounting	2.12	2,305,659	2,231,202
Provisions	2.13	525,122	590,190
Subordinated debt	2.14	3,902,680	3,780,398
Equity, Group share		**9,718,198**	**9,744,578**
Share capital		4,046,408	4,046,408
Consolidated and other reserves		4,214,375	3,821,817
Gains and losses recognised directly in equity		1,090,866	1,182,528
Profit (loss) for the period		366,549	693,825
Non-controlling interests		**72,013**	**79,187**
TOTAL		**232,969,591**	**229,577,420**

Statement of net income and gains and losses recognised directly in equity

	30.06.2017	30.06.2016
NET INCOME	**382,673**	**383,850**
ITEMS RECYCLABLE UNDER PROFIT AND LOSS	**(91,829)**	**200,343**
Translation adjustments	-	2
Revaluation of available-for-sale financial assets	**(58,546)**	**123,492**
Changes in the revaluation reserve	(50,492)	254,355
Reclassification in profit and loss	(8,054)	(130,863)
Revaluation of derivative hedging instruments	**(42,252)**	**168,218**
Changes in the reserve	(6,642)	168,218
Recycling under net profit	(35,610)	-
Deferred tax assets	**34,493**	**(131,943)**
Items from the share in gains and losses recognised directly in equity from associates*	(25,524)	40,576
ITEMS NOT RECYCLABLE UNDER PROFIT AND LOSSS	**(48)**	**13**
Actuarial adjustments for defined-benefit schemes	-	30
Other changes	-	-
Deferred taxes	**-**	**-**
Items from the share in gains and losses recognised directly in equity from associates*	(48)	(17)
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	**(91,877)**	**200,359**
NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	**290,796**	**584,209**
Of which net income and gains and losses recognised directly in equity, Group share	**274,983**	**578,486**
Of which net income and gains and losses recognised directly in equity, non-controlling interests	**15,813**	**5,723**

* Amounts presented net of deferred taxes.

Statement of changes in equity

	Share capital (1)	Issue premium	Legal reserves, retained earnings and other reserves	Consolidated reserves	Gains and losses net of taxes recognised directly in equity		Profit (loss), Group share	Equity, Group share	Equity, non-controlling interests	Total consolidated equity
					Actuarial adjustments	Conversion reserves, Changes in the fair value of financial instruments (2)				
Equity restated for IFRS at 31 December 2015	**4,046,408**	**16,719**	**1,315,114**	**1,967,188**	**- 20,378**	**873,929**	**706,811**	**8,905,790**	**238,570**	**9,144,361**
Appropriation of net income 2015	-	-	513,695	193,116	-	-	- 706,811	-	-	-
2016 distribution on the 2015 result	-	-	- 318,083	-	-	-	-	- 318,083	- 22,250	- 340,333
Sub-total of movements related to shareholder relations	-	-	195,612	193,116	-	-	- 706,811	- 318,083	- 22,250	- 340,333
Changes in gains and losses recognised directly in equity	-	-	-	-	-	151,479	-	151,479	8,559	160,037
Profit (loss) at 30 June 2016	-	-	-	-	-	-	360,443	360,443	23,407	383,850
Sub-total	-	-	-	-	-	151,479	360,443	511,922	31,966	543,888
Effect of acquisitions and disposals on non-controlling interests (4)	-	-	-	- 77,485	- 15	26,161	-	- 51,339	- 207,924	- 259,262
Share in changes in equity of equity-accounted associates	-	-	-	1,094	- 17	40,576	-	41,653	-	41,653
Other changes (3)	-	-	-	- 3,407	30	- 171	-	- 3,548	- 9,218	- 12,766
IFRS equity at 30 June 2016	**4,046,408**	**16,719**	**1,510,726**	**2,080,506**	**- 20,380**	**1,091,974**	**360,443**	**9,086,396**	**31,144**	**9,117,541**
Remuneration from super subordinated notes	-	-	-	- 41,965	-	-	-	- 41,965	-	- 41,965
Sub-total of movements related to shareholder relations	-	-	-	- 41,965	-	-	-	- 41,965	-	- 41,965
Changes in gains and losses recognised directly in equity	-	-	-	-	-	20,090	-	20,090	- 180	19,910
Second half result	-	-	-	-	-	-	333,382	333,382	17,053	350,435
Sub-total	-	-	-	-	-	20,090	333,382	353,472	16,873	370,345
Effect of acquisitions and disposals on non-controlling interests (4)	-	-	-	- 2,521	-	-	-	- 2,521	- 802	- 3,323
Share in changes in equity of equity-accounted associates	-	-	-	2,750	- 344	96,883	-	99,289	-	99,289
Other changes (3)	-	-	-	255,603	- 5,981	285	-	249,908	31,972	281,879
IFRS equity at 31 December 2016	**4,046,408**	**16,719**	**1,510,725**	**2,294,374**	**- 26,705**	**1,209,233**	**693,825**	**9,744,578**	**79,187**	**9,823,765**
Appropriation of net income 2016	-	-	621,050	72,775	-	-	- 693,825	-	-	-
2017 distribution on the 2016 result	-	-	- 312,101	-	-	-	-	- 312,101	- 12,338	- 324,439
Sub-total of movements related to shareholder relations	-	-	308,949	72,775	-	-	- 693,825	- 312,101	- 12,338	- 324,439
Changes in gains and losses recognised directly in equity	-	-	-	-	-	- 66,090	-	- 66,090	-	- 66,090
Profit (loss) at 30 June 2017	-	-	-	-	-	-	366,549	366,549	16,124	382,673
Sub-total	-	-	-	-	-	- 66,090	366,549	300,459	16,124	316,583
Share in changes in equity of equity-accounted associates	-	-	-	413	- 48	- 25,524	-	- 25,159	-	- 25,159
Other changes	-	-	6	10,415	-	-	-	10,421	- 10,960	- 539
IFRS equity at 30 June 2017	**4,046,408**	**16,719**	**1,819,680**	**2,377,976**	**- 26,752**	**1,117,618**	**366,549**	**9,718,198**	**72,013**	**9,790,211**

(1) At 30 June 2017, Banque Postale's capital consisted of 35,186,153 shares with a nominal value of €115.
(2) The gains and losses entered directly in equity include translation reserves which are from consolidated foreign subsidiaries by the CNP Assurances and AEW Europe groups.
(3) The other changes seen during the 2016 financial year come primarily from a refining of the input method for minority interests of €301.7 million. (of which +€33.1 million impacting minority interests).
(4) The purchase of the minority interests of La Banque Postale Prévoyance in 2016 had an overall impact of -€49.7 million on the Group's equity, i.e. €34 million on the share of equity-accounted companies.

Net cash flow statement

The cash flow statement is presented using the indirect method model.
Investment activities represent cash flows for the acquisition and disposal of interests in consolidated companies as well as of tangible and intangible assets.

Financing activities represent changes linked to structural financial transactions involving equity, subordinated debt and acquisition of non-controlling interests.

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

	30.06.2017	30.06.2016
Pre-tax income	**537,927**	**588,172**
+/- Net depreciation and amortisation of tangible and intangible fixed assets	89,126	88,514
- Changes in goodwill and impairment of other non-current assets	76	(122)
+/- Net provisions and impairment charges	33,749	48,568
+/- Share of profits of equity associates	(132,503)	(86,658)
+/- Net losses/gains on investment activities	594	1,566
+/- Other movements	208,040	279,276
= Total of non-monetary items included in net income before taxes and other adjustments	**199,082**	**331,144**
+/- Flow from credit institution transactions	(1,555,138)	(898,074)
+/- Flow from customer transactions	2,628,296	1,240,280
+/- Flow from other transactions impacting financial assets or liabilities	202,665	(448,693)
+/- Flow from other transactions impacting non-financial assets or liabilities	(46,462)	699,473
- Taxes paid	99,051	(104,580)
= Net increase (decrease) in assets and liabilities from operations	**1,328,412**	**488,406**
Total net cash generated from operations (A)	**2,065,421**	**1,407,723**
+/- Flow from financial assets and interests	112,828	(186,764)
+/- Flow from tangible and intangible fixed assets	(95,748)	(95,761)
Total net cash from investment transactions (B)	**17,080**	**(282,525)**
+/- Cash flow from or to shareholders	(324,429)	(340,300)
+/- Other net cash flows from financing activities	152,638	498,973
Total net cash from financial transactions (C)	**(171,791)**	**158,673**
Net increase (decrease) in cash and cash equivalents (A+B+C)	**1,910,710**	**1,283,871**
Net cash generated by operations (A)	2,065,421	1,407,723
Net cash generated by investment activities (B)	17,080	(282,525)
Net cash generated by financing activities (C)	(171,791)	158,673
Cash and cash equivalents at opening	**12,232,749**	**5,220,102**
Cash, central banks (assets and liabilities)	2,732,044	1,811,631
Accounts (assets and liabilities) and overnight borrowing and lending with credit institutions	9,500,705	3,408,471
Cash and cash equivalents at closing	**14,143,459**	**6,503,976**
Cash, central banks (assets and liabilities)	2,532,280	7,274,528
Accounts (assets and liabilities) and overnight borrowing and lending with credit institutions	11,611,179	(770,552)
CHANGE IN NET CASH	**1,910,710**	**1,283,871**

The concept of net cash includes cash, receivables and liabilities with central banks and current accounts (assets and liabilities) with credit institutions.

5.2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Legal and financial framework

1 Highlights of the period

1.1 Subordinated bond issue

On 16 January 2017, La Banque Postale conducted a new fixed-rate issue of €150 million maturing in June 2028. This transaction aims to further strengthen its equity in connection with changes in prudential ratios.

1.2 Domiserve and KissKissBankBank & Co takeovers

In March 2017, La Banque Postale acquired 100% of Domiserve, specialised in issuing prepaid universal employment services (CESU) vouchers (HR and Social) and managing services to individuals. The securities, valued at € 15 million, are recorded as available-for-sale financial assets.

1.3 Highlights for CNP Assurances: Holding in Réseau de Transport d'Electricité (RTE)

On 14 December 2016, an agreement was signed by EDF, Caisse des Dépôts and CNP Assurances for the acquisition by Caisse des Dépôts and CNP Assurances of 49.9 % of the capital of Réseau de Transport d'Electricité (RTE). The transaction is intended to provide RTE with new governance to provide ongoing support for its investment strategy to optimise electricity transport infrastructure for energy transition.

At 31 March 2017, Caisse des Dépôts and CNP Assurances became the lead RTE shareholders with EDF, via the creation of a holding held jointly by EDF (50.1%) and by Caisse des Dépôts and CNP Assurances (49.9%). The indirect holding (via CTE) in the capital of RTE is split 29.9% for Caisse des Dépôts and 20% for CNP Assurances.

All of the conditions precedent were removed to finalise the transaction. The acquisition price of the CNP Assurances share of capital in the CTE holding was €1,080 million.

The control of RTE shared by the three indirect shareholders is framed by regulations and supervised by the Energy Regulatory Commission (CRE). An agreement was also put in place for the joint exercise of the rights and obligations of CTE shareholders.

CNP Assurances has significant influence in RTE. However, given that the holding is almost exclusively allocated in participatory contracts, the Group opted for the exemption to equity method provided for in paragraph 18 of IAS 28. CTE shares are recorded at fair value through profit and loss.

2 Post balance sheet events

La Banque Postale Group has not identified any events after the closing.

NOTE 1. PRINCIPAL VALUATION AND PRESENTATION RULES APPLYING TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1. Regulatory framework

Regulation (EC) No. 1606/2002 of 19 July 2002 requires companies whose debt securities are listed on a regulated market to apply the accounting basis established by the International Accounting Standard Board (IASB). Accordingly, La Banque Postale Group has since 1 January 2007 prepared its consolidated financial statements under International Financial Reporting Standards (IFRS) as approved by the European Union. More specifically, the Group has chosen to apply the provisions of European Commission Regulation No. 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 and liability management (including notably customer demand deposits) to be treated as fair value hedges.

The full set of standards adopted in 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.

Statement of compliance

The summary interim financial statements have been drawn up in compliance with IAS 34 – Interim Financial Information. The statements include a selection of notes explaining material events and transactions with a view to understanding the changes that have occurred in the Group's financial position and performance since the last annual consolidated financial statements for the period to 31 December 2016. The summary interim financial statements do not include all the information required for the full annual financial statements, which are prepared under IFRS. They must be read together with the Group's financial statements for the year ended 31 December 2016.

These summary consolidated financial statements were prepared under the responsibility of the Executive Board meeting on 25 July 2017.

Main accounting methods

The accounting methods used by the Group in the summary interim consolidated financial statements are identical to those used in the consolidated financial statements for the period ended 31 December 2016.

Presentation of the financial statements

In the absence of a model imposed by IFRS, the Group has used the summary statement format suggested in Recommendation No. 2013-04 of 7 November 2013 issued by the French National Accounting Authority.

1.2. Standards and interpretations applied by the Group from 1 January 2017

No new standards or interpretations were compulsory at 1 January 2017 compared to the consolidated financial statements prepared for the year ended 31 December 2016.

1.3. Standards and interpretations not yet applied

The IASB and IFRIC have issued standards and interpretations that were not compulsory as at 30 June 2017. Standards or interpretations published by the IASB but not yet adopted by the European Union will be mandatory only once they have been adopted.

Standards and interpretations	Date adopted by the European Union	Effective date (1)
Amendments to IAS 7 "Disclosure initiative"	Not adopted	1 January 2016
Amendments to IAS 12 "Recognition of deferred tax assets for unrealised losses"	Not adopted	1 January 2016
IFRS annual improvements – 2014-2016 cycle	Not adopted	1 January 2017/2018
IFRS 9 "Financial instruments"	22 November 2016	1 January 2018
IFRS 15 "Revenue from contracts with customers"	22 September 2016	1 January 2018
Amendment to IFRS 15 "Effective date deferral to 1 January 2018"	22 September 2016	1 January 2018
Clarifications to IFRS 15 "Revenue from ordinary activities from contracts with customers"	Not adopted	1 January 2018
Amendment to IFRS 2 "Classification and measurement of share-based payment transactions"	Not adopted	1 January 2018
Amendments to IFRS 4 "Applying IFRS 9, Financial Instruments with IFRS 4"	Not adopted	1 January 2018
Amendments to IAS 40 "Investment properties"	Not adopted	1 January 2018
IFRS 16 "Leases"	Not adopted	1 January 2019
IFRS 17 "Insurance contracts"	Not adopted	1 January 2021
IFRIC 22: "Foreign currency transactions and advance consideration"	Not adopted	1 January 2018
IFRIC 23: "Uncertainty over income tax treatments"	Not adopted	1 January 2019
Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	Not adopted	Deferred to an unknown date
Effective date of the modifications to IFRS 10 and IAS 28	Not adopted	Deferred to an unknown date
IFRS 14 "Regulatory deferral accounts"	Adoption deferred	1 January 2016

(1) *Subject to adoption by the European Union. Applicable as of the financial years opened on:*

At 30 June 2017, the Group has not applied these standards.

IFRS 9 "Financial instruments"

- Standard IFRS 9 "Financial instruments" will ultimately replace IAS 39 "Financial instruments: recognition and measurement". It defines new classification and measurement rules for financial instruments, a new method for impairment of financial assets, as well as the processing of the affected hedging transactions.

  Standard IFRS 9 was adopted by the European Union on 22 November 2016 and will be compulsory as of 1 January 2018.

  Classification and measurement according to IFRS 9

  According to IFRS 9, financial assets must be classified at their amortised cost, at fair value in counterparty of equity (recyclable or non-recyclable), or at fair value through profit or loss. The classification of a financial asset in each category must be carried out based on the management models defined by the entity and the characteristics of its contractual cash flows ("basic loan" criterion).

  Debt instruments with contractual flows consisting solely of the payment of principal and interest on principal remaining due ("basic loan" or "SPPI test" criteria) are classified as:

  - At amortised cost, if the goal of the management model is to keep the financial assets to collect the contractual cash flows.
  - At fair value through recyclable equity if the objective of the management model is to hold financial assets to collect the contractual cash flows and sell the assets.

All debt instruments which cannot be classified at amortised cost or fair value through equity or which are held for transactions must be classified by fair value through profit and loss.

Investments in equity instruments are valued at fair value through profit and loss, with the exception of those which are not held for transaction purposes and for which the standard provides the irrevocable option, on the date of first entry of each instrument, of classification at fair value through non-recyclable equity. In this case, the unrealised gains or losses entered in equity cannot be recycled in profit or loss in the event of disposal.

With respect to the "basic loan" criterion at La Banque Postale Group, studies have consisted in analysing contractual clauses by instrument type (for example, early repayment clauses and clauses related to changes to a fixed rate) which may not correspond solely to payments of principal and interest on the outstanding principal.

Based on these studies, and given current management models, the main reclassifications are as follows:

- In general, loans and receivables with clients and with credit institutions should be entered at their amortised cost, with the exception of those which do not meet the "basic loan" criterion and which must be entered at fair value through profit and loss. The reclassified loans and receivables do not amount to a significant share of outstandings.
- Loan origination transactions for local authorities eligible for disposals to Caffil classified as loans and receivables according to IAS 39 and including their fair value hedging effect are classified using a transaction-type management model as of 1 January 2018 within the framework of the FTA (First Time Application) of IFRS 9 whose effect will be reclassification in an aggregate of financial statements at fair value through profit and loss.
- With respect to securities portfolios, collective investment scheme units which were classified as assets available for sale under IAS 39 and qualified as debt instruments non-compliant with the "SPPI test" under IFRS 9 must be entered at fair value through profit and loss.
- In addition, share investments in equity instruments and investments in debt securities which do not comply with the "basic loan" criterion must be entered at fair value through profit and loss.
- Exceptionally, La Banque Postale can leave certain non-consolidated equity investments at their fair value through non-recyclable equity.

Overall, the group expects a limited impact in terms of financial asset classification.

In addition, specifications are currently being defined for a tool to analyse contractual characteristics to enable the automation of the "basic loan" test for listed debt securities.

With respect to financial liabilities, the standard now requires entry, for financial liabilities entered at their fair value under profit and loss on option, of the change in fair value attributable to the change in credit risk in non-recyclable equity, except in cases in which this treatment would create or increase an accounting mismatch. This provision can be applied in advance for the financial years opened prior to 1 January 2018.

Together with its shareholder La Poste, La Banque Postale decided to apply the provisions for financial liabilities entered at fair value on option in advance, as of the 2016 financial year. The early application of this provision has a limited impact on the financial statements.

Impairment according to IFRS 9

The new provisioning method is henceforth oriented towards an impairment model for credit risk related to expected losses and no longer only to those proven.

IFRS 9 defines a provisioning model, applicable to all financial assets with a counterparty risk (excluding equity instruments) not revalued at fair value through profit or loss, as well as to financing and guarantee commitments.

The current principles of provisioning applied within La Banque Postale Group lead to recognition of asset impairment on an individual and collective basis. Individual provisions are recorded for an asset as soon as there is an objective indication of loss of value. Collective provisions are statistical provisions. They aim to cover the objective indications of loss of value, identified within a portfolio but unable to be allocated individually.

In application of IFRS 9, new impairments, representing the expected credit losses at one year, will be recorded in the amounts outstanding as soon as they enter the balance sheet, and off-balance sheet for financing commitments, as long as they do not present any significant deterioration in credit risk. The outstanding amounts will be in “Bucket 1”.

The outstanding amounts for which a significant deterioration in credit quality has been identified since their date of first entry must be impaired up to the amount of credit losses expected over the residual life of the instrument. The outstanding amounts will be in “Bucket 2”.

The identification criteria for impaired assets (“Bucket 3”) will be the same as those provided for in IAS 3.

In addition, the methodologies developed for IFRS 9 must take into consideration past events such as loss history, current conditions and reasonable and documented economic forecasts (“forward-looking” concept).

As part of the IFRS 9 programme, La Banque Postale has undertaken to use the current risk management system. Significant IT development work is under way, both at the central level and in the subsidiaries, for data collection and the calculation and recording of “Bucket 1” and ‘Bucket 2” impairment. Impairment will be calculated centrally for the entire Group, with the exception of certain subsidiaries. The subsidiaries will comply with the impairment methodology defined by central management to ensure that the methods used are consistent throughout the LBP Group.

With respect to measuring significant credit risk deterioration, the work carried out by the Group has primarily consisted in establishing the border between Buckets 1 and 2.

The forward-looking component will be obtained via a multi-scenario model approach. Final impairment will reflect the average weighted by the probability of occurrence of each scenario.

The provisioning model, based on expected credit losses and now applicable to all financial assets, will have a limited impact on equity at the time of the opening balance sheet and show a likely increase in the cost of credit risk in line with changes in outstandings.

Hedging

The IFRS 9 standard covers only micro-hedging transactions. It extends the potential of hedging strategies with, notably, more items becoming eligible for hedge accounting and a lessening of requirements regarding the effectiveness of hedging relationships.

With respect to macro-hedging, European Union provisions on the fair value hedging of a portfolio of interest rate items will continue in effect.

IFRS 9 provides the option of deferring application of the hedging accounting provisions pending the effective date of the standard on macro-hedging.

The Group took the opportunity to continue to apply the principles of IAS 39 to hedge accounting.

Date of first application

The provisions of IFRS 9 on classification, valuation and impairment must be applied retrospectively according to IAS 8.

The standard provides some simplifying provisions for the retrospective valuation of certain items.

In addition, IFRS 9 allows for an exemption from the obligation (as defined in IFRS 7) to restate comparative information.

Organisation of the IFRS 9 project at La Banque Postale

The implementation project for IFRS 9 has initially concerned analysis of the standard and the performance of a diagnosis aiming to identify the various effects of the standard and the work to be done, for the classification and provisioning sections.

A proposed framework for change management, both from an operational and IT point of view, has been implemented to ensure that changes are made in compliance with the adoption date, namely 1 January 2018.

The Finance Department, working closely with the Group Risk Department, manages the IFRS 9 programme for the entire Group within the context of overall governance.

IFRS 15

- IFRS 15 “Revenue from contracts with customers” was adopted by the European Union on 22 September 2016. Amendments providing additional information were published by the IASB in April 2016 and have not yet been approved by the European Union. IFRS 15 will ultimately replace the standards for revenue accounting, i.e. the IAS 11 “Construction contracts” and IAS 18 “Revenue” standards, along with the interpretations linked to these two standards. Application of the IFRS 15 standard will be compulsory as of 1 January 2018.

  The standard defines a single income recognition model for sales of goods, the provision of services and long-term contracts. Revenue from financial instruments (covered in IAS 39/IFRS 9), from insurance contracts (covered in IFRS 4) and from leases (covered in IAS 17) are not within the scope of application of this standard. According to standard IFRS 15, revenue accounting must reflect the transfer of goods and services promised to customers in the amount corresponding to the remuneration the entity expects to be entitled to in exchange for these goods and services.

At the Group level, the revenue in question is primarily from services. These result in the recording of commission income (commissions from bank cards and asset management, and commissions received on granting loans which are not included at the effective interest rate).

Analysis of the expected impact of IFRS 15 on the Group financial statements is currently being finalised. The Group does not anticipate a significant impact.

IFRS 16

- Standard IFRS 16 "Leases" was published in January 2016 for first application on 1 January 2019, subject to its adoption by the European Union. The standard will replace IAS 17 "Leases", as well as the interpretations associated with the recording of these contracts. The retrospective application of the standard in financial year 2018 will be required to ensure compatible financial information.

  According to standard IFRS 16, a contract is considered a lease contract when an asset can be identified and the lessee has exclusive rights to use the asset. All lease contracts require that the lessee record a right to use the asset in their balance sheet and a debt in liabilities corresponding to the discounted value of the rent payments made over the contract period. The right to use the asset is amortised on a linear basis and the financial debt using the amortised cost method over the duration of the contract. The new standard continues to use most of the existing model for lessors.

  The impact of IFRS 16 on the Group financial statements is currently being analysed.

1.4. Judgements and estimates

Preparation of the interim consolidated financial statements requires Management to exercise its judgement, to make the best possible estimates, and to make assumptions that have an impact on the adoption of accounting methods and on the amounts of assets and liabilities and income and expenses. The final values of these elements may be different from these estimates and have an impact on the financial statements.

As part of the preparation of the summary interim consolidated financial statements, the significant judgements made by Management in applying the Group's accounting methods and the main grounds for uncertainty related to those estimates are identical to those that affected the consolidated financial statements for the period to 31 December 2016.

NOTE 2. NOTES TO THE BALANCE SHEET

2.1. Financial assets and liabilities at fair value through profit or loss

Assets and liabilities at fair value through profit or loss

	30.06.2017			31.12.2016		
(in € thousands)	Transaction	Fair value option	TOTAL	Transaction	Fair value option	TOTAL
Government paper and similar securities	1,870,230	-	1,870,230	722,554	-	722,554
Bonds and other fixed-income securities	10,499,106	-	10,499,106	11,030,946	-	11,030,946
Shares and other variable-income securities	54,487	-	54,487	44,358	-	44,358
Financial assets at fair value through profit or loss	**12,423,823**	**-**	**12,423,823**	**11,797,858**	**-**	**11,797,858**
Debt securities	-	4,538	4,538	-	4,548	4,548
Financial liabilities at fair value through profit or loss	**-**	**4,538**	**4,538**	**-**	**4,548**	**4,548**

Derivatives held for transaction purposes

	30.06.2017		31.12.2016	
(in € thousands)	Assets	Liabilities	Assets	Liabilities
Interest rate derivative instruments	420,123	416,064	504,916	500,638
Credit derivative instruments	-	8,167	-	3,954
Foreign exchange derivative instruments	52,314	55,147	22,809	60,435
Other derivative instruments	4,481	27,270	4,318	30,520
Trading derivatives at fair value through profit or loss	**476,918**	**506,648**	**532,043**	**595,547**

	30.06.2017		31.12.2016	
(in € thousands)	Assets	Liabilities	Assets	Liabilities
Total assets and liabilities at fair value through profit or loss	**12,900,741**	**511,186**	**12,329,901**	**600,095**

	30.06.2017		31.12.2016	
(in € thousands)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Conditional transactions	**4,481**	**27,270**	**4,318**	**30,520**
Rate options	4,481	27,270	4,318	30,520
Other derivatives	**472,437**	**479,378**	**527,725**	**565,027**
Foreign exchange contract	52,314	55,147	22,809	60,435
Rate swaps	420,123	416,064	504,916	500,638
Credit derivatives	-	8,167	-	3,954
TOTAL	**476,918**	**506,648**	**532,043**	**595,547**

2.2. Available-for-sale financial assets

(in € thousands)	30.06.2017	31.12.2016
Government paper and similar securities	6,975,579	7,526,356
Bonds and other fixed-income securities	10,351,497	10,014,086
Shares and other variable-income securities	1,234,716	1,220,049
Non-consolidated equity investments	139,188	118,991
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**18,700,980**	**18,879,482**
Including net unrealised gains and losses on fixed-income securities (in reserves)	*220,668*	*246,649*
Including net unrealised gains and losses on variable-income securities (in reserves)	*62,407*	*53,899*

Details of non-consolidated equity investments

(in € thousands)	30.06.2017 Carrying amount of securities	Advances and receivables from related entities	Impairments	Net book value	Share of capital in %	31.12.2016 Net book value of securities
Crédit Logement	91,045	-	-	91,045	6.00%	91,045
Domiserve	15,000	-	-	15,000	100.00%	-
STET	6,917	-	-	6,917	5.01%	6,917
Ezyness	5,200	-	-	5,200	100.00%	40
BPIfrance Financement	4,462	-	-	4,462	0.15%	4,462
Mandarine Gestion	3,948	-	-	3,948	13.64%	3,948
Transactis	2,474	-	-	2,474	50.00%	2,474
Titres cadeaux SAS	2,493	-	(293)	2,200	50.00%	2,200
LBP Protection	2,183	-	-	2,183	100.00%	2,183
EPF	1,339	-	(1,339)	-	5.63%	-
Other	6,496	500	(1,237)	5,759		5,722
Total interests and advances	**141,557**	**500**	**(2,869)**	**139,188**		**118,991**

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 €42,102 thousand as at 30 June 2017, compared with €21,905 thousand as at 31 December 2016.

2.3. Loans and receivables – credit institutions and similar

(in € thousands)	30.06.2017	31.12.2016
Current accounts in debit	240,515	190,726
Accounts and loans	85,058,744	82,712,054
Securities acquired under repo agreements	360,396	765,380
Subordinated and participatory loans	190,752	190,186
Impairments	-	-
Accounts and loans – credit institutions and similar	**85,850,407**	**83,858,346**
Securities treated as loans and receivables	**655,799**	**603,029**
LOANS AND RECEIVABLES – CREDIT INSTITUTIONS AND SIMILAR	**86,506,206**	**84,461,375**

Deposits on the Livret A, the Sustainable Development Account (LDD) and the National Savings Account (LEP) centralised in the Caisse des Dépôts et Consignations (CDC) and shown on the "Accounts and loans" line amounted to €71,017 million as at 30 June 2017, compared with €70,652 million as at 31 December 2016.

2.4. Loans and receivables – customers

(in € thousands)	30.06.2017	31.12.2016
Customer current accounts in debit*	782,412	759,342
Factoring	1,318,722	817,906
Term loans with financial clients	182,196	184,412
Short-term credit facilities	5,006,263	4,931,664
Home loans	57,799,573	55,948,430
Loans to legal entities	7,231,796	5,925,845
Loans to the local public sector	5,352,825	5,678,991
Other customer loans	59,633	65,441
Securities acquired under repo agreements	34,090	806,660
Impairments	(527,300)	(505,419)
Loans and receivables – customers	**77,240,210**	**74,613,272**
Finance lease transactions	2,111,558	2,050,516
Impairments	(10,271)	(10,624)
Finance lease transactions	**2,101,287**	**2,039,892**
Securities treated as loans and receivables	2,169,451	2,130,827
Impairments	-	-
Securities treated as loans and receivables	**2,169,451**	**2,130,827**
LOANS AND RECEIVABLES – CUSTOMERS	**81,510,948**	**78,783,991**

* Card payment deferrals are presented with current accounts in debit.

2.5. Financial assets held to maturity

(in € thousands)	30.06.2017	31.12.2016
Government paper and similar securities	19,115,161	19,884,925
Bonds and other fixed-income securities	2,347,481	2,385,789
FINANCIAL ASSETS HELD TO MATURITY	**21,462,642**	**22,270,714**

2.6. Accruals and other assets

(in € thousands)	30.06.2017	31.12.2016
Prepaid expenses and income receivable	226,746	295,479
Collection accounts	21,315	33,868
Other accrual accounts	970,052	873,724
Accrual accounts	**1,218,113**	**1,203,071**
Other debtors and guarantee deposits paid	1,406,445	1,733,809
Settlement accounts for securities transactions	2,964	3,740
Impairments	(5,595)	(4,528)
Miscellaneous assets	**1,403,814**	**1,733,021**
Reassurer share of underwriting provisions	4,002	3,609
Other insurance assets	584,513	472,787
Other insurance assets and reassurer share of underwriting provisions	**588,515**	**476,396**
ACCRUALS AND OTHER ASSETS	**3,210,442**	**3,412,488**

2.7. Investments in associates

(in € thousands)	30.06.2017 Valuation of associates consolidated using the equity method	30.06.2017 Of which profit (loss)	31.12.2016 Valuation of associates consolidated using the equity method	31.12.2016 Of which profit (loss)
CNP Assurances Group	3,170,730	130,994	3,175,682	189,187
AEW Europe	49,026	1,509	50,978	1,794
INVESTMENTS IN ASSOCIATES	**3,219,756**	**132,503**	**3,226,660**	**190,981**

The data published by the CNP Assurances Group show a balance sheet total of €421,139 million, revenue of €16,371 million and net income (Group share) of €657 million as at 30 June 2017.
The market value of CNP Assurances was €13,495.5 million as at 30 June 2017.

Goodwill on AEW Europe is included in the share of profits of equity associates, according to current accounting principles.

2.8. Goodwill

Movements during the period

(in € thousands)	30.06.2017	31.12.2016
Net book value at 1 January	**160,227**	**190,510**
Goodwill from new holdings	-	-
Disposals (1)	-	(30,283)
Impairment for the period	-	-
Other movements	-	-
Net book value at 30 June	**160,227**	**160,227**

(1) Disposal of Ciloger in 2016

Breakdown of goodwill

(in € thousands)	30.06.2017	31.12.2016
Tocqueville Finance Group	27,498	27,498
La Banque Postale Asset Management	38,429	38,429
La Banque Postale Prévoyance	94,300	94,300
Easybourse	4,722	4,722
Total gross goodwill	**164,949**	**164,949**
Goodwill amortisation	(4,722)	(4,722)
TOTAL NET GOODWILL	**160,227**	**160,227**

2.9. Liabilities due to credit institutions and similar

(in € thousands)	30.06.2017	31.12.2016
Current accounts in credit	588,204	670,827
Accounts and borrowings	1,656,213	2,652,095
Securities assigned under repo agreements	14,844,160	15,652,896
Other amounts owed	8,401	27,458
LIABILITIES DUE TO CREDIT INSTITUTIONS AND SIMILAR	**17,096,978**	**19,003,276**

2.10. Liabilities to customers

(in € thousands)	30.06.2017	31.12.2016
Livret A	60,188,418	59,574,992
Home savings schemes and accounts (Compte épargne logement)	32,158,461	31,947,439
Other special accounts	21,970,961	21,743,714
Special savings accounts	**114,317,840**	**113,266,145**
Customer current accounts in credit	61,296,129	58,865,617
Securities assigned under repo agreements	5,445,973	2,744,424
Time deposit accounts	193,087	389,318
Financial customer borrowings	280,681	129,580
Other amounts owed	497,906	599,323
Liabilities to customers	**67,713,776**	**62,728,262**
CUSTOMER TRANSACTIONS	**182,031,616**	**175,994,407**

2.11. Accruals and other liabilities

(in € thousands)	30.06.2017	31.12.2016
Expenses payable and deferred revenue	525,059	521,555
Other accrual accounts	1,606,844	1,487,544
Accrual accounts	**2,131,903**	**2,009,099**
Securities debt	302,156	302,171
Guarantee deposits received	1,264,436	1,508,563
Other payables	938,878	970,926
Settlement accounts for securities transactions	8,069	7,837
Other liabilities	**2,513,539**	**2,789,497**
Other insurance liabilities	214,374	166,736
Other insurance liabilities	**214,374**	**166,736**
ACCRUALS AND OTHER LIABILITIES	**4,859,815**	**4,965,332**

2.12. Underwriting provisions of insurance companies

(in € thousands)	30.06.2017	31.12.2016
Life underwriting provisions	801,419	778,580
Non-life underwriting provisions	520,973	506,057
Equalisation provisions	9,133	15,746
Other provisions	868,083	819,902
UNDERWRITING PROVISIONS	**2,199,608**	**2,120,285**

(in € thousands)	30.06.2017	31.12.2016
Deferred participating liabilities in profits	106,051	110,917
SHADOW ACCOUNTING	**106,051**	**110,917**

The provision for deferred profit-sharing arises from the application of “shadow accounting”: it represents the share of policy-holders, life insurance subsidiaries, in unrealised gains and losses and impairment charged on assets, when the remuneration of contracts is tied to their returns.

These are the provisions built up primarily by La Banque Postale Prévoyance and La Banque Postale Assurances IARD.

2.13. Provisions

(in € thousands)	31.12.2016	Allocations	Reversals	Unused reversals	Other	30.06.2017
Provisions for employee benefits	26,118	1,387	(104)	(11)	239	27,629
Provisions for home savings risks (1)	362,287	-	(52,078)	-	-	310,209
Provisions for labour disputes and benefits expenses	8,041	2,334	(3,334)	(292)	318	7,067
Other provisions	193,744	17,990	(2,539)	(28,829)	(149)	180,217
PROVISIONS	**590,190**	**21,711**	**(58,055)**	**(29,132)**	**408**	**525,122**

(1) La Banque Postale revised the parameters of the savings component of its calculation model for the home savings provision.

2.14. Subordinated debt

(in € thousands)	30.06.2017	31.12.2016
Subordinated debt (1)	3,902,680	3,780,398
TOTAL	**3,902,680**	**3,780,398**

(in € thousands)	Issue date	Maturity date	Original currency	30.06.2017
Fixed-term subordinated debt (2)	30.11.2010	30.11.2020	EUR	750,000
Fixed-term subordinated debt (2)	23.04.2014	23.04.2026	EUR	750,000
Fixed-term subordinated debt (3)	19.11.2015	19.11.2027	EUR	750,000
Fixed-term subordinated debt (4)	09.06.2016	09.06.2028	EUR	500,000
Fixed-term subordinated debt (4)	05.10.2016	05.10.2028	EUR	100,000
Fixed-term subordinated debt (5)	16.01.2017	16.06.2028	EUR	150,000
Perpetual subordinated debt (6)	13.12.2013		EUR	800,000
TOTAL				**3,800,000**

(1) Balance sheet value including hedging effect and accrued interest.

(2) The issue includes a mechanism to convert to senior debt in the event of regulatory disqualification of the instrument with a reduction in the coupon of 30 basis points.

(3) La Banque Postale carried out a Tier II securities bond issue in the amount of €750 million in 2015.

(4) La Banque Postale carried out two bond issues in 2016 in the amounts of €500 million and €100 million maturing in 12 years.

(5) See "Financial year highlights"

(6) Perpetual bond issue convertible to shares and redeemable in the event of tax, accounting or regulatory changes or a change in the first call date. This debt is allowed in Tier 1 equity from a regulatory standpoint. Coupons are payable annually.

NOTE 3. NOTES TO THE INCOME STATEMENT

3.1. Interest, income and similar expenses

(in € thousands)	30.06.2017 Income	30.06.2017 Expenses	30.06.2016 Income	30.06.2016 Expenses
Interest and similar income from cash and interbank transactions (1)	582,701	(34,380)	585,454	(31,974)
including negative interest	*68,065*	*(28,703)*	*26,522*	*(7,984)*
Interest and similar income from customer transactions (1)	977,667	(691,164)	1,146,567	(662,907)
including negative interest	*8,636*	*(143)*	*5,042*	*(1,791)*
Interest from hedging transactions	179,466	(72,870)	162,661	(46,874)
Interest from assets available for sale and held to maturity	441,908	-	452,552	-
Interest from debt securities	209	(81,802)	197	(67,087)
Interest income and expenses	**2,181,951**	**(880,216)**	**2,347,431**	**(808,842)**
Net interest income and expenses	**1,301,735**		**1,538,589**	

(1) Negative interest was isolated and reclassified between Income and Expenses on 30.06.2016.

The amount of interest and remuneration received in respect of the centralisation of deposits on the Livret A, the Sustainable Development Accounts (LDD) and the National Savings Accounts (LEP) amounted to €484 million as at 30 June 2017, compared with €534 million as at 30 June 2016.

3.2. Commissions

(in € thousands)	30.06.2017 Income	30.06.2017 Expenses	30.06.2016 Income	30.06.2016 Expenses
Commissions from cash and interbank transactions	37,338	(1,532)	23,348	(1,460)
Commissions from customer transactions	693,855	(70,663)	709,287	(31,212)
Commissions from financial services provided	389,532	(26,891)	362,118	(67,628)
Commissions from securities transactions	190,480	(9,287)	162,118	(13,976)
Commissions from insurance services provided	50,702	(29,730)	49,111	(23,927)
Commissions from financial instruments	-	(142)	-	(307)
Other commissions	30,997	(8)	31,634	(5)
Commission income and expenses	**1,392,904**	**(138,253)**	**1,337,616**	**(138,515)**
Net commissions	**1,254,651**		**1,199,101**	

3.3. Net gains and losses on financial instruments at fair value through profit or loss

(in € thousands)	30.06.2017	30.06.2016
Net income from trading financial assets (excluding derivatives)	(7,864)	861
Net income from trading derivative instruments	20,782	(56,741)
Net income from the revaluation of hedged items and derivative hedging instruments	(3,302)	(87)
Profit (loss) from financial assets at fair value on option	-	96
Profit (loss) from financial liabilities at fair value on option	(2,074)	(1,201)
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**7,542**	**(57,072)**

3.4. Net gains and losses on assets available for sale

(in € thousands)	30.06.2017	30.06.2016
Gains on disposals of fixed-income securities	270,792	66,054
Losses on disposals of fixed-income securities	(188,473)	(45,258)
Dividends and similar income	23,876	16,674
Gains on disposals of variable-income securities (1)	21,617	136,351
Losses on disposals of variable-income securities and impairment	(3,098)	(16,186)
Gains and losses on disposals of loans and receivables	-	71
NET GAINS AND LOSSES ON ASSETS AVAILABLE FOR SALE	**124,714**	**157,706**

(1) of which gains on Visa Europe securities of €106.9 million at 30 June 2016

3.5. Income and expenses from other activities

	30.06.2017		30.06.2016	
(in € thousands)	Income	Expenses	Income	Expenses
Product retrocessions, expense charge backs, expense transfers	22,969	-	9,562	-
Other operating income and expenses	90,892	(140,054)	130,402	(120,427)
Insurance income and expenses	412,904	(265,567)	394,859	(271,255)
Provisions for other operating expenses	15,761	(17,449)	14,913	(21,982)
Income and expenses from other activities	**542,526**	**(423,070)**	**549,736**	**(413,664)**
NET INCOME AND EXPENSES FROM OTHER ACTIVITIES	**119,456**		**136,072**	

3.6. General operating expenses

(in € thousands)	30.06.2017	30.06.2016
Personnel costs	**(237,870)**	**(239,556)**
Duties and taxes (2)	(32,626)	(56,221)
External services	(1,826,449)	(1,882,475)
Other expenses (1) (2)	(144,651)	(121,320)
Other general operating expenses	**(2,003,726)**	**(2,060,017)**
GENERAL OPERATING EXPENSES	**(2,241,596)**	**(2,299,573)**

(1) Includes the Single Resolution Fund and the Deposit Guarantee and Resolution Fund

(2) 2016 supervisory body contributions of €37,393 thousand were reclassified from “Duties and taxes” to "Other expenses"

3.7. Cost of risk

(in € thousands)	30.06.2017	30.06.2016
Impairments on customer accounts	(126,948)	(165,346)
Reversals of impairments on customer accounts	102,652	131,871
Losses on irrecoverable receivables hedged by impairment	(39,146)	(43,121)
Losses on non-provisioned irrecoverable losses	(9,580)	(10,627)
Amounts recovered on amortised receivables	2,997	3,085
Reversals of impairment on doubtful financial assets	-	135
Provisions to/reversals from other impairments	(1,246)	(26)
COST OF RISK	**(71,271)**	**(84,029)**

3.8. Income tax and deferred taxes

(in € thousands)	30.06.2017	30.06.2016
Current taxes	(104,147)	(168,275)
Deferred tax assets	(51,106)	(36,047)
TAXES	**(155,253)**	**(204,322)**

Deferred taxes are normally recorded at the rate of 34.43% for due dates through 31/12/2019. Deferred taxes settled in 2020 and later are recorded at the rate of 28.92% in accordance with the provisions of Article 11 of the Finance Law for 2017.

Tax expense analysis

(in € thousands)	30.06.2017		30.06.2016	
Net income, Group share	**366,549**		**360,443**	
Share of non-controlling interests	16,124		23,407	
Share of profits of equity associates	(132,503)		(86,658)	
Income tax expense	155,253		204,322	
Pre-tax net income	**405,423**	**34.43%**	**501,514**	**34.43%**
Theoretical income tax expense	**(139,587)**		**(172,671)**	
Permanent difference effects	(11,475)	2.83%	12,083	-2.41%
Tax rate effects	1,822	-0.45%	-	0.00%
Dividend taxation effect	(5,394)	1.33%	(7,236)	1.44%
Other effects	(620)	0.15%	(36,498)	7.28%
INCOME TAX EXPENSE ENTERED	**(155,253)**	**38.29%**	**(204,322)**	**40.74%**

NOTE 4. COMMITMENTS GIVEN AND RECEIVED

Contractual value of commitments given and received:

(in € thousands)	30.06.2017	31.12.2016
FINANCING COMMITMENTS		
For credit institutions and similar	305,882	449,555
For customers	20,843,995	19,637,367
Total financial commitments given	**21,149,877**	**20,086,922**
Received from credit institutions and similar	2,285,186	1,806,932
Received from customers	2,205,056	1,500,012
Total financial commitments received	**4,490,242**	**3,306,944**
GUARANTEE COMMITMENTS		
To credit institutions and similar	442,164	301,171
To customers*	1,991,957	2,234,268
Total guarantee commitments given	**2,434,121**	**2,535,439**
Received from credit institutions and similar	30,613,899	29,093,928
Received from customers	9,279,749	7,857,843
Total guarantee commitments received	**39,893,648**	**36,951,771**
SECURITIES COMMITMENTS		
Securities to be delivered	4,007,176	2,063,344
Total securities commitments	**4,007,176**	**2,063,344**
Securities to be received	789,362	339,744
Total commitments received for securities	**789,362**	**339,744**
OTHER COMMITMENTS		
Total of other commitments given	**9,130,696**	**8,252,700**
Total of other commitments received	**1,729,544**	**1,425,694**

* Including capital and performance guarantees granted to the holders of collective investment scheme units generated by Group entities.

Crédit Logement commitments

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 amounts outstanding granted by La Banque Postale, was €279 million at 30 June 2017. This amount was €289 million 31 December 2016.

In addition, the guarantee commitments received from credit institutions are primarily comprised of deposits received from Crédit Logement.

Fair value of assets received as a guarantee and which are available to the Group

The fair value of securities acquired under repo agreements was €394 million at 30 June 2017 (compared with €1,572 million as at 31 December 2016).
Margin calls on repo securities and derivatives amounted to €1,260 million as at 30 June 2017 (compared with €1,505 million as at 31 December 2016).

Other commitments given

Mainly the amount of shares pledged for the benefit of the European Central Bank as part of the financing commitment received from the latter (3G funding). 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. The commitment given (€1,061 million) is in return for a financing commitment received (€1,005 million) from the Banque de France (3G funding).

Other commitments also include €7,855 million in home loans pledged to hedge the bond issues launched by the Group's home loans company (La Banque Postale Home Loan SFH).

Other commitments received

As at 30 June 2017, La Banque Postale received €323 million in securities as collateral, compared with €292 million as at 31 December 2016.

NOTE 5. FAIR VALUE OF BALANCE SHEET ITEMS

5.1. 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.

	30.06.2017		31.12.2016	
(in € thousands)	Balance sheet amount	Fair value	Balance sheet amount	Fair value
ASSETS				
Loans and receivables – credit institutions	86,506,206	86,566,125	84,461,375	84,498,930
Loans and receivables – customers	81,510,948	84,289,458	78,783,991	82,503,722
Financial assets held to maturity	21,462,642	23,667,651	22,270,714	25,347,955
LIABILITIES				
Liabilities due to credit institutions	17,096,978	17,128,836	19,003,276	18,851,002
Liabilities to customers (1)	182,031,616	182,043,502	175,994,407	176,009,862
Debt securities	10,413,555	10,416,288	10,483,528	10,400,522
Subordinated debt	3,902,680	4,157,301	3,780,398	3,780,398

(1) The amount of the fair value of liabilities to customers at 31 December 2016 was corrected by €2,955 million.

Fair value of loans

The scope selected includes all loans drawn on La Banque Postale and shown on its balance sheet. Loans granted but not yet drawn are not taken into account: the assumption is that since their rates were recently set, their value should not diverge from the nominal amount loaned.

The main assumptions underlying the determination of fair value are as follows for the loans marketed by the Bank:

- the fair value of current account overdrafts is presumed to correspond to the book value due to their short duration (the customer is required to return the account to credit within 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 term that 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 on which the interest rate is regulated, Livret B accounts, saving accounts for young people, National Savings accounts and term deposit accounts, 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 carrying amount 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 reporting date market rates.

All these instruments are considered Level 2, the most significant parameters in terms of the market value of these instruments are considered as being indirectly observable.

5.2. Ranking of the financial assets and liabilities recognised on the balance sheet by fair value

Three levels of financial instruments are shown based on the decreasing level of observability of the prices and parameters used for their measurement:

- 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).

  These instruments are measured employing valuation techniques that use 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, floors, etc.;

- level 3: Instruments valued using data that are not based on observable market data (non observable data).

  This category mainly includes unlisted equity investments.

The market value of unlisted equity investments classified as available-for-sale securities is determined by reference to criteria such as net assets, profitability outlook and discounting 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 ask price for a liability held or an asset to be acquired.

Financial assets

(in € thousands)	30.06.2017 Valuation determined using prices listed on an active market (Level 1)	30.06.2017 Valuation process using observable data (Level 2)	30.06.2017 Valuation process using non-observable data (Level 3)	31.12.2016 Valuation determined using prices listed on an active market (Level 1)	31.12.2016 Valuation process using observable data (Level 2)	31.12.2016 Valuation process using non-observable data (Level 3)
Government paper and similar securities	1,870,230	-	-	552,270	170,284	-
Bonds and other fixed-income securities	1,912,656	8,586,450	-	2,694,228	8,336,718	-
Shares and other variable-income securities	54,487	-	-	44,358	-	-
Financial assets at fair value through profit and loss	**3,837,373**	**8,586,450**	**-**	**3,290,856**	**8,507,002**	**-**
Interest rate derivative instruments	-	420,123	-	-	504,916	-
Foreign exchange derivative instruments	-	52,314	-	-	22,809	-
Share and index derivative instruments	-	4,481	-	-	4,318	-
Trading derivatives	**-**	**476,918**	**-**	**-**	**532,043**	**-**
Interest rate derivative instruments	-	1,241,750	-	-	1,559,775	-
Fair value hedging derivative instruments	**-**	**1,241,750**	**-**	**-**	**1,559,775**	**-**
Interest rate derivative instruments	-	7,130	-	-	17,725	-
Cash flow hedging derivative instruments	**-**	**7,130**	**-**	**-**	**17,725**	**-**
Government paper and similar securities	6,637,326	338,254	-	7,491,245	35,112	-
Bonds and other fixed-income securities	10,154,861	196,635	-	9,794,248	219,838	-
Shares and other variable-income securities	745,123	227,365	262,228	747,430	221,040	251,579
Non-consolidated equity investments	-	-	139,188	-	-	118,992
Available-for-sale financial assets	**17,537,310**	**762,254**	**401,416**	**18,032,923**	**475,990**	**370,571**

Transfer from Level 1 to Level 2: €339 million (three fixed-income securities whose prices are no longer representative of a price quoted on the active market).

Transfer from Level 2 to Level 1: €24 million (two fixed-income securities, whose transactions now meet the volume and frequency conditions).

Financial liabilities

(in € thousands)	30.06.2017			31.12.2016		
	Valuation determined using prices listed on an active market (Level 1)	Valuation process using observable data (Level 2)	Valuation process using non-observable data (Level 3)	Valuation determined using prices listed on an active market (Level 1)	Valuation process using observable data (Level 2)	Valuation process using non-observable data (Level 3)
Debt securities	-	4,538	-	-	4,548	-
Financial liabilities at fair value through profit or loss on option	**-**	**4,538**	**-**	**-**	**4,548**	**-**
Interest rate derivative instruments	-	416,064	-	-	500,638	-
Foreign exchange derivative instruments	-	55,147	-	-	60,435	-
Other derivative instruments	-	22,256	-	-	25,388	-
Credit derivative instruments	-	8,167	-	-	3,954	-
Share and index derivative instruments	-	5,014	-	-	5,132	-
Trading derivatives	**-**	**506,648**	**-**	**-**	**595,547**	**-**
Financial liabilities at fair value through profit or loss	**-**	**511,186**	**-**	**-**	**600,095**	**-**
Interest rate derivative instruments	-	591,124	-	-	878,706	-
Foreign exchange derivative instruments	-	14,784	-	-	35,401	-
Hedging derivative instruments	**-**	**605,908**	**-**	**-**	**914,107**	**-**

Change in fair value related to Level 3: reconciliation of opening and closing balances

(in € thousands)	30.06.2017					
	Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss on option	Trading derivatives	Hedging derivative instruments	Available-for-sale financial assets	Total
OPENING	**-**	**-**	**-**	**-**	**370,571**	**370,571**
Total gains and losses recorded in profit and loss	-	-	-	-	-	-
Total gains and losses recorded in equity	-	-	-	-	810	810
Purchases	-	-	-	-	37,543	37,543
Disposals	-	-	-	-	(6,412)	(6,412)
Issues	-	-	-	-	-	-
Redemptions	-	-	-	-	-	-
Transfer to or from Level 3	-	-	-	-	-	-
Transfer in Level 3	-	-	-	-	-	-
Other movements	-	-	-	-	(1,096)	(1,096)
CLOSING	**-**	**-**	**-**	**-**	**401,416**	**401,416**

Level 3 available-for-sale financial assets valued at fair value are non-consolidated equity investments which don't have a market price and are valued at cost and variable-income securities, primarily FCPR (venture capital funds), FCPI (innovation investment funds) and FDGR certificates of membership/members' certificates.

Level 3 fair value valuations: profit and loss of the financial period recorded in profit and loss.

None

NOTE 6. SEGMENT INFORMATION

La Banque Postale Group is structured around the following divisions:

- **Retail banking,** which includes the activities of La Banque Postale, the CRSF Métropole, CRSF Dom and Tertiaire Saint Romain Limited Property Investment Partnerships that own the business premises of La Banque, La Banque Postale Financement, Easybourse, La Banque Postale Crédit aux Entreprises, La Banque Postale Collectivités Locales, La Banque Postale Home Loan SFH, BPE and SOFIAP as well as the SF2 holding company and FCT Elise 2012.
- 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** consists of La Banque Postale Asset Management Group, Tocqueville Finance Holding, Tocqueville Finance SA and AEW Europe.

Except for the foreign subsidiaries of CNP Assurances and AEW Europe, the Group conducts its business activities in France.

Inter-segment and intra-segment transactions are performed under commercial market conditions.

6.1. Breakdown of results by business segment

Net income by business segment as at 30 June 2017 (excluding the remuneration cost of equity capital for each segment)

(in € thousands)	Retail banking	Insurance	Asset management	Total
Net banking income	**2,616,755**	**120,491**	**70,852**	**2,808,098**
General operating expenses	(2,149,725)	(50,263)	(41,608)	(2,241,596)
Net depreciation and amortisation of tangible and intangible fixed assets	(86,417)	(2,248)	(549)	(89,214)
Gross operating income	**380,613**	**67,980**	**28,695**	**477,288**
Cost of risk	(71,271)	-	-	(71,271)
Operating income	**309,342**	**67,980**	**28,695**	**406,017**
Share of profits of equity associates	-	130,994	1,509	132,503
Gains and losses on other assets	(594)	-	-	(594)
Goodwill	-	-	-	-
Pre-tax income	**308,748**	**198,975**	**30,204**	**537,927**
Income tax	(116,764)	(28,124)	(10,365)	(155,253)
Consolidated net income	**191,984**	**170,850**	**19,839**	**382,673**
Non-controlling interests	11,529	(502)	5,098	16,124
NET INCOME, GROUP SHARE	**180,455**	**171,352**	**14,741**	**366,549**

Net income by business segment as at 30 June 2016 (excluding the remuneration cost of equity capital for each segment)

(in € thousands)	Retail banking	Insurance	Asset management	Total
Net banking income	**2,797,333**	**96,778**	**80,285**	**2,974,396**
General operating expenses	(2,207,652)	(47,620)	(44,301)	(2,299,573)
Net depreciation and amortisation of tangible and intangible fixed assets	(84,109)	(2,468)	(1,813)	(88,390)
Gross operating income	**505,572**	**46,690**	**34,171**	**586,433**
Cost of risk	(84,164)	-	135	(84,029)
Operating income	**421,408**	**46,690**	**34,306**	**502,404**
Share of profits of equity associates	-	86,658	-	86,658
Gains and losses on other assets	(730)	-	(160)	(890)
Goodwill	-	-	-	-
Pre-tax income	**420,678**	**133,348**	**34,146**	**588,172**
Income tax	(169,308)	(22,772)	(12,242)	(204,322)
Consolidated net income	**251,370**	**110,576**	**21,904**	**383,850**
Non-controlling interests	10,064	8,137	5,206	23,407
NET INCOME, GROUP SHARE	**241,306**	**102,439**	**16,698**	**360,443**

NOTE 7. SCOPE OF CONSOLIDATION

Companies	Nationality	Method (1)	Movements	% Control 30.06.2017	% Interest 30.06.2017	Method 31.12.2016	% Control 31.12.2016	% Interest 31.12.2016
RETAIL BANKING								
La Banque Postale	French	PARENT		100.00	100.00	PARENT	100.00	100.00
SCI CRSF DOM (2)	French	FULL		99.94	99.94	FULL	99.94	99.94
SCI CRSF Métropole (2)	French	FULL		99.99	99.99	FULL	99.99	99.99
SCI Tertiaire Saint Romain (2)	French	FULL		100.00	100.00	FULL	100.00	100.00
SF2	French	FULL		100.00	100.00	FULL	100.00	100.00
La Banque Postale Financement	French	FULL		65.00	65.00	FULL	65.00	65.00
La Banque Postale Crédit Entreprises	French	FULL		100.00	100.00	FULL	100.00	100.00
Easybourse	French	FULL		100.00	100.00	FULL	100.00	100.00
FCT Elise 2012	French	FULL		95.00	95.00	FULL	95.00	95.00
BPE	French	FULL		99.99	99.99	FULL	99.99	99.99
La Banque Postale Collectivités Locales	French	FULL		65.00	65.00	FULL	65.00	65.00
La Banque Postale Home Loan SFH	French	FULL		100.00	100.00	FULL	100.00	100.00
SOFIAP	French	FULL		66.00	66.00	FULL	66.00	66.00
INSURANCE								
CNP Assurances Group	French	EQUI		36.25	20.15	EQUI	36.25	20.15
La Banque Postale Prévoyance	French	FULL		100.00	100.00	FULL	100.00	100.00
La Banque Postale Conseil En Assurances	French	FULL		100.00	100.00	FULL	100.00	100.00
Sopassure	French	JOINT		50.02	50.02	JOINT	50.02	50.02
La Banque Postale Assurances IARD	French	FULL		65.00	65.00	FULL	65.00	65.00
La Banque Postale Assurance Santé	French	FULL		51.00	51.00	FULL	51.00	51.00
ASSET MANAGEMENT								
AEW Europe		EQUITY		40.00	40.00	EQUITY	40.00	40.00
LA BANQUE POSTALE ASSET MANAGEMENT	French	FULL		70.00	70.00	FULL	70.00	70.00
TOCQUEVILLE FINANCE HOLDING	French	FULL		92.67	92.67	FULL	92.62	92.62
TOCQUEVILLE FINANCE SA	French	FULL		99.86	92.54	FULL	99.86	92.49

(1) Consolidation method
FULL: Full consolidation
EQUITY: Equity method
JOINT: Joint control recorded for the share of assets, liabilities and income received
NI: Not included
(2) Property investment company holding the bank's operating buildings

5.3 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLDIATED FINANCIAL STATEMENTS

KPMG S.A.
Registered office
Tour EQHO
2 Avenue Gambetta
CS 60055
92055 Paris la Défense Cedex
France

PricewaterhousCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
France

La Banque Postale S.A.
Registered office : 115, rue de Sèvres - 75275 Paris Cedex 06
Capital : €4,046 407 595

Report by the statutory auditors on the 2017 interim financial information

Period from 1 January 2017 to 30 June 2017

Dear Shareholders,

Under the terms of the assignment entrusted to us by your General Meeting, and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- performed a limited review of the summary consolidated interim financial statements of La Banque Postale SA for the period from 1 January 2017 to 30 June 2017, as appended to this report;
- checked the information provided in the interim business report.

These summary consolidated interim financial statements have been prepared under the responsibility of the Executive Board. It is our responsibility, based on our limited review, to express an opinion on these financial statements.

I - Conclusion on the financial statements

We have carried out our limited review in accordance with the professional standards applicable in France. A limited review mainly consists in meeting the members of the management team responsible for accounting and financial issues and implementing analytical procedures. This work is less extensive than that required for an audit performed in accordance with the professional standards applicable in France. As a result the assurance that the financial statements, taken as a whole, do not include any significant misstatements that is obtained as part of a limited review is a moderate assurance, which is not as certain as the assurance obtained as part of an audit.

Based on our limited review, we did not observe any material misstatements of a nature that would call into question the compliance of the summary consolidated financial statements with IAS 34 – the IFRS standard for interim financial information as adopted by the European Union.

II - Specific checks

We also verified the information provided in the interim business report on the summary consolidated interim financial statements that were the subject of our limited review. We have no comments to make on the fair presentation of that information or on its consistency with the summary consolidated interim financial statements.

Paris La Défense, 1 August 2017

KPMG S.A.

Marie-Christine Jolys

Partner

Neuilly-sur-Seine, 1 August 2017

PricewaterhouseCoopers Audit

Jacques Levi

Partner

6. OTHER INFORMATION

6.1. AVAILABILITY OF THE REGISTRATION DOCUMENT TO THE PUBLIC

All documents made available to the public under statutory conditions may be consulted at the registered office of La Banque Postale, 115 rue de Sèvres, 75275 Paris cedex 06. La Banque Postale's Registration Documents are also available on the www.labanquepostale.com.

6.2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

Statutory auditors of La Banque Postale	Start date of first assignment	End date of the assignment
PricewaterhouseCoopers Audit (member of the Versailles Regional Chamber of Statutory Auditors) 63, rue de Villiers 92200 Neuilly-sur-Seine Represented by Jacques Lévi as from the 2016 financial year Alternate auditor: Jean-Baptiste Deschryver	28 April 2004	The General Meeting called in 2022 to approve the financial statements for the year ending 31 December 2021
KPMG SA (member of the Versailles Regional Chamber of Statutory Auditors) Tour Eqho 2, avenue Gambetta CS60055 92066 Paris La Défense Représenté par Marie-Christine Jolys à compter de l'exercice 2015 Alternate auditor: KPMG Audit FS1	27 May 2010	The General Meeting called in 2022 to approve the financial statements for the year ending 31 December 2021

6.3. PERSON RESPONSIBLE FOR UPDATING THE REGISTRATION DOCUMENT

Mr Rémy Weber
Chairman of the Executive Board
La Banque Postale

I hereby certify that I have taken all reasonable steps to ensure that the information contained in this updated 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 summary consolidated financial statements for the half-year just ended have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profits and losses of the Company and of all companies included in the scope of consolidation and that the interim business report that consists of the sections of this update listed in the correlation table in Section 6.5 herein provides a true picture of the significant events that occurred during the first six months of the financial year, their impact on the financial statements and the main related party transactions, together with a description of the main risks and uncertainties for the remaining six months of the year.

I have received a letter from the statutory auditors, KPMG SA and PricewaterhouseCoopers Audit, stating that they have completed their assignment, and in which they mention that they have verified the information on the financial position and financial statements provided in this update and have read the Registration Document and this update from beginning to end.

Paris, 7 August 2017,
The Chairman of the Executive Board,
Rémy Weber

6.4. CORRELATION TABLE FOR THE UPDATE OF THE REGISTRATION DOCUMENT

Correlation table (Annex I to Commission Regulation (EC) No. 8009/2004)		Headings in Annex I to Commission Regulation (EC) No. 8009/2004
Updated Registration Document	**Page**	
Persons responsible	79	1
Statutory auditors	79	2
Selected financial information		3
Historical financial information		3.1
Interim financial information	48-77	3.2
Risk factors	17-47	4
Information about the issuer		5
History and development of the issuer	3	5.1
Investments	53	5.2
Business overview		6
Main activities	3	6.1
Main markets	-	6.2
Exceptional events	-	6.3
Potential dependency	-	6.4
Key elements of any statement made by the issuer regarding its competitive position	-	6.5
Organisational chart		7
Summary description	4	7.1
List of major subsidiaries	4 ; 77	7.2
Property, plant and equipment		8
Major existing or planned tangible fixed asset	49	8.1
Environmental issue that may affect the use of property, plant and equipment	-	8.2
Review of the financial position and results		9
Financial position	3 ; 6-16	9.1
Operating profit	10-14 ; 48	9.2
Cash and equity capital		10
Issuer's equity capital	49	10.1
Origin and amount of cash flows	52	10.2
Borrowing conditions and financial structure	48-77	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 *La Banque Postale is not exposed to any covenants.*	10.4
Expected source of financing	-	10.5
Research and development, patents and licences	-	11
Information about trends	15-16	12
Profit forecasts or estimates	None	13
Administrative, supervisory management, and executive management bodies		14
Administrative and management bodies	-	14.1
Conflict of interest at the level of the administrative and management bodies	-	14.2
Remuneration and benefits		
Remuneration amount paid and benefits in kind	-	15.1
Total amounts provisioned or recorded for the purpose of paying pension and retirement, or other benefits	-	15.2
Operation of the management bodies		16
Current mandate end-date	-	16.1

Service agreements binding the members of the administrative bodies	-	16.2
Information on the Audit Committee and the Compensation Committee	-	16.3
Current corporate governance rules in the issuer's country of origin	-	16.4
Employees		17
Number of employees	3	17.1
Profit sharing and stock options	-	17.2
Agreement providing for employee participation in the issuer's capital	-	17.3
Main shareholders		18
Shareholders with over 5% of the share capital	-	18.1
Existence of voting rights	-	18.2
Control of the issuer	-	18.3
Agreement known to the issuer, where the implementation could subsequently result in its control changing hands	-	18.4
Transaction with related parties	-	19
Financial information on the issuer's assets, financial position, and results		20
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Pro forma financial information	NA	20.2
Financial statements	48-77	20.3
Verification of the annual financial information	-	20.4
Date of the latest information available	30 June 17	20.5
Interim and other financial information	48-77	20.6
Dividend policy	-	20.7
Legal and arbitrage proceedings	39-40	20.8
Significant change in the issuer's financial or trading position	15-16	20.9
Additional information		21
Share capital	-	21.1
Deeds of incorporation and articles of association	-	21.2
Material contracts	-	22
Information from third parties, expert statements, and declarations of interest		23
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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)	15-16	
Tables featuring key financial data for the past five years	-	
Information on non-financial employee-related and environmental data	-	
Management report		
Review of the results, financial position, risks, and list of delegations of authority relating to increasing the capital of the parent company and of the consolidated entity	10-16	
Required information likely to have an impact in the event of a public offering (Article L. 225-100-3 of the French Commercial Code)	-	
Expenses not deductible for tax purposes	-	
Statutory auditors' fees	-	
Information relating to the share buybacks (paragraph 2 of Article L. 225-211 of the French Commercial Code)	-	
Chairman's report on the work performed by the Supervisory Board and on internal control procedures	-	
Equity investments made over the year (Article L. 233-6)	-	
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)	15-16	
Tables featuring key financial data for the past five years	-	
Information on non-financial employee-related and environmental data	-	

6.5. INTERIM FINANCIAL REPORT CORRELATION TABLE

Pursuant to Article 212-13 of the General Regulations of the French Financial Markets Authority, this update includes information from the interim financial report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-4 of the French Financial Markets Authority..

INTERIM FINANCIAL REPORT	Page No.
STATEMENT BY THE PERSON RESPONSIBLE FOR THE DOCUMENT	**79**
BUSINESS REPORT	**3-47**
• Main events that occured during the first six months of the financial year	6-9
• Main risks and uncertainties	17-47
• Main related-party transactions	-
CONSOLIDATED FINANCIAL STATEMENTS	**48-77**
STATUTORY AUDITORS' REPORT ON THE 2017 FIRST HALF FINANCIAL INFORMATION	**78**

Limited Company with Executive and Supervisory Boards, with a capital of € 4,046,407,595.00
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