

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016



LE GROUPE LA POSTE

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CONSOLIDATED INCOME STATEMENT

<i>(€ million)</i>	NOTE	2016	2015
Revenues from commercial activities	6	17,696	17,315
Net banking income	7	5,598	5,730
Operating revenue		23,294	23,045
Purchases and other expenses	8	(8,534)	(8,078)
Personnel expenses	9	(12,593)	(12,731)
Taxes and levies	10	(243)	(293)
Depreciation, amortisation, provisions and impairment	11	(1,194)	(1,282)
Other operating revenue and expenses	12	297	235
Proceeds from asset disposals		(45)	(25)
Net operating expenses		(22,313)	(22,174)
Operating profit/(loss) before share in results of joint ventures		981	871
Share in results of joint ventures	18	(6)	3
Operating profit/(loss) after share in results of joint ventures		975	875
Cost of net financial debt		(141)	(133)
Other financial items		(28)	(21)
Financial profit/(loss)	13	(169)	(154)
Profit before tax of consolidated companies		806	721
Income tax	14	(104)	(253)
Share in profits of associates		191	207
CONSOLIDATED NET PROFIT/(LOSS)		893	675
Net profit/(loss), group share		849	635
Attributable to non-controlling interests		44	39

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts after tax (€ million)	NOTE	2016	2015
Consolidated net profit/(loss)		893	675
Other comprehensive income recognised under equity			
Recyclable items			
Change in unrealised gains and losses on financial instruments	14.2	170	19
<i>Transfer to net profit/(loss) for the year</i>		(134)	(54)
Translation adjustments	14.2	(25)	30
<i>Transfer to net profit/(loss) for the year</i>			
Share in other comprehensive income of equity companies	18.1	134	(16)
<i>Of which - change in unrealised gains and losses on financial instruments - CNP</i>		90	42
<i>- other unrealised gains and losses on financial instruments</i>		(1)	
<i>- cumulative translation adjustments</i>		45	(58)
Non recyclable items			
Actuarial adjustments on employee benefits	29	29	19
Change in credit risk of liabilities designated as at fair value through profit or loss	3	(7)	
Total other comprehensive income recognised in equity (after tax)		301	51
Total comprehensive income/(loss)		1,195	726
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE		1,142	690
Total comprehensive income/(loss) attributable to non-controlling interests		53	36

CONSOLIDATED BALANCE SHEET

ASSETS

<i>(€ million)</i>	NOTE	31/12/2016	31/12/2015
Goodwill	15	2,119	1,968
Intangible assets	16	916	860
Tangible assets	17	5,661	5,780
Investments in joint ventures and associates	18	3,426	3,141
Other non-current financial assets	19	480	707
Deferred tax assets	14	239	343
NON-CURRENT ASSETS		12,840	12,800
Current banking assets			
Customer loans and receivables	20.1	78,784	73,628
Credit institutions loans and receivables	20.2	84,461	83,102
Securities portfolio	20.3	54,799	51,542
Other current financial assets	20.4	1,716	1,486
Accruals	20.5	1,497	1,583
Cash and central bank deposits	23.2	2,732	1,812
Other current assets			
Inventories and work-in-progress	21	97	109
Trade and other receivables	22	3,886	3,737
Other current financial assets	19	609	485
Income tax credit		354	196
Other accruals – Assets		81	66
Cash and cash equivalents	23	2,152	2,457
Assets held for sale	24	179	17
CURRENT ASSETS		231,346	220,219
TOTAL ASSETS		244,186	233,019

LIABILITIES

(€ million)	NOTE	31/12/2016	31/12/2015
Share capital		3,800	3,800
Issue premium		900	900
Reserves		4,397	3,735
Unrealised gains and losses on financial instruments		1,222	952
Actuarial adjustments on employee benefits		(150)	(179)
Cumulative translation adjustments		(101)	(121)
Net profit/(loss), group share		849	636
Equity, group share		10,917	9,723
Non-controlling interests		115	292
CONSOLIDATED EQUITY		11,033	10,015
Medium and long-term bonds and other financial debt	27	5,836	5,968
Employee benefits – non-current liabilities	29	2,118	2,093
Non-current provisions for contingencies and losses	26.2	328	290
Deferred tax liabilities	14	277	293
NON-CURRENT LIABILITIES		8,560	8,644
Current provisions for contingencies and losses			
Specific provisions for the Insurance and Banking activities	26.1	2,593	2,513
Current provisions for contingencies and losses	26.2	567	616
Short-term bonds and other financial debt	27.1	1,064	1,345
Current banking liabilities			
Liabilities to credit institutions	30.1	19,003	15,741
Liabilities to customers	30.2	175,669	171,384
Debt evidenced by a certificate and other financial liabilities	30.3	17,785	14,717
Accruals	20.5	2,203	2,441
Other current liabilities			
Trade and other payables	31	4,693	4,652
Government – Income tax		47	44
Employee benefits – current liabilities	29	774	734
Other accruals – Liabilities		196	173
CURRENT LIABILITIES		224,593	214,360
TOTAL LIABILITIES		244,186	233,019

CHANGES IN CONSOLIDATED EQUITY 2016

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2015	3,800	900	636	(121)	677	275	3,556	9,723	292	10,015
Dividend payments			(171)					(171)	(25)	(196)
Call options on non-controlling interests							271	271	25	296
Transactions with non-controlling interests						26	(84)	(58)	(215)	(273)
Appropriation of 2015 earnings			(465)				465			
Comprehensive income for the year			849	20	90	154	29	1,142	53	1,195
<i>Of which:</i>			849					849	44	893
- Net profit			849					849	44	893
- Actuarial adjustments							29	29		29
- Other comprehensive income				20	90	154		264	8	273
Other							10	10	(14)	(4)
CONSOLIDATED EQUITY AS AT 31/12/2016	3,800	900	849	(101)	767	456	4,247	10,917	115	11,033

(a) Of which the impact of the acquisition of non-controlling interests in La Banque Postale Prévoyance for €-50 million (see Note 1.1).

CHANGES IN CONSOLIDATED EQUITY 2015

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2014	3,800	900	513	(92)	635	253	3,103	9,112	270	9,382
Dividend payments			(171)					(171)	(15)	(186)
Call options on non-controlling interests							(31)	(31)	(18)	(49)
Transactions with non-controlling interests ^(a)							108	108	(12)	96
Appropriation of 2014 earnings			(342)				342			
Comprehensive income for the year			636	(29)	42	22	19	690	36	726
Of which:			636					636	39	675
- Net profit			636					636	39	675
- Actuarial adjustments							19	19		19
- Other comprehensive income				(29)	42	22		35	(3)	32
Other							16	16	31	47
Consolidated equity as at 31/12/2015	3,800	900	636	(121)	677	275	3,556	9,723	292	10,015

(a) Of which a €93 million impact of the sale of a 25% stake in La Banque Postale Asset Management to Aegon Asset Management, as part of their capital and industrial partnership in June 2015.

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	NOTE	2016			2015		
		Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale
EBITDA		2,357	1,142	1,215	2,629	1,106	1,523
Change in provisions for current assets and unrecoverable receivables		(199)	(21)	(178)	(219)	(8)	(211)
Miscellaneous financial income and expenses		(2)	(2)		1	1	
Cash flows from operating activities before cost of net debt and taxes	39.1	2,156	1,119	1,036	2,411	1,099	1,312
Change in working capital requirement	39.3	(132)	(43)	(89)	57	(33)	90
CICE tax credit for the period (excluding provisions)		(338)	(335)	(3)	(344)	(341)	(3)
Change in balance of banking sources and uses	39.4	6,598		6,598	2,191		2,191
Taxes paid		(81)	159	(240)	51	431	(380)
Monetisation of CICE tax credit		154	154				
Dividends paid by La Banque Postale to La Poste			382	(382)		369	(369)
Dividends received from equity associates		119	13	106	157	51	106
Cash flows from operating activities		8,476	1,448	7,027	4,522	1,574	2,948
Purchase of intangible and tangible assets	39.5	(1,140)	(917)	(223)	(993)	(778)	(215)
Purchase of financial assets		(55)	(52)	(3)	(43)	(35)	(8)
Proceeds from the disposal of tangible and intangible assets		109	103	6	83	83	
Proceeds from disposals of financial assets		9	9		22	16	5
Impact of changes in consolidation scope		(237)	(237)		(150)	(130)	(20)
Change in financial assets held for investment purposes		21	21		66	66	
Cash flows from investing activities		(1,293)	(1,072)	(221)	(1,016)	(779)	(237)
Capital increase					24		24
Dividends paid		(197)	(174)	(22)	(188)	(173)	(15)
Interest paid		(145)	(145)		(145)	(145)	
Proceeds from new borrowings	39.6	1,078	478	600	1,795	1,045	750
Repayment of borrowings	39.7	(837)	(837)		(600)	(600)	
Purchase of non-controlling interests		(305)	(8)	(297)	101	(27)	128
Other cash flows from financing activities	39.8	(68)	(68)		(72)	(72)	
Intra-group flows			75	(75)		244	(244)
Cash flows from financing activities		(474)	(680)	207	917	273	644
Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope and transfer of cash held at post offices	39.9	(7,013)		(7,013)	(3,355)		(3,355)
Impact of changes in exchange rates					(1)	(1)	
Change in cash and cash equivalents		(305)	(305)		1,067	1,067	
Opening cash and cash equivalents		2,457	2,457		1,389	1,389	
Closing cash and cash equivalents		2,152	2,152		2,457	2,457	

GENERAL ITEMS

NOTE 1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- 1.1 Acquisition of all equity interest in La Banque Postale Prévoyance
- 1.2 La Banque Postale bond issue
- 1.3 Sale of Visa Europe shares to Visa Inc.
- 1.4 Subordinated debt issue

1.1 Acquisition of all equity interest in La Banque Postale Prévoyance

As part of the renewal of the partnership between La Banque Postale and CNP Assurances, the Group acquired in June 2016 all non-controlling interests in La Banque Postale Prévoyance held by CNP Assurances. As La Banque Postale Prévoyance was already fully consolidated, this acquisition does not have any impact on the scope on consolidation.

In accordance with IFRS 3, goodwill resulting from this acquisition of additional interest was recognised directly in deduction of equity, for an amount of €50 million, including the restatement of internal gain on the sale in the Group share in CNP Assurances associate profit.

1.2 La Banque Postale bond issue

In 2016, La Banque Postale carried out two bond issues:

- On 9 June 2016, a €500 million bond issue with a 12-year maturity.

- On 5 October 2016, a €100 million bond issue with a 12-year maturity.

These issues aim to strengthen La Banque Postale's capital, in connection with solvency ratios.

1.3 Sale of Visa Europe shares to Visa Inc.

The sale of the shares of Visa Europe to Visa Inc. was carried out in June 2016. A gross capital gain of €107 million was recorded in the Group accounts on this sale.

1.4 Subordinated debt issue

La Poste issued on 1 December 2016 \$500 million in deeply subordinated notes at a fixed rate of 5.3% and a maturity on 1 December 2043. La Poste will have the right to redeem these notes early, starting on 1 December 2023 (see Note 27.3).

NOTE 2 ACCOUNTING RULES AND POLICIES

- 2.1 Accounting guidelines
- 2.2 Valuation basis and use of estimates
- 2.3 Consolidation methods
- 2.4 Translation of financial statements of foreign companies
- 2.5 Foreign currency transactions
- 2.6 Consolidation of the La Banque Postale segment
- 2.7 Business combinations
- 2.8 Operating revenue
- 2.9 Taxes
- 2.10 Intangible assets
- 2.11 Tangible assets
- 2.12 Impairment of goodwill, intangible assets and tangible assets
- 2.13 Other financial assets
- 2.14 Banking activities assets and liabilities
- 2.15 Bond debt and financial derivatives relating to the management of the bond debt
- 2.16 Commitments to buy out non-controlling interests
- 2.17 Inventories and work-in-progress
- 2.18 Trade receivables
- 2.19 Provisions
- 2.20 Employee benefits
- 2.21 Assets held for sale
- 2.22 Cash flow statement

La Poste, the parent company of Le Groupe La Poste ("Le Groupe La Poste" or "the Group") has been a *Société Anonyme* (public limited company) since 1 March 2010, and has its registered office at 9, rue du Colonel Pierre Avia in Paris. It had previously been an independent state-owned entity, which was already subject to the same financial management and accounting rules as commercial businesses.

The consolidated financial statements of Le Groupe La Poste for the year ended 31 December 2016 were signed off by the Board of Directors (meeting on 23 February 2017), and the General Shareholders' Meeting will be asked to approve them.

2.1 Accounting guidelines

Pursuant to European Regulation No. 1606/2002 of 19 July 2002, the consolidated financial statements of Le Groupe La Poste for the year ended 31 December 2016 were prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union. These standards are available on the website of the European Commission (ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The accounting principles applied as at 31 December 2016 are unchanged from those applied as at 31 December 2015, except for the items described in Points 2.1.1 and 2.1.2 below.

2.1.1 Standards and application interpretations that are mandatory for the first time in 2016

The following amendments, effective for the first time in 2016, did not have any impact on the Group's financial statements:

Amendments	Issue date
Amendments to IAS 1: Disclosure Initiative	12/2014
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	05/2014
Amendments to IAS 16 and IAS 41: Bearer Plants	06/2014
Amendments to IAS 19: Employee Contributions	11/2013
Annual Improvements to IFRSs 2010–2012 Cycle	12/2013
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	05/2014
Annual Improvements to IFRSs 2012–2014 Cycle	11/2014
Amendments to IAS 27: Equity Method in Separate Financial Statements	08/2016

2.1.2 Standards and application interpretations that were applied in advance

Le Groupe La Poste elected to apply in advance chapter 5.7.7. of IFRS 9, which deals with the presentation of changes in fair value of liabilities designated as at fair value through profit or loss, attributable to the credit risk of these liabilities. The impact of applying this text is presented in Note 3.

As permitted by chapter 7.1.2 of IFRS 9, Le Groupe La Poste did not apply in advance the other provisions of IFRS 9.

2.1.3 Standards and application interpretations that will be mandatory after 31 December 2016 and that were not applied in advance

IFRS 9

IFRS 9 - *Financial instruments*, adopted on 22 November 2016 by the European Union, will replace IAS 39 - *Financial instruments: Recognition and measurement* with effect from 1 January 2018.

It defines new rules for the classification and measurement of financial instruments, a new financial asset impairment methodology and introduces a reformed hedge accounting model. The main impacts expected from applying this standard will concern the La Banque Postale and its subsidiaries. Impacts on the Group's other entities will be immaterial.

The primary changes introduced by this standard for the Group's banking activities will be as follows:

Classification and measurement

In accordance with IFRS 9, financial assets are classified at amortised cost, at fair value through equity (recyclable or non-recyclable) or at fair value through profit or loss. Financial assets in each category are classified according to the entity's defined business model and contractual cash flow characteristics ("basic loan" criterion).

Debt instruments whose contractual flows are solely made up of principal and interest payments on the remaining principal owed ("basic loan" criterion) are classified:

- at amortised cost, if the goal of the business model is to conserve financial assets to collect contractual cash flows
- at fair value through recyclable equity, if the goal of the business model is to hold the financial assets in order to collect contractual cash flows and to sell assets.

All debt instruments which cannot be classified at amortised cost or at fair value through equity are classified at fair value through profit or loss.

Investments in equity instruments are measured at fair value through profit or loss, except for investments that are not held for trading, and for investments where the standard offers an irrevocable option, as of each instrument's first recognition date, which are classified at fair value via non-recyclable equity. In this case, the unrealised gains and losses recognised in equity cannot be recycled in profit or loss in the event of a sale.

The Group only expects limited impacts in terms of classifying financial assets based on studies conducted on the "basic loan" criterion and on business models. With regard to the "basic loan" criterion, studies have particularly consisted of analysing contractual clauses by type of instrument (e.g. early redemption clauses or clauses enabling the loan to be switched to a fixed rate) that may not correspond solely to principal and interest payments on the remaining principal owed.

With regard to financial liabilities, and specifically for financial liabilities recognised under the fair value through profit or loss option, the standard now requires the change in fair value attributable to a change in its own credit risk to be recognised in non-recyclable equity, unless this treatment would create or increase an accounting mismatch. As permitted by IFRS 9, this provision has been applied early by the Group as at 31 December 2016 (see Note 3).

Impairment

The new provisioning methodology has now shifted toward an expected credit loss model and away from an incurred loss only model.

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

The current provisioning principles applied by La Banque Postale results in the recognition of asset impairments on an individual and collective basis. Individual provisions are recorded at the single asset level if there is objective evidence of an impairment loss. Collective provisions are statistical provisions that aim to cover objective evidence of impairment loss identified at the portfolio-level that cannot be allocated individually.

Under IFRS 9, new impairments corresponding to one-year expected credit losses will be accounted for on outstandings as soon as they are recorded on the balance sheet, and off-balance sheet for financing commitments, as long as they do not significantly increase credit risk.

Outstandings for which a significant decline in credit quality is identified since the date it was first recognised must be subject to impairment for the expected credit loss over the remaining life of the instrument.

Simplified approaches have been defined for trade receivables and lease receivables. Under certain conditions, these approaches eliminate the need for companies to monitor changes in credit quality over time in order to recognise an impairment loss over the receivable's remaining life.

In addition, the standard offers the option to consider that an asset presenting "low" credit risk at the reporting date has not experienced significant deterioration of credit quality since its initial recognition date, without having to conduct detailed analysis on changes in its credit quality.

Methodologies developed as part of IFRS 9 interact closely with risk monitoring methods, and particularly risk monitoring methods relating to internal ratings.

They will take past events into consideration such as historical loss experience, current conditions and reasonable and justifiable forecasts of the economic environment.

This provisioning model based on expected credit losses, which now applies to all financial assets, will have an impact on equity at the opening balance sheet date and may increase the cost of credit risk consistent with changes in outstandings.

Hedging

With regard to hedges (excluding macro hedging), the standard expands hedging strategies, notably with more items eligible for hedge accounting, and less requirements pertaining to hedging relationship efficacy.

In addition, the standard does not meet the European Union's provisions relating to the fair value hedging of a portfolio of interest rate items, which will continue to apply.

While waiting for the macro hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting. The possibility of keeping IAS 39 principles pertaining to hedge accounting is currently being explored.

Initial application

IFRS 9 provisions pertaining to classification and measurement as well as impairment must be applied retrospectively in accordance with IAS 8.

The standard provides for a few provisions to simplify the retrospective measurement of certain items.

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

Rolling out the Project within the La Banque Postale

The project to implement IFRS 9 initially involved analysing the standard and carrying out an assessment to identify the various impacts and work to be done in terms of classification and provisioning.

An agile change-management project structure from both an operational as well as an IT systems standpoint was put in place to guarantee that changes are made within the application deadline, i.e. by 1 January 2018.

The Finance Department is heading up the IFRS 9 programme for the entire Group in close collaboration with the Group's Risk Department as part of its overall governance.

Other standards

The impacts of IFRS 15 - *Revenue from Contracts with Customers*, which will be mandatory on 1 January 2018, on the Group's consolidated accounts are not expected to be significant.

The potential impacts of IFRS 16 - *Leases*, are being analysed.

2.2 Valuation basis and use of estimates

The consolidated financial statements are prepared using the historical cost method, with the exception of certain financial instruments measured at fair value.

When preparing the financial statements, the Group is required to make the best possible estimates and to select assumptions that affect the values of assets and liabilities in the balance sheet, and the contingent assets and liabilities disclosed in the notes to the consolidated financial statements, as well as the income and expenses in the income statement. The actual amounts may subsequently differ from the estimates and assumptions.

The items primarily concerned are:

- the calculation of employee benefits;
- the estimates for provisions for contingencies and losses, especially the Home Loan Savings provision;
- the assumptions selected for impairment tests on goodwill and on intangible and tangible assets;
- the measurement of financial instruments not listed on organised markets;
- the credit risk assessments performed by La Banque Postale;
- the assumptions and estimates used to measure the effectiveness of hedges.

2.3 Consolidation methods

2.3.1 Full consolidation

Subsidiaries that are controlled by the Group are fully consolidated.

Control is defined as the power over the relevant activities of the investee, exposure to variable returns from the investee and the ability to use its power to affect these returns

2.3.2 Equity method

Associates and joint ventures are accounted for under the equity method.

Joint ventures are those joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is defined as the sharing of control over a company operated in common by a limited number of partners or shareholders, in such a way that they unanimously set the financial and operating policies.

Associates are entities over which the Group has significant influence.

Significant influence is defined as the power to participate in the financial and operating policies of a company, without having exclusive or joint control over that company.

Shares accounted for under the equity method are recorded in the balance sheet under "Investments in joint ventures and associates" at their historical cost

adjusted for the share of net assets earned subsequent to the acquisition, less impairment. Their profits or losses are presented in the consolidated income statement under "Share in profits of joint ventures and associates".

2.3.3 CNP Assurances

Le Groupe La Poste considers that it has significant influence over CNP Assurances due to its close business ties with the company and its representation on its governing bodies.

La Poste sold 2% of its holding in CNP Assurances to the Caisses d'Épargne Group in 2000, as part of the restructuring of CNP Assurances' share capital. This sale was accompanied by the Caisses d'Épargne Group's agreement to sell back the shares, enabling Le Groupe La Poste to recover its shareholding when the shareholders' agreement expires.

In Le Groupe La Poste's consolidated financial statements, it was considered that the Group would continue to bear the risks and enjoy the benefits relating to these shares. As a result, the 20.15% interest in CNP Assurances, which includes the 2% interest held by the Caisses d'Épargne Group, is accounted for under the equity method.

2.3.4 Non-material controlled entities

Non-material and/or dormant entities, the consolidation of which would not have a material impact on the presentation of a true and fair view of the net assets, financial position or profits and losses of the Group's business activities, are not consolidated.

2.3.5 Intra-group transactions

All material transactions between consolidated companies, and proceeds on internal disposals, are eliminated.

2.3.6 Acquisition and disposal of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change in control over the company in question are recognised in equity.

2.4 Translation of financial statements of foreign companies

The consolidated financial statements are presented in euros, which is the functional and reporting currency for La Poste, the Group's parent company.

The financial statements of all Group companies that use a functional currency other than the reporting currency are converted into the reporting currency in the following manner: the balance sheets of foreign companies are converted into euros based on the closing exchange rate, and their income statements are converted based on the average rate for the financial year. The resulting translation adjustments are recorded directly in the consolidated balance sheet in equity, under "Translation reserves".

Goodwill and fair value adjustments resulting from the acquisition of a foreign operation are treated as the assets and liabilities of the foreign operation and converted at the closing exchange rate.

Exchange differences stemming from transactions consisting of net investments between Group companies are recognised in balance sheet equity under "Translation reserves". Foreign exchange differences resulting from the translation of loans and other foreign exchange instruments designated as hedging instruments for these net investments are charged to equity on consolidation.

When a foreign operation is disposed of, the translation adjustments initially recognised in equity are recognised under gains and losses on disposal in the income statement.

2.5 Foreign currency transactions

Transactions denominated in foreign currencies are recognised based on the applicable exchange rates at the recognition date.

At the closing date, assets and liabilities denominated in foreign currencies are translated at the applicable closing rate.

Foreign exchange differences arising on transactions denominated in foreign currencies are recognised on the "Net foreign exchange gains/(losses)" line under "Other financial income" in the income statement (see Note 13).

2.6 Consolidation of the La Banque Postale segment

In order to improve the clarity of financial statements, specific La Banque Postale segment items relating to banking and insurance activities have been combined on separate lines in the consolidated balance sheet and consolidated income statement. A detailed presentation of these items is provided in the Notes, in accordance with the requirements listed in the IFRS guidelines.

Comments on the principles applied are presented in the notes 2.8 - *Operating revenue* and 2.14 - *Banking activities assets and liabilities*.

2.7 Business combinations

Business combinations are recognised according to the acquisition method, in line with the provisions of IFRS 3 - *Business Combinations*.

When an exclusively controlled company is first consolidated, the acquisition cost represents the fair value of the assets transferred, the equity instruments issued, and of the liabilities incurred or assumed at the date of exchange, plus any contingent consideration.

Goodwill represents the excess of the cost of the business combination over the Group's share in the fair

value of the assets, liabilities and contingent liabilities of the acquired company.

Negative goodwill is immediately recognised in income in the year in which the acquisition is made.

Goodwill is not amortised and is subject to impairment tests at least once a year, and whenever there are indications that it may have been impaired, using the method described in Note 2.12.

2.8 Operating revenue

2.8.1 Revenues from commercial activities

Revenues from the sale of goods or services are recognised upon transfer of the major risks and rewards of ownership to the customer. They are recognised as and when the related service is provided, except for postage stamps and pre-paid envelopes, where revenue is recognised at the time of sale.

As a result, the time taken to deliver mail and parcels is taken into consideration when assessing revenues at the balance-sheet date.

2.8.2 Net Banking Income

Net Banking Income in the consolidated income statement is the net difference between La Banque Postale and all its subsidiaries' banking operating revenue and expenses. It is prepared in accordance with the accounting rules applicable to banks. A breakdown of Net Banking Income is provided in Note 7.

2.9 Taxes

The La Poste parent company has opted for a tax consolidation regime where it is the umbrella company.

Deferred taxes are recognised whenever there is a timing difference between the book value of balance sheet items and their taxable value.

Deferred taxes recognised in prior financial years are altered to reflect any tax rate changes. The corresponding impact is recorded as an increase or decrease in the deferred tax expense in the income statement unless it relates to items recorded directly in equity, in which case the tax is recorded in equity.

All deferred tax liabilities relating to taxable timing differences are recognised. Deferred tax assets resulting from timing differences, tax loss carry-forwards and tax credits are recognised if they are likely to be recovered (i.e. insofar as it is likely that future taxable profit will be available against which the timing differences can be charged). The assessment is based on the scheduled reversal dates for all the deferred tax bases, using the entity's best estimates of the future changes in its taxable profit (see Note 14).

Deferred tax assets and liabilities are offset within a single taxable entity.

2.10 Intangible assets

IAS 38 – *Intangible Assets* defines an intangible asset as an identifiable non-monetary asset without any physical substance, i.e. arising from legal or contractual rights or a separable asset.

Intangible assets primarily involve software and leasehold rights, and are recorded at their acquisition cost less amortisation and impairment.

Software is amortised on a straight-line basis over its useful life, usually a period of one to three years. Leasehold rights are not amortised.

Research and development costs

Research costs are expensed in the year in which they are incurred.

Development costs are recorded as intangible assets, provided:

- the project has a good chance of being technically viable;
- the Group has sufficient human and material resources to produce the intangible asset;
- the Group has shown its intention to complete the intangible asset and to use or sell it;
- the Group has shown that the asset will generate likely future economic benefits;
- the Group has shown that appropriate technical, financial and other resources are available to complete the development of the intangible asset, and to use or sell it;
- expenditure attributable to the intangible asset during its development can be reliably measured.

This expenditure, which is capitalised as intangible assets, is amortised on a straight-line basis over the useful life of the asset (usually three years and up to a maximum of five years) from the time they are commissioned.

Development expenditure that does not satisfy the above criteria is expensed in the year in which it is incurred.

2.11 Tangible assets

Tangible assets consist primarily of land, buildings, plants, tools, equipment and computer hardware. They are recorded at cost less depreciation and impairment.

2.11.1 Acquisition cost of a tangible asset

Only expenditure giving rise to a controlled resource as a result of past events and from which the Group expects to generate future economic benefits is capitalised.

The incidental costs directly attributable to the acquisition of non-current assets or to bringing them into working condition are included in the cost of the non-current asset.

Borrowing costs are included in the purchase cost of qualifying assets, in accordance with IAS 23 – *Borrowing Costs*.

Investment subsidies received in respect of the acquisition of a non-current asset are recorded as balance sheet liabilities and recognised in income over the useful lives of the underlying assets for which they were awarded.

2.11.2 Breakdown of the original value of non-current assets by component

A component is a part of a non-current asset that has a different useful life, or that generates economic benefits at a rate that differs from that of the overall non-current asset.

Le Groupe La Poste has identified the following components:

Non-current assets	Components
Real Estate portfolio	structural frame, roof, joinery and external works, large equipment items, small equipment items, fixtures and fittings, and land
Sorting machines	mechanical parts, intelligence, peripherals a 4 th component (feeders and measuring instruments) has been identified for parcel sorting machines
Sorting-area equipment	mechanical parts, intelligence
TGV railcars	frame, servicing, interior fittings
Automated teller machines	machine, installation

2.11.3 Depreciation periods

Tangible assets are depreciated on a straight-line basis over their useful life.

The average useful lives are as follows:

Non-current assets	Depreciation period
Buildings	
Structural frame	20 to 80 years
Roof	20 to 60 years
Joinery and external works	20 to 40 years
Large equipment items	15 to 20 years
Small equipment items, fixtures and fittings	5 to 10 years
Machinery and equipment	
Sorting machines	5 to 15 years
Sorting-area equipment	5 to 8 years
Office and computer equipment	3 to 5 years
Office furniture	10 years
ATMs	5 to 10 years
Transportation vehicles (other than TGV railcars)	3 to 5 years
TGV railcars	15 to 30 years

Land is not depreciated.

2.11.4 Finance leases

Leases where the Group assumes, in substance, all the risks and benefits, are deemed to be finance leases. An asset acquired under a finance lease is recognised at the lower of fair value or the present value of minimum future payments as at the date the lease is signed, less cumulative depreciation and impairment.

Leases that meet the definition of a finance lease, but where the restatement would not have a material impact on the presentation of a true and fair view of the net assets, financial position or profits or losses of the Group's business activities, are treated as operating leases.

2.12 Impairment of goodwill, intangible assets and tangible assets

Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment at least once a year, and whenever an indication that the asset may be impaired is identified.

Other intangible and tangible assets are only tested for impairment where there is an indication that they may have been impaired.

An impairment test involves comparing the net book value of an asset, or of the Cash Generating Unit to which it belongs with its recoverable value, which is the higher of its fair value less sale costs and its value-in-use. Where the recoverable amount of a capitalised asset or group of assets falls below net book value, an impairment is recognised to bring the book value in line with the recoverable amount.

Fair value less sale costs represents the amount that could be obtained by selling an asset at the measurement date in an arms'-length transaction, net of any disposal costs.

The value-in-use of an asset or group of assets is the present value of the future cash flows expected to arise from using the asset or Cash Generating Unit.

The value-in-use of goodwill is determined based on the forecast net cash flows set out in business plans, and on the assumptions approved by the Group as part of the budgetary process. These forecasts generally cover a five-year period, beyond which cash flows are extrapolated to infinity using a low growth rate, which usually corresponds to inflation. The cash flows are discounted applying the weighted average cost of capital for each relevant asset or group of assets.

2.13 Other financial assets

2.13.1 Other non-current financial assets

This item primarily includes:

- loans granted for local authority housing, recorded at their amortised cost under the effective interest rate method. Provisions are recorded so as to take the maturities and repayment terms of these loans into account, as well as the estimated risk of non-recovery;
- unconsolidated investments classified under "Available-for-sale financial assets" and measured at fair value at the balance-sheet date. Changes in fair value are recorded in equity. When the shares are disposed of, the changes in fair value previously recognised in equity are transferred to income. Dividends received from unconsolidated investments

are recognised as financial income in the year in which the decision to pay a dividend is made.

In the event that no active market exists, and where the fair value cannot be reliably determined using alternative measurement methods, they are retained on the balance sheet at cost. An impairment is recorded where there is an objective indication of a permanent reduction in their current value. The current value is determined based on the most appropriate financial criteria for each company's specific position. The criteria that are usually selected are the share of equity held and the profitability outlook;

- the non-current portion of the fair value of financial derivatives relating to La Poste's bonds (see Note 27).

2.13.2 Other current financial assets

These primarily involve the current portion of the fair value of financial derivatives relating to La Poste's bonds (see Notes 2.15 and 27).

2.14 Banking activities assets and liabilities

The Banking activities' financial assets and liabilities are classified under one of the following four categories: loans and receivables, financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

2.14.1 Banking activities loans and receivables

Loans and receivables are fixed or determinable-income non-derivative financial assets that are not listed on an active market. They include loans and receivables due from credit institutions and customers. Following their initial recognition, they are recognised at amortised cost under the effective interest rate method and can be subject to impairment, where appropriate.

The effective interest rate is the exact interest rate that discounts the future cash flows to the loan's initial fair value. It includes the transaction costs relating directly to the loan issue, which are deemed to form an integral part of the loan yield.

Exceptionally, some securities may be recognised in this category. They then follow the accounting, measurement and impairment rules for loans and receivables.

Banking activities loans and receivables are recognised in the "Customer loans and receivables (Banking activities)" or "Credit institution receivables (Banking activities)" balance sheet items, depending on the type of counterparty.

Downgrading of banking activities loans and receivables

The downgrade process applies to outstanding overdrafts, property loans and consumer loans.

Active accounts and closed accounts are downgraded in respect of outstanding overdrafts. Downgrading outstanding overdrafts on active accounts has the effect of downgrading performing loans to doubtful

performing loans. Downgrades are performed on a monthly basis and take the amount and length of the overdraft for each account into consideration. Closing the account results in downgrading the receivable to a doubtful non-performing loan. Receivables for very small amounts are directly recognised as losses.

Property loans six or more months in arrears are downgraded to doubtful performing loans; in the case of consumer loans these are accounts that present a proven risk and have at least three payments in arrears at month-end, or loans where an application for a debt management plan has been filed with the Banque de France even if there are no payment issues relating to these loans, or loans with no payment issues classified as being in default due to their being affected by another loan to the same customer that is in default.

Cancellation of the loan results in the receivable being downgraded to doubtful non-performing status. Moreover, loans are systematically classified as non-performing doubtful loans one year after they are classified as doubtful.

In accordance with the contagion principle, all outstanding loans to the same account holder are downgraded as soon as one receivable with this account holder is downgraded.

Impairment of loans on an individual basis

The Group begins by identifying whether there is objective evidence of an event occurring after the granting of a loan – or group of loans – that is likely to lead to a loss in value. This can involve loans at least three months in arrears, loans subject to legal proceedings or loans where the counterparty's financial position has deteriorated, and is resulting in a risk of default.

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

Loans guaranteed by a private individual, and unguaranteed loans are impaired in full.

The amount of the impairment is recognised in "Cost of risk" in the income statement, and the value of the financial asset is reduced through recording an impairment charge.

Collective impairment of loans

In addition, loans that are not impaired on an individual basis are impaired on a collective basis. This process involves a group of "sensitive loans" that form a sub-category in performing loans: they show preliminary signs of default (with one or more payments less than 180 days in arrears) but their status has not yet been downgraded to doubtful.

These loans are provisioned on the basis of a likely downgrade, which is calculated based on historical observations. The risk of loss that takes the nature of the guarantee into account is calculated in the same way as for doubtful cases, and is the subject of a provision, based on the discounted recoverable cash flows.

The amount of the impairment is recognised in "Cost of risk" in the income statement, and the value of the financial asset is reduced through recording an impairment charge.

Impairment of overdrafts

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

The Group's income statement shows the cost of risk for the Banking activities, which includes losses on irrecoverable receivables and changes in provisions on doubtful loans, as well as recoveries of written-off receivables. The cost of risk is shown on the "Depreciation, amortisation and provisions" line of the consolidated income statement.

2.14.2 Financial assets at fair value through profit or loss

This category includes securities held for trading purposes, together with securities designated from the outset as belonging to this category by the Group. The Group thus measures some structured issues at fair value through profit or loss, together with some components of composite financial instruments without splitting out embedded derivatives that should be recognised separately.

Securities classified in this category are initially recognised at their market value, while transaction costs are directly expensed. They are subsequently measured at fair value at each balance-sheet date, and the change in fair value is recognised in income, along with dividends from variable-income securities and gains and losses on disposal, under "Net gains and losses on financial instruments at fair value through profit or loss", which is included in Net Banking Income (see Note 7). Income received on fixed-income securities is recorded under "Interest and similar income".

2.14.3 Financial assets held to maturity

This category includes fixed-or determinable-income securities that the Group intends and has the ability to hold to maturity.

Held-to-maturity investments are recorded at amortised cost using the effective interest rate method, which includes all premiums and discounts, as well as their purchase costs.

Income received on these securities is recognised under "Interest and similar income", which is included in Net Banking Income.

In the event that there is an objective indication of impairment, a provision is recorded for the difference between the book value and the estimated recoverable

value discounted at the original effective interest rate. In the event of a subsequent improvement, the excess provision, which is redundant, is written back.

2.14.4 Available-for-sale financial assets

The "Available-for-sale financial assets" category is the default category defined by IAS 39. It includes fixed-income securities and equities that do not fall into the two previous categories.

Securities classified in this category are initially recognised at their acquisition cost, plus transaction costs and accrued coupons. At the balance-sheet date, they are measured at fair value and any changes in that fair value are recorded in equity under "Unrealised gains and losses on financial instruments".

In the event of a disposal or permanent impairment, the unrealised gains and losses recorded in equity are reversed in income under "Net gains and losses on available-for-sale financial assets".

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

Moreover, the CNP Assurances Group uses specific criteria to determine evidence of impairment on securities available-for-sale as part of its insurance company management process. These criteria are not re-estimated when CNP Assurances is included in the Group's consolidated financial statements via the equity method, in order to take account of the management and risk framework that is inherent to CNP's business.

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

Impairment losses on variable-income securities, recognised in profit or loss, cannot be reversed while the instrument remains on the balance sheet. They are recorded in "Net gains or losses on available-for-sale financial assets". Impairment losses on fixed-income securities can be reversed and recognised in the cost of risk when they relate to credit risk.

2.14.5 Reclassification of financial assets

A financial asset with a fixed or determinable yield, which was initially recognised in the "Available-for-sale financial assets" category, but which is no longer tradable on an active market after its acquisition, and

which the Group intends and is able to hold for a foreseeable period or until maturity may be reclassified in the "Loans and Receivables" category.

Reclassifications are carried out at market value on the date of reclassification, and financial assets transferred in this way are then valued according to the rules applicable to their new category. The transfer price at the reclassification date represents the initial cost of the asset when determining potential impairment charges. A new effective interest rate is then calculated in order to bring this new balance into line with the instrument's redemption value. At the same time, profits and losses that were previously recorded in equity are amortised through profit or loss over the residual life of the instrument, using the effective interest rate method.

2.14.6 Financial derivatives (Banking activities)

Derivatives held for transaction purposes

Derivatives belong to the category of financial instruments held for transaction purposes, except for derivatives that are used for hedging purposes. Their fair value is recognised in the balance sheet in "Financial instruments at fair value through profit or loss". Changes in fair value and interest accrued or not due are recognised in net gains or losses on financial instruments at fair value through profit or loss.

Hedging derivatives

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

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

Depending on the nature of the hedged risk, the derivative is designated a fair value hedge, a cash flow hedge or a foreign exchange hedge linked to a net investment in a foreign operation.

Fair value hedges

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

Any revaluation of the derivative is recognised in profit or loss in a way that mirrors the revaluation of the item hedged. Gains or losses attributable to the hedged risk are recognised in "Net gains or losses on financial instruments at fair value through profit or loss" in the

income statement. As soon as the hedging relationship becomes effective, movements in the fair value of the hedged item are mirrored by the movements in the fair value of the hedging instrument. Any potential ineffectiveness of the hedge is directly recognised in the income statement. The portion relating to the accrued income or expenses of the derivative is recognised in "Income and interest expense" in the income statement at the same time as the interest income and expense relating to the hedged item.

As soon as the derivative instrument no longer meets the effectiveness criteria specified by the standard, and especially if it is sold, hedge accounting is prospectively discontinued: the derivative is transferred to "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss" while the revaluation of the hedged item is amortised over the period remaining based on the initial life of the hedge.

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

Macro-hedges

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

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

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

Cash flow hedges

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

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

The portion corresponding to the rediscounting of the financial derivative is entered on the income statement in "Interest income and expenses on hedging transactions" symmetrically to the interest income and expenses relating to the hedged item.

The hedged instruments continue to be recognised according to the rules applicable to their accounting category.

In the event of a breakdown in the hedging relationship, or as soon as the derivative instrument no longer meets the effectiveness criteria specified by the standard, or especially if it is sold, the hedge

accounting ceases. The aggregate amounts entered in equity in respect of the revaluation of the hedging derivative are gradually transferred to profit or loss as interest income or expense, or immediately recognised in profit or loss. In the event that the hedged item is sold or redeemed, the derivative is reclassified in "Financial assets at fair value through net income", while the revaluation of the hedged item entered in equity is immediately recognised in profit or loss.

Embedded derivatives

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

Day one profit

The Group generates no profit on the trading of structured instruments.

2.14.7 Guarantee commitments

Financial guarantees

A contract meets the definition of a financial guarantee if it includes an indemnity principle according to which the issuer shall compensate the beneficiary for losses that the latter has suffered due to the failure of a specifically designated creditor to make a payment on a debt instrument.

The financial guarantees provided are valued at their initial fair value at the date into which they were entered. They are subsequently valued at the higher of the amount of the commitment and the amount initially recorded, less the commission guarantee, where applicable.

2.14.8 Debt (Banking activities)

Liabilities to credit institutions and customers

Liabilities to credit institutions and liabilities to customers are broken down according to their initial maturity or nature: sight debt (sight deposits and ordinary accounts) or long-term debt (special scheme savings accounts). These liabilities include securities sold under repurchase agreements and loaned securities.

Debt evidenced by a certificate

Issued financial instruments are classified as debt instruments where the issuer is required to pay out cash or some other financial asset, or furthermore, to exchange instruments on potentially disadvantageous terms. Debt securities consist of negotiable debt securities issued by La Banque Postale.

The debt is initially recognised at nominal value and is then valued at amortised cost using the effective interest rate method at subsequent balance-sheet dates.

Distinction between debt and equity: Undated deeply subordinated notes

A debt instrument or financial liability constitutes a contractual obligation to pay out cash or some other financial asset, or to exchange instruments under potentially disadvantageous terms. An equity instrument is a contract that evidences a residual interest in an entity's net assets. Subordinated notes are classified as debt instruments or equity according, in particular, to the analysis of their features, and more specifically, according to their compensation method, depending on whether it is discretionary or not.

In view of the conditions set forth by IAS 32, in order to analyse the contractual substance of these instruments, and taking their contractual features into consideration, the undated deeply subordinated notes issued by Groupe CNP Assurances are considered "debt instruments".

Subordinate debentures issued that can be converted into ordinary shares also meet the "debt instrument" classification criteria, even if the coupons are treated as dividends deducted from equity. Deferred tax assets associated with the distribution of coupons representing a tax saving are ancillary to the coupons paid, and therefore are recognised through equity in line with the recognition of coupons. In accordance with IAS 32, subordinate debentures issued that can be converted into ordinary shares have been analysed as hybrid instruments comprising a debt component and an equity component.

2.14.9 Deconsolidation of financial assets or liabilities

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

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

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

Financial liabilities are deconsolidated when the contractual obligation is settled, cancelled, or when it expires.

Repurchase agreements

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

The assignee does not recognise the assets received, but recognises a receivable on the cash loaned by the assignor. At subsequent balance-sheet dates, the assignor continues to value the securities according to the rules applicable to their original category. The

nominal value of the receivable is shown in loans and receivables.

Securities lending transactions

The lending and borrowing of securities cannot be treated as a financial asset transfer according to IFRS. Therefore, these transactions cannot result in the deconsolidation of the loaned securities. They continue to be recognised in their original accounting category and valued in accordance with the rules of that category. Borrowed securities are not recognised.

2.14.10 Insurance activities

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

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

- insurance policies that include a contingency clause for the policy holder. This category includes policies for personal risk, retirement, property damage and unit-linked savings policies with a guaranteed minimum return;
- financial contracts issued by the insurer that include a discretionary profit-sharing (PS) clause.

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

Financial contracts governed by IAS 39 correspond to investment contracts with no discretionary with-profits clause, i.e. unit-linked savings policies with no euro-denominated or minimum guarantee.

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

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

Underwriting and actuarial provisions

Underwriting provisions represent commitments to policy-holders.

Actuarial provisions on euro-denominated policies correspond to the difference between the current value of the insurer's and the policyholder's commitments.

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

The net present value of commitments is calculated by choosing a discount rate that is at most equal to the pricing rate of the policy involved, and by using statutory mortality tables or tables based on experience

if they are more cautious. Lower interest rates are factored in to investment income discount rate calculations when the rate is deemed to be too high relative to the expected reinvestment prospects.

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

Active deferred profit-sharing

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

The discretionary profit-sharing clause grants life insurance policyholders the right to receive a share in any realised financial gains, as well as the income guaranteed. Pursuant to the "shadow" accounting principles set out in IFRS 4, the provision for deferred profit-sharing for these policies is adjusted to reflect the policyholders' entitlement to any unrealised gains, or their obligation to assume their share of unrealised losses on financial instruments valued at fair value under IAS 39. The share of gains to which policyholders are entitled is determined according to the specific features of the policies likely to benefit from such gains.

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

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

In accordance with the recommendation on methods for identifying deferred profit-sharing issued by the French National Accounting Council, or CNC, on 19 December 2008, profit-sharing recoverability is based on a prudent assessment of the capacity for holding the assets, particularly in terms of their future collection, in forecast cash flows. Likewise, the capacity of future returns to absorb unrealised losses was tested, based on an unfavourable repurchase scenario that has never been experienced up until now.

2.15 Bond debt and financial derivatives relating to the management of the bond debt

Bonds are classified in the balance sheet under both "Medium and long-term bonds and other debt" and "Short-term bonds and other debt".

2.15.1 Bonds backed by "fixed-for-floating" swaps

As part of the Group's strategy to manage its bonds, some fixed-rate bonds are converted to "floating-rate bonds" via fixed-for-floating swaps.

Depending on the circumstances, these bonds can be designated at fair value through profit or loss or designated as subject to fair value hedging.

Bonds designated at fair value through profit or loss

In accordance with IAS 39 and its "Fair value option" amendment, adopted by the European Union on 15 November 2005, some bonds backed by "fixed-for-floating" swaps are recognised at fair value through profit or loss. The credit risk component of the change in fair value is recognised in "Other comprehensive income".

The corresponding swaps are also measured at fair value through profit or loss, in accordance with the general rule for measuring derivatives set out in IAS 39.

Bonds designated as subject to fair value hedging

Some bonds are designated as subject to fair value hedging through "fixed-for-floating" swaps. The application of fair value hedge accounting leads to the recognition in profit or loss of (i) the change in the fair value of hedging swaps, and (ii) the change in the value of the efficient portion of the hedging swap, as an adjustment to the value of the bond. These effects offset one another where the effective part of the hedge is concerned.

Moreover, depending on market developments, the Group may refreeze the interest rates of some borrowings by subscribing to floating-for-fixed swaps. These swaps are also measured at fair value through profit or loss.

2.15.2 Bonds measured at amortised cost

Bonds not backed by "fixed-for-floating" swaps are measured at amortised cost based on the effective interest rate.

2.15.3 Forward start swaps

In some cases, La Poste subscribes to forward start swaps to protect itself against a rise in interest rates. These cash flow hedging instruments are terminated when the bond is issued, which gives rise to the payment of an equalisation balance (paid or received depending on the swap's value). These payments are recognised in reversible reserves as part of the application of the cash flow hedge, and then reversed to income over the life of the initially hedged loan, in

accordance with the provisions of IAS 39 regarding the termination of hedges.

2.16 Commitments to buy out non-controlling interests

Pursuant to the provisions of IAS 32 – *Financial Instruments: Presentation*, Le Groupe La Poste records a financial liability for put options granted to minority shareholders of consolidated subsidiaries. When the value of the liability exceeds the value of the non-controlling interests, IFRS do not specify how the consideration should be recognised.

Le Groupe La Poste has chosen to offset the difference between the liability and value of non-controlling interests under reserves, group share. Subsequent changes in debt relating to the change in the estimated strike price of the buy-back commitment and of the book value of the non-controlling interests are recognised in reserves, group share.

2.17 Inventories and work-in-progress

Inventories are valued at the lower of their purchase cost or net realisable value. The net realisable value is the estimated sale price in the normal course of business, less the estimated costs necessary to complete the sale.

The value of inventories is assessed using the weighted average cost method, and includes both the purchase cost and the expenses incurred in bringing the inventories to their current location and condition.

2.18 Trade receivables

When initially recognised, trade receivables on commercial activities are recorded at their nominal value, which basically corresponds to the fair value of the receivables.

Provisions are calculated on an individual basis, based on an assessment of the risk of non-recovery.

2.19 Provisions

Provisions are recorded when (i) the Group has a present obligation (legal or implicit) towards a third party as a result of a past event at the balance-sheet date, (ii) it is likely that an outflow of resources representing future economic benefits will be required to settle the liability, and (iii) a reliable estimate can be made of the liability.

The provisions are assessed on the basis of the Group's expectation of the expenditure required to settle the liability, based on management data from the information system and on assumptions selected by the Group, supplemented, where necessary, by experience of similar transactions and, in some cases, by reports from independent experts or estimates from service providers. These various assumptions are reviewed at each balance-sheet date.

Provisions for commitments on home loan savings agreements

Home loan savings accounts and plans offered to retail customers in accordance with the French Act of 10 July 1965 include two phases: a first phase during which deposits are collected in the form of interest-bearing savings accounts, and a second phase where home loans are extended.

In accordance with the provisions of IAS 37, La Banque Postale records provisions commitments with unfavourable consequences relating to home loan savings agreements. These provisions relate to the obligation to pay interest on deposits for an undetermined period of time at a rate that is fixed when the contract is signed in the future, on the one hand, and to the obligation to extend loans at a rate that is fixed at the time the contract is signed, on the other.

The additions to and reversals of this provision are included in banking operating revenue and expenses, within Net Banking Income.

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

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

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

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

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

The Group's insurance companies record underwriting provisions, the principles of which are set out in Note 2.14.10 above.

2.20 Employee benefits

2.20.1 Post-employment benefits

Post-employment and long-term benefits resulting from defined benefit plans, together with their related costs, are measured using the projected unit credit method, in accordance with IAS 19. Annual actuarial appraisals are carried out.

The appraisal calculations involve taking third-party actuarial economic assumptions into account (discount

rates, inflation rates, and the rate of increase in pensions, etc.), as well as assumptions that are specific to La Poste (employee turnover rates, mortality rate, and the rate of increase in salaries, etc.).

The balance sheet provision for defined benefit post-employment plans corresponds to the present value of the liability at the balance-sheet date less the market value of any plan assets where applicable (GeoPost UK). The present value of the commitment is calculated using the projected credit unit method on an annual basis. That value is determined by calculating the net present value of expected future outflows based on the market rate for top-tier corporate bonds, denominated in the currency in which the benefit will be paid. In addition, the term of the selected bonds is close to the average estimated length of the underlying commitment.

Actuarial gains and losses resulting from experience-based adjustments and the impact of changes to actuarial assumptions are recognised as "other comprehensive income".

Past service costs, which arise when a defined benefit plan is adopted or modified, are immediately expensed.

Pension and other employee benefit arrangements are described in Note 29 together with the main assumptions used.

2.20.2 End-of-career arrangements

La Poste records a provision for the costs of the end-of-career arrangements made for its employees. The amount of this provision takes into account both persons who have enrolled in one of the existing plans, and those who are expected to enrol on the basis of past take-up rates in previous years and Management's best estimates.

2.21 Assets held for sale

A non-current asset, or group of assets and liabilities, is classified as being held for sale when its book value will primarily be recovered through its sale and not its ongoing use. This assumes that the asset is available for immediate sale in its current state and that such a sale is highly likely within one year.

These assets and groups of assets, along with all related liabilities, are disclosed separately from other assets and liabilities and are valued at the lower of book value or the estimated sale price, net of disposal costs. These assets cease to be depreciated or amortised from the date when they are classified in this category.

2.22 Cash flow statement

The Cash Flow Statement presents the inflows and outflows of cash and cash equivalents classified under operating, investing or financing activities.

The format of the cash flow statement has been rearranged in order to show the flows associated with

La Banque Postale and the flows associated with non-banking business activities on a separate basis.

The cash flow statement presents the change in cash and cash equivalents of non-banking activities.

La Banque Postale sub-group's cash flows (including cash held at post offices) are disclosed on a separate line in the balance sheet. Changes in those cash flows are reflected in the "Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope" line, positioned under cash flows from financing activities.

In addition, cash flows relating to variations of banking assets and liabilities are combined on a separate line in the cash flow statement ("Change in balance of banking sources and uses") in net cash flows from operating activities, which specifically includes:

- flows from deposits collected from Banking activities customers;
- Banking activities cash flows relating to liabilities to credit institutions;
- acquisitions and disposals of securities in the Banking activities investment portfolio;
- cash flows relating to Banking activities loans and advances;
- changes in the fair value of financial instruments from Banking activities.

Operating activities are the main revenue-generating activities and any other activities other than those defined as investing or financing activities.

Cash flows from operating activities are determined using the indirect method.

Investing activities relate to the acquisition or disposal of non-current assets and to any other investments not included in cash and cash equivalents.

Le Groupe La Poste's cash flows from investing activities consist mainly in acquisitions or disposals of the following:

- intangible and tangible assets, adjusted for non-cash transactions (accounts receivable or payable on non-current assets);
- equity investments in other companies;
- other financial assets (guarantees and deposits, and receivables on investments, etc.).

The impact of changes in the consolidation scope on cash flows is presented on a separate line "Impact of changes in consolidation scope".

Financing activities relate to transactions that affect the amount and composition of equity and debt.

Cash flows from financing activities include sources of financing (new borrowings) and related outflows (distribution of dividends to minority shareholders, La Poste savings bond redemptions and debt repayments).

Concerning La Banque Postale, only the changes in subordinated debt are classified as cash flows from financing activities.

The concept of cash and cash equivalents includes very short-term liquid investments that can be readily converted into known amounts of cash and are subject to a negligible risk of change in value.

Le Groupe La Poste's cash and cash equivalents include cash in hand, bank debit balances, term deposits and marketable securities that do not carry any material risk of changes in value and can be readily converted into cash (particularly money-market UCITS), and the portion of bank credit balances and related interest accrued relating to temporary overdrafts.

Regardless of their characteristic features, securities in the "Banking activities investment portfolio" are never classified as cash. The flows pertaining to them are included in the "Change in the balance of banking sources and uses" line in the cash flow statement (see above).

NOTE 3 FIRST-TIME APPLICATION OF NEW ACCOUNTING STANDARDS

First-time application of the IFRS 9 chapter dealing with the presentation of changes in fair value of liabilities designated as at fair value through profit or loss, attributable to the credit risk of these liabilities

Le Groupe La Poste elected to apply in advance chapter 5.7.7. of IFRS 9 which deals with the presentation of changes in fair value of liabilities designated as at fair value through profit or loss, attributable to the credit risk of these liabilities. According to this text, the amount of change in the fair value of a financial liability

that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income. It was previously presented in profit or loss according to IAS 39.

The amount of change in the fair value of bonds attributable to the credit risk was €4 million as at 31 December 2015. In view of the immaterial effect of this change, comparative data for the year 2015 have not been restated.

NOTE 4 CHANGES IN THE CONSOLIDATION SCOPE

- 4.1 Main newly-consolidated companies
- 4.2 Main deconsolidated companies
- 4.3 Income statement at constant scope and exchange rates

The scope of consolidation is shown in Note 42.

4.1 Main newly-consolidated companies

Take-over of Armadillo

GeoPost took over in January 2016 the Russian group Armadillo, previously jointly controlled, for an amount of €75 million. The provisional goodwill from this acquisition amounted to €157 million as at 31 December 2016, of which €25 million in translation adjustment.

The previously held interest was revalued at €60 million, in accordance with IFRS 3.

Acquisition of a stake in AEW Europe

La Banque Postale and Natixis finalised in October 2016 an agreement to merge their real estate asset management subsidiaries Ciloger and AEW Europe. In exchange for the contribution of Ciloger to the merger, the Group received 40% of AEW Europe share capital. The value of the investment, recorded according to the equity method, includes €30 million in goodwill.

Acquisition of Applicam

Docapost acquired in May 2016 Applicam, a company specialised in managing funding and subsidies, and in e-money solutions. The provisional goodwill from this acquisition amounted to €26 million.

Acquisition of Biologistic

Chronopost acquired in July 2016 Biologistic, a company specialised in temperature controlled transportation services of human and animal biomedical material. The provisional goodwill from this acquisition amounted to €26 million.

4.2 Main deconsolidated companies

Transfer of Ciloger

As part of the agreement between La Banque Postale and Natixis, Ciloger was transferred to the newly merged entity in exchange for 40% of AEW Europe's share capital.

4.3 Income statement at constant scope and exchange rates

(<i>€ million</i>)	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	31 12 2016	31 12 2015	31 12 2016	31 12 2015
Revenues and NBI	23,294	23,045	23,079	22,860
Purchases and other expenses	(8,534)	(8,078)	(8,387)	(7,974)
Personnel expenses	(12,593)	(12,731)	(12,540)	(12,685)
Taxes and levies	(243)	(293)	(243)	(291)
Depreciation, amortisation and provisions	(1,194)	(1,282)	(1,189)	(1,277)
Other current operating revenue and expenses	297	235	295	240
Pre-tax gains and losses on asset disposals	(45)	(25)	(45)	(25)
Net operating expenses	(22,313)	(22,174)	(22,110)	(22,012)
Operating profit/(loss) before share in results of joint ventures	981	871	969	848
Share in results of joint ventures	(6)	3	(6)	
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	975	875	963	848

The restated net profit / (loss) eliminates the effect of all acquisitions made during the current year and the prior year's acquisitions concluded during the year. It also shows foreign currency transactions from the prior year at the average rate during the current year.

NOTE 5 SEGMENT REPORTING

- 5.1 Definition of operating segments
- 5.2 Operating segment reporting
- 5.3 Geographical information

5.1 Definition of operating segments

The definition of operating segments for the purpose of segment reporting is based on Le Groupe La Poste's current management organisation. A business segment is a distinguishable component for which separate financial information is available and regularly reviewed by Group Management for the purpose of allocating resources to the segment and assessing its performance.

The criteria selected to define business segments specifically include:

- the nature of the products distributed;
- the type or class of customer for whom they are intended;
- the production process and distribution network;
- the regulatory environment.

The Group is organised around five operating segments, in addition to the Real Estate and Shared Services segments:

SEGMENTS	ACTIVITIES
Services-Mail-Parcels	<ul style="list-style-type: none"> ▪ mail activity (i.e. pick-up, sorting and delivery of letter posts, advertising and press publications) and related services ▪ parcels activity carried out by La Poste under the ColiPoste brand ▪ postman's new services
GeoPost	<ul style="list-style-type: none"> ▪ Express activity carried out by the GeoPost sub-group's brands, primarily DPD, Chronopost and Seur
La Banque Postale	<ul style="list-style-type: none"> ▪ Banking and Insurance activities of the La Banque Postale sub-group ▪ services provided by some La Poste staff to La Banque Postale under service agreements
La Poste Network	<ul style="list-style-type: none"> ▪ sale and distribution activities intended for the general public ▪ La Poste Mobile activities ▪ other non-Group products
Digital services	<ul style="list-style-type: none"> ▪ all the Group's digital activities
Real estate	<ul style="list-style-type: none"> ▪ management of all of the Group's real estate assets held by the Poste Immo sub-group ▪ activities of the La Poste Real Estate Department
Shared Services	<ul style="list-style-type: none"> ▪ "Corporate" activities of the Group's registered Office ▪ support services departments

5.2 Operating segment reporting

The accounting principles applied to segment reporting are the same as those used for the consolidated financial statements, as described in Note 2.

The profits (losses), assets and liabilities that have been allocated to the business segments are those profits (losses), assets and liabilities that can be allocated directly and indirectly to business segments.

The amounts unallocated to the business segments primarily correspond to:

- the net cost of regional development;
- the cost of the accessibility constraint imposed on La Poste
- financial profit/(loss) and tax.

Segmentation of revenues: the segmentation of La Poste's revenues between the Mail and Parcels businesses is based on accounting data and on a statistical analysis of the mail and parcel volumes transported and delivered by the two businesses.

Segmentation of operating expenses: given that the Mail, Parcels, Banking activities and La Poste Retail Brand segments coexist within La Poste, and that their production processes are highly inter-connected, La Poste has set out cost accounting principles in order to allocate shared costs between these various segments and thereby determine each segment's profit (loss).

La Poste's management accounting system operates on the basis of the following principles:

- The main services shared between the Mail and Parcels segments (collection, sorting, transportation and delivery) are re-invoiced on the basis of a price per item or a lump sum.
- The expenses for the La Poste Retail Brand post office counters are re-invoiced to the businesses that use the network on the basis of service agreements, where the pricing mechanisms are based on measurable operating metrics (revenues, and statistics measuring the time required to perform various transactions, etc.).

Segmentation of non-current assets: intangible and tangible assets are divided based on the allocation of the corresponding assets for each business in La Poste's accounting system. The real estate assets held by La Poste and the Poste Immo sub-group are allocated to the Real Estate segment in their entirety.

5.2.1 Income statement by operating segment

No Group customer accounts for more than 10% of consolidated revenues.

2016 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	11,050	6,105	5,598	491	37	11	3			23,294
Inter-segment revenues and NBI	304	61	4	118	4,096	833	731		(6,147)	
Operating revenue	11,354	6,166	5,602	609	4,133	843	734		(6,147)	23,294
Operating profit/(loss) before share in results of joint ventures	580	439	834	(6)	37	18	(176)	(745)		981
Share in results of joint ventures	4	(1)			(9)	1				(6)
Operating profit/(loss) after share in results of joint ventures	584	438	834	(6)	28	18	(176)	(745)		975
Financial profit/(loss)								(169)		(169)
Income tax								(104)		(104)
Share in profits of associates		(3)	191	1		2				191
CONSOLIDATED NET PROFIT/(LOSS)										893
Depreciation, amortisation, provisions and impairment	(339)	(186)	(297)	(32)	(48)	(212)	(80)			(1,194)
Segment assets	2,852	4,491	228,921	683	207	3,710	8,902	(5,580)		244,186

2015 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	11,192	5,606	5,730	471	36	10				23,045
Inter-segment revenues and NBI	269	69	15	89	4,168	822	676		(6,108)	
Operating revenue	11,461	5,675	5,745	560	4,204	832	676		(6,108)	23,045
Operating profit/(loss) before share in results of joint ventures	694	264	851	(14)	(9)	25	(221)	(719)		871
Share in results of joint ventures	3	4			(5)	2				3
Operating profit/(loss) after share in results of joint ventures	697	268	851	(14)	(14)	27	(221)	(719)		875
Financial profit/(loss)								(154)		(154)
Income tax								(253)		(253)
Share in profits of associates			207	(1)		1				207
CONSOLIDATED NET PROFIT/(LOSS)										675
Depreciation, amortisation, provisions and impairment	(251)	(235)	(350)	(43)	(47)	(237)	(120)			(1,282)
Segment assets	2,849	4,060	217,891	600	230	3,685	9,023	(5,319)		233,019

(a) Primarily includes the contribution to regional development (including the costs relating to the accessibility constraint), financial profit/(loss), and income tax.

5.2.3 Balance sheet by operating segment

31/12/2016 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Elimina- tions	Total
ASSETS									
Intangible and tangible assets and goodwill	770	2,796	1,094	341	140	3,086	479	(11)	8,696
Equity associates	57	119	3,220	2		28	(1)		3,426
Other non-current assets	100	88	202	28	3	12	3,825	(3,539)	719
Current assets	1,924	1,489	224,405	312	64	583	4,598	(2,030)	231,346
TOTAL	2,852	4,491	228,921	683	207	3,710	8,902	(5,580)	244,186
Investments^(a)	223	377	226	102	46	299	158		1,432
LIABILITIES									
Shareholders' equity							11,033		11,033
Bonds and other financial debt (current and non-current)	537	1,373	3	58		1,480	7,004	(3,555)	6,900
Other non-current liabilities	1,240	274	472	36	711	58	(65)		2,724
Other current liabilities	2,275	1,260	219,287	240	662	304	1,178	(1,675)	223,530
TOTAL	4,052	2,907	219,762	334	1,373	1,841	19,149	(5,231)	244,186

31/12/2015 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Elimina- tions	Total
ASSETS									
Intangible and tangible assets and goodwill	836	2,556	1,102	275	150	3,243	458	(11)	8,608
Equity associates	55	143	2,911	3		30			3,141
Other non-current assets	63	59	395	22	3	11	4,128	(3,632)	1,050
Current assets	1,895	1,303	213,483	299	77	401	4,437	(1,676)	220,219
TOTAL	2,849	4,060	217,891	600	230	3,685	9,023	(5,319)	233,019
Investments^(a)	204	298	243	54	35	211	141		1,186
LIABILITIES									
Shareholders' equity							10,015		10,015
Bonds and other financial debt (current and non-current)	422	1,189	3	(23)		1,476	7,520	(3,275)	7,313
Other non-current liabilities	1,123	267	365	38	703	65	114		2,676
Other current liabilities	2,282	1,218	208,937	221	689	244	1,071	(1,648)	213,014
TOTAL	3,828	2,675	209,305	237	1,392	1,785	18,721	(4,923)	233,019

(a) Purchase of intangible and tangible assets, and impact of changes in the scope of consolidation.

5.3 Geographical information

Revenues are broken down on the basis of paying customers' location.

Le Groupe La Poste's net non-current assets have been broken down by geographical area based on the location of the legal entities that own the assets.

2016 (€ million)	France	European Union (excluding France)	Other	Total
Revenues from commercial activities	12,488	4,563	645	17,696
Net banking income	5,598			5,598
OPERATING REVENUE	18,086	4,563	645	23,294
Segment assets	242,791	1,109	287	244,186
Investments	1,281	149	2	1,432

2015 (€ million)	France	European Union (excluding France)	Other	Total
Revenues from commercial activities	12,510	4,258	546	17,315
Net banking income	5,730			5,730
OPERATING REVENUE	18,241	4,258	546	23,045
Segment assets	231,817	1,097	105	233,019
Investments	976	197	14	1,186

NOTES TO THE INCOME STATEMENT

NOTE 6 REVENUES

Le Groupe La Poste's revenues from commercial activities broke down as follows:

(€ million)	2016	2015
Services-Mail-Parcels revenues	11,050	11,192
Correspondence and other La Poste products and services	6,583	6,760
Advertising mail	1,155	1,202
Press ^(a)	530	563
Products and services of the subsidiaries (domestic mail)	478	458
International mail	661	618
Parcels	1,642	1,591
GeoPost revenue	6,105	5,606
Express France	1,408	1,241
Express Rest of World	4,697	4,365
Digital Services revenue	491	471
La Poste Network revenue ^(b)	37	36
Real Estate revenue ^(c)	14	10
TOTAL	17,696	17,315

(a) "Press" revenues include contractual compensation paid in consideration for the reduced tariffs granted to press organisations as well as the compensation of press operators.

(b) La Poste Network revenues include commissions received on third-party sales (excluding Mail, Parcels and Financial Services) carried out at post office counters (such as telephone card sales) and on sales of miscellaneous products, as well as the cost of using La Poste Network invoiced to La Poste Mobile.

(c) Real Estate revenues correspond to the rentals agreed with non-Group tenants.

NOTE 7 NET BANKING INCOME

The Group's Net Banking Income broke down as follows:

(€ million)	2016	2015
Interest and similar income	4,492	4,851
Interest and similar income on treasury and inter-bank transactions	1,157	1,386
Interest and similar income on customer transactions	2,118	2,178
Interest on available-for-sale financial assets held to maturity, and on hedging transactions	1,217	1,287
Interest and similar expenses	(1,661)	(1,723)
Interest and similar expenses on treasury and inter-bank transactions	(47)	15
Interest and similar expenses on customer transactions	(1,361)	(1,536)
Interest on debt evidenced by a certificate and hedging transactions	(252)	(201)
Commission income	2,661	2,553
Commission expenses	(286)	(275)
Net gains and losses on financial instruments at fair value through profit or loss	(12)	(74)
Net gains and losses on available-for-sale assets	208	135
Margin on insurance activities	264	241
Income and expenses from other activities	(68)	23
TOTAL	5,598	5,730

NOTE 8 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

(€ million)	2016	2015
External services and general sub-contracting	1,794	1,673
Purchases	523	522
Outsourced transport	4,054	3,751
International mail delivery services	202	194
Rental expenses	860	860
Maintenance and repair costs	433	437
Telecommunications expenses	156	147
Travel and assignments	183	184
Other expenses	330	309
TOTAL	8,534	8,078

NOTE 9 PERSONNEL EXPENSES AND HEADCOUNT

A breakdown of personnel expenses by type of cost is provided below:

(€ million)	2016	2015
Wages and salaries, bonuses and allowances	8,868	8,751
Pension contributions	1,162	1,250
Other social security contributions	1,790	1,766
Employee welfare costs	210	215
CICE revenue	(338)	(344)
Change in post-employment provisions ^(a)	(129)	16
Change in provisions for social security contingencies and staff litigation	43	85
Change in other employee provisions	204	207
Compensation-based taxes and duties	782	784
TOTAL	12,593	12,731
Average headcount (full-time employee equivalent per year)	251,249	253,158

(a) Of which the effect of the change in modalities for granting Home help and Holiday vouchers benefits for -€141 million (see Note 29).

The "Pension contributions" line item corresponds to contributions paid in to post-employment defined benefits plans. Following the implementation of the new funding arrangements for the pensions of government

employees, this line item primarily includes the full discharge contribution provided for by law.

The "CICE revenue" line item corresponds to the Tax Credit to promote Competitiveness and Employment (CICE).

NOTE 10 TAXES AND LEVIES

Taxes and levies consist of the following items:

(€ million)	2016	2015
Local taxes	151	153
Other taxes and levies	92	140
TOTAL	243	293

La Poste benefits from favourable local tax treatment in consideration for La Poste's obligation to serve the entire French territory, and its contribution to regional development (Law of 2 July 1990, as rearranged by the Law of 9 February 2010).

In this regard, La Poste enjoyed in 2016 an 85% reduction in its corporate tax base in the property tax base for its business premises, as well as an 86%

reduction on the added value used for the purposes of calculating the Corporate Value-Added Contribution (CVAE) (Article 1635 sexies of the French General Tax Code and Decree No. 2016-1810 of 21 December 2016).

Local business tax (CET) is recognised under "Local taxes".

NOTE 11 DEPRECIATION, AMORTISATION, PROVISIONS AND IMPAIRMENT

Changes in depreciation, amortisation, provisions and impairment that had an impact on operating profit/(loss) broke down as follows:

(€ million)	2016	2015
Net depreciation and amortisation	948	979
Intangible assets	277	295
Tangible assets	672	684
Net provisions and impairment	64	122
Goodwill	69	13
Other non-current assets	(3)	24
Inventories	1	(3)
Accounts receivable	(43)	(6)
Losses on unrecoverable receivables	63	17
Provisions for contingencies and losses	(22)	77
Cost of risk (Banking activities)	181	181
Cost of risk and other impairments, charges and risks (Banking activities)	78	37
Banking activities cost of risk – unrecoverable receivables	104	144
TOTAL	1,194	1,282

The impairment of goodwill is broken down in Note 15.3.

A description of the changes in the depreciation, amortisation and impairment of non-current assets is provided in Notes 16 and 17.

A breakdown of changes in the impairment of inventories and accounts receivable is provided in Notes 21 and 22.

Changes in provisions for contingencies and losses are detailed in Note 26.

NOTE 12 OTHER OPERATING REVENUE AND EXPENSES

Other operating revenue and expenses broke down as follows:

Income/(expenses) (€ million)	2016	2015
Capitalised production	211	188
Royalties	(27)	(24)
Revenues recorded following an acquisition of control ^(a)	63	17
Other current operating revenue and expenses	50	54
TOTAL	297	235

(a) Of which, in 2016, a €60 million impact of the revaluation of the previously held investment in Armadillo (see Note 4.1).

Capitalised production primarily consists of IT development costs recognised as intangible assets.

NOTE 13 FINANCIAL PROFIT/(LOSS)

- 13.1 Cost of net financial debt
- 13.2 Other financial items

13.1 Cost of net financial debt

(€ million)	2016	2015
Interest expense on financing transactions ^(a)	(155)	(172)
Change in the fair value of borrowings and debt-related swaps ^(b)	4	19
Income from cash and cash equivalents ^(c)	10	20
TOTAL	(141)	(133)

(a) Including interest and proceeds from the termination of debt-related derivatives.

(b) Excluding in 2016 the effect of change in credit risk on the fair value of borrowings (see below).

(c) Including changes in the fair value of cash or financial assets.

As at 31 December 2015, the effect of the change in credit risk on the fair value of bonds designated at fair value through profit or loss was recorded in the financial profit/loss (positive effect of €4 million).

As at 31 December 2016, this effect (-€9 million) was recorded in other comprehensive income (see Notes 3 and 27.3).

13.2 Other financial items

(€ million)	2016	2015
Discounting expense on provisions for employee benefits and return on plan assets	(27)	(24)
Net foreign exchange gains	(6)	(1)
Additions to and reversals of provisions	1	2
Other financial income and expenses	3	2
TOTAL	(28)	(21)

NOTE 14 INCOME TAX

- 14.1 Income tax expense recognised in income
- 14.2 Tax on other comprehensive income
- 14.3 Tax proof
- 14.4 Deferred tax recognised on the balance sheet
- 14.5 Breakdown of deferred tax by type
- 14.6 Unrecognised deferred tax assets

14.1 Income tax expense recognised in income

<i>(€ million)</i>	2016	2015
Current tax (expense)	(161)	(315)
Deferred tax income/(expense)	57	62
TOTAL TAX INCOME / (EXPENSE)	(104)	(253)

The current tax expense represents the amount paid or payable in the short-term to the tax authorities in respect of the financial year, based on the rules prevailing in the various countries and on specific tax conventions.

The 2017 French Finance law, adopted in December 2016, provides that the income tax rate in France will decrease to 28.92% starting from 2020. This decrease did not have any significant impact on the deferred tax recognized by the Group.

14.2 Tax on other comprehensive income

<i>(€ million)</i>	2016	2015
Change in unrealised gains and losses on financial instruments (recyclable and non-recyclable items)		
Amount before tax	305	(34)
Tax impact	(142)	53
AMOUNT NET OF TAX	163	19
Translation adjustments		
Amount before tax	(25)	30
Tax impact		
AMOUNT NET OF TAX	(25)	30

14.3 Tax proof

The explanation of the tax reconciliation is as follows:

(€ million)	2016	2015
Net profit/(loss), Group share	849	635
Share in profits of equity associates and joint ventures	(185)	(210)
Income tax	104	253
Non-controlling interests	44	39
Consolidated profit (loss) before tax and share in profits of equity associates and joint	812	718
Income tax rate	34.43%	38%
Theoretical tax expense ^(a)	(280)	(273)
Unused tax losses created during the year	(10)	(10)
Creation and limitation of deferred tax assets	(20)	(91)
Tax rate differential for foreign subsidiaries	38	43
Tax benefits, tax credits and foreign tax allowances	11	11
Tax on distributed revenues	(7)	(8)
Revaluation of investment following a take-over	22	
Impairment	(24)	
Permanent differences	166	72
Other items		1
Tax restatements	176	20
ACTUAL TAX CHARGE	(104)	(253)

(a) Including the 3.3% social solidarity contribution in 2016 and 2015, and the one-off contribution of 10.7% in 2015.

14.4 Deferred tax recognised on the balance sheet

(€ million)	Deferred tax assets	Deferred tax liabilities	Total
31/12/2014	250	309	(59)
Impact on net profit/(loss)	33	(29)	62
Reclassifications	23	23	
Impact on equity	46	(10)	56
Change in consolidation scope	(9)		(9)
31/12/2015	343	293	50
Impact on net profit/(loss)	(11)	(68)	57
Reclassifications	55	55	
Impact on equity	(152)	(3)	(149)
Change in consolidation scope	4	1	4
31/12/2016	239	277	(39)

Net tax assets are limited to each tax entity's ability to recover its assets in the near future.

14.5 Breakdown of deferred tax by type

(€ million)	31/12/2016	31/12/2015
Deferred tax assets		
Employee benefits	485	442
Other non-deductible provisions	152	99
Other timing differences	110	111
Financial instruments		9
Tax loss carry-forwards	8	11
Asset/liability offsets ^(a)	(517)	(330)
TOTAL ASSETS	239	343
Deferred tax liabilities		
Regulated provisions	132	133
Revaluation of contributions to Poste Immo	102	120
Financial instruments	309	163
Deductible goodwill	159	152
Other tax timing differences	93	55
Asset/liability offsets ^(a)	(517)	(330)
TOTAL LIABILITIES	277	293

(a) Deferred tax assets and liabilities are offset for each tax entity or tax consolidation group.

14.6 Unrecognised deferred tax assets

Type and amount of unrecognised deferred tax asset bases (€ million)	31/12/2016			
	French companies in the tax consolidation group	Non- consolidated French companies	Foreign companies	Total
Home Loan Savings Provision	340			340
Employee benefits	1,072	7		1,079
Other timing differences	260	12	49	321
Ordinary tax losses		210	121	331
TOTAL	1,672	229	170	2,071

Unrecognised deferred tax asset bases amounted to €1,923 million as at 31 December 2015.

NOTES TO THE BALANCE SHEET

NOTE 15 GOODWILL

- 15.1 Breakdown of goodwill
- 15.2 Change in the net book value of goodwill
- 15.3 Impairment

15.1 Breakdown of goodwill

(€ million) CGU	Segment	31/12/2016	31/12/2015
DPD Continental Europe	GeoPost	527	508
DPD France (formerly Exapaq)	GeoPost	334	334
GeoPost Espagne	GeoPost	305	268
Digital Services	Digital Services	175	143
Armadillo Bizpak	GeoPost	157	
GeoPost UK	GeoPost	127	148
DPD Poland	GeoPost	123	127
La Banque Postale Prévoyance	La Banque Postale	94	94
Mediapost	Services-Mail-Parcels	57	55
Tigers	GeoPost	51	55
Morin Logistic & Orium (Viapost) ^(a)	Services-Mail-Parcels		39
Tocqueville group	La Banque Postale	27	27
Biologistic	GeoPost	26	
La Banque Postale Asset Management	La Banque Postale	22	22
WnDirect	GeoPost	23	23
Resto In	GeoPost	17	35
DPD Laser Finance	GeoPost	12	23
Ciloger ^(b)	La Banque Postale		30
Other GeoPost companies	GeoPost	34	35
Other Services-Mail-Parcels companies	Services-Mail-Parcels	7	
TOTAL		2,119	1,968
Services-Mail-Parcels		64	94
GeoPost		1,737	1,557
La Banque Postale		143	174
Digital Services		175	143

(a) See Note 15.3.

(b) See Note 4.2.

15.2 Change in the net book value of goodwill

(€ million)	2016	2015
Opening balance	1,968	1,805
of which : Gross amount	2,113	1,948
Impairment	(145)	(143)
Acquisitions ^(a)	256	168
Disposals ^(b)	(30)	
Translation adjustments ^(c)	(5)	8
Impairment	(69)	(13)
CLOSING BALANCE	2,119	1,968
of which : Gross amount	2,337	2,113
Impairment	(218)	(145)

(a) Of which mainly Armadillo for €132 million, companies of the Digital Services segment for €32 million, Biologicistic for €26 million, Zeitfracht for €19 million, and Seur franchises in Spain for €35 million (see note 4.1).

(b) Ciloger in 2016 for €30 million (see note 4.2).

(c) Of which in 2016 Armadillo for €25 million.

15.3 Impairment

15.3.1 Impairment of goodwill

Le Groupe La Poste tests goodwill for impairment annually or more frequently if events or changes indicate that it may be impaired. This annual impairment test is carried out in the last quarter of each year.

Goodwill is allocated to Cash Generating Units as follows:

- Services-Mail-Parcels segment: one CGU for each business unit;
- GeoPost segment: one CGU per geographical area, and one CGU for DPD France group;
- La Banque Postale segment: one CGU per business unit;
- Digital Services segment: one CGU.

The impairment test involves comparing the net book value of the CGUs, including any goodwill, to their recoverable value, calculated according to the method explained in note 2.12.

If the CGU's recoverable value falls below its net book value, impairment is recognised and initially charged to goodwill.

The main assumptions used for the Group's impairment tests are as follows:

2016	Discount rate		Standard growth rate	Number of projected years
	Euro zone	Other		
Services-Mail-Parcels	6.4% to 7.1%	7.3%	1.5% to 2%	5
GeoPost	6.6% to 7.5%	6.3% to 15.3%	2%	5
La Banque Postale	6.6% to 11.6%	-	1%	5
Digital Services	7.0%	-	2%	5

2015	Discount rate		Standard growth rate	Number of projected years
	Euro zone	Other		
Services-Mail-Parcels	6.1% to 6.9%	7.3%	2%	5
GeoPost	6.6% to 7.5%	6.8% to 15%	2%	5
La Banque Postale	11.3%	-	1%	5
Digital Services	7.1%	-	2%	5

The tests performed on the Group's goodwill in 2016 led to fully depreciate Morin Logistic's and Orium's goodwill (Viapost sub-Group) for an amount of €39 million, as well as Resto In's goodwill for an amount of €17 million and Laser's goodwill for an amount of €13 million.

Laser's goodwill was depreciated in 2015, for an amount of €12 million.

Sensitivity analysis

A one point increase in the discount rate or a half point decrease in the growth rate in perpetuity would not have had a material impact on the results of the impairment tests as at 31 December 2016.

15.3.2 Impairment of CGUs without goodwill

La Poste's Mail CGU did not show any indication of impairment as at 31 December 2016.

NOTE 16 INTANGIBLE ASSETS

(€ million)	Software, patents and licences	Intangible assets in progress	Other intangible assets	TOTAL
GROSS AMOUNT				
Balance as at 31/12/2014	1,422	208	961	2,590
Acquisitions	81	216	37	334
Disposals	(38)	(4)	(8)	(50)
Change in consolidation scope	4	1	1	5
Transfers	137	(176)	12	(28)
Translation adjustments	1			1
Balance as at 31/12/2015	1,605	244	1,003	2,852
Acquisitions	104	158	88	350
Disposals	(37)	(2)	(34)	(73)
Change in consolidation scope	7		4	11
Transfers	82	(105)	20	(3)
BALANCE AS AT 31/12/2016	1,760	295	1,082	3,137
DEPRECIATION AND IMPAIRMENT				
Balance as at 31/12/2014	(1,088)		(652)	(1,740)
Depreciation for the year	(179)		(116)	(295)
Reversal on impairment			1	1
Reversals on disposals	38		8	47
Change in consolidation scope	(2)		(1)	(3)
Transfers	(1)			(1)
Translation adjustments	(1)			(1)
Balance as at 31/12/2015	(1,233)		(759)	(1,992)
Depreciation for the year	(182)		(95)	(277)
Reversal on impairment			1	1
Reversals on disposals	34		20	53
Change in consolidation scope	(6)		(2)	(8)
Transfers	(2)		2	
Translation adjustments	1			
BALANCE AS AT 31/12/2016	(1,387)		(833)	(2,221)
NET AMOUNT				
As at 31/12/2015	373	244	244	860
AS AT 31/12/2016	373	295	248	916

The "transfer" lines relate to the commissioning of assets and to reclassifications to other assets line items.

NOTE 17 TANGIBLE ASSETS

(€ million)	Land and buildings	Machinery and equipment	Vehicles	Other	Assets under construction	TOTAL
GROSS AMOUNT						
Balance as at 31/12/2014	5,100	2,509	856	3,085	291	11,842
Acquisitions	14	109	137	176	243	679
Disposals	(74)	(100)	(127)	(224)		(525)
Change in consolidation scope	27	30	2			59
Transfers	216	28	1	67	(323)	(10)
Translation adjustments	9	5	(2)	3	8	23
Balance as at 31/12/2015	5,293	2,580	867	3,108	220	12,068
Acquisitions	30	98	142	168	412	850
Disposals	(196)	(95)	(132)	(175)	(1)	(599)
Change in consolidation scope	52	39	4	11		106
Transfers	(82)	37	1	61	(297)	(280)
Translation adjustments	(33)	(9)	1	(9)	(2)	(51)
BALANCE AS AT 31/12/2016	5,064	2,649	882	3,164	333	12,093
DEPRECIATION AND IMPAIRMENT						
Balance as at 31/12/2014	(1,471)	(1,892)	(386)	(2,212)		(5,962)
Depreciation for the year	(186)	(174)	(94)	(231)		(684)
Impairment	(32)		(9)	(4)		(45)
Reversals of impairment	20					21
Reversals on disposals	26	91	102	196		415
Change in consolidation scope	(5)	(20)	(1)			(26)
Transfers	1	6	(1)	(4)		1
Translation adjustments	(3)	(3)		(2)		(8)
Balance as at 31/12/2015	(1,649)	(1,993)	(390)	(2,256)		(6,288)
Depreciation for the year	(174)	(168)	(99)	(231)		(672)
Impairment	(21)		(6)			(26)
Reversals of impairment	24		5			28
Reversals on disposals	89	94	99	159		441
Change in consolidation scope	(2)	(25)	(2)	(14)		(43)
Transfers	81	1		27		109
Translation adjustments	8	6		5		19
BALANCE AS AT 31/12/2016	(1,643)	(2,086)	(392)	(2,310)		(6,431)
NET AMOUNT						
As at 31/12/2015	3,644	587	478	852	220	5,780
AS AT 31/12/2016	3,421	564	490	854	333	5,661
<i>Of which finance leases</i>						
As at 31/12/2015	63	20	8	4		95
AS AT 31/12/2016	103	17	8	1		129

The transfer lines correspond to the commissioning of assets and to the reclassification of certain tangible assets to "assets held for sale" (see Note 24).

NOTE 18 EQUITY ASSOCIATES AND JOINT VENTURES

18.1 Change in investments in associates

18.2 Information on CNP Assurances

18.1 Change in investments in associates and joint ventures

The Group has an interest in joint ventures and associates which are not individually material, except for an interest in the CNP Assurances associate, for which additional information is provided in note 18.2.

Nature of control	CNP Assurances	Real Estate sub-group	Yurtici Kargo	AEW Europe	ASENDIA	Other	TOTAL	Companies with negative net assets ^(a)		TOTAL
								La Poste Mobile	Other	
	Associate	Associate/ Joint control	Associate	Associate	Joint control			Joint control		
Balance as at 31/12/2014	2,830	45	32		51	118	3,075	(37)		(37)
Group share in the profits of equity associates	207	3	2		3	3	218	(5)	(3)	(7)
Dividend payments	(106)	(4)	(2)		(1)	(43)	(157)			
Net change in the fair value of financial instruments and AFS securities	47					1	47			
Change in consolidation scope	(6)					10	3			
Capital increase						(1)	(1)			
Transfers and reclassifications	(3)	(14)			1	30	15			
Translation adjustments	(57)		(3)			2	(58)			
Balance as at 31/12/2015	2,911	30	28		53	119	3,141	(42)	(3)	(44)
Group share in the profits of equity associates	189	3		2	3	(3)	195	(9)		(10)
Dividend payments	(106)	(8)	(2)		(2)	(2)	(119)			
Net change in the fair value of financial instruments and AFS securities	90					(1)	88			
Change in consolidation scope				49		(17)	32		3	3
Capital increase		2					2	6		6
Transfers and reclassifications	38	2				1	42			
Translation adjustments	48		(4)			1	45			
BALANCE AS AT 31/12/2016	3,169	28	23	51	56	99	3,426	(46)		(46)

(a) Recorded in "Other provisions for contingencies and loss" (see Note 26.2).

18.2 Information on CNP Assurances

(€ million)	31/12/2016	31/12/2015
Interest percentage ^(a)	20.15%	20.15%
Fair value of the Group's investment (based on market price)	2,435	1,721

(a) See note 2.3.3.

Detailed information on CNP Assurances is presented in its registration document, available at: <http://www.cnp.fr/en/The-Group/Publications/Registration-Documents>

Reconciliation of the financial information with the investment value on the balance sheet

(€ million)	31/12/2016	31/12/2015
Equity attributable to owners of the parent	17,534	17,113
Restatements (deeply-subordinated notes)	(1,829)	(2,688)
Equity at % of interest held by Le Groupe La Poste	3,165	2,907
Net goodwill	4	4
INVESTMENT VALUE ON LE GROUPE LA POSTE BALANCE SHEET	3,169	2,911

The value of the investment in the CNP Assurances associate corresponds to the 20.15% share of Le Groupe La Poste in CNP Assurances' equity as published at 31 December 2016, restated for deeply-subordinated notes (excluding group part) issued to third parties.

NOTE 19 OTHER FINANCIAL ASSETS

(€ million)	31/12/2016		31/12/2015	
	Current	Non-current	Current	Non-current
Unconsolidated investments		254		321
<i>Provisions for unconsolidated investments</i>		(35)		(32)
Deposits and guarantees paid	7	19	13	17
Financial derivatives	58	185	66	245
Loans for local authority housing	3	64	3	67
<i>Provisions for loans for local authority housing</i>		(27)		(29)
Financial assets held for investment purposes	470		392	100
Other financial assets	71	45	11	24
<i>Provisions for other financial assets</i>		(25)		(6)
TOTAL	609	480	485	707

Unconsolidated equity investments

(€ million)	31/12/2016			31/12/2015
	Percentage held	Gross amount	Net amount	Net amount
Crédit Logement	6%	76	76	98
XAnge Capital 2	40%	12	12	12
Other - French companies		75	71	46
Other - foreign companies (see details in Note 43) ^(a)		91	60	133
TOTAL		254	219	289

(a) Of which, as at 31 December 2016, JLGP Participações for €34 million, a Brazilian company acquired at the end of December 2016, which will be consolidated in 2017, and, as at 31 December 2015, Visa Europe shares for €104 million, sold to Visa Inc. in 2016 (see Note 1.3).

Wholly-owned unconsolidated investments comprise wholly-owned dormant companies, companies in the process of being liquidated or companies with non-material balance sheets and income statements.

Deposits and guarantees

This line primarily corresponds to the security deposits paid in respect of leases.

In 2015, it also comprised, for €6 million, security deposits paid in respect of financial instruments put in place to manage bond debt.

Financial derivatives

The financial derivatives line represents instruments put in place to manage the interest rate and currency risks on debt. They must therefore be looked at together with "Bonds and other financial debt". A breakdown of these derivatives can be found in Note 27.4.

Financial assets held for investment purposes

These are assets acquired as part of the cash management process, where the original maturity is greater than three months:

(€ million)	31/12/2016	31/12/2015
Bonds	100	392
Term deposits accessible after more than 3 months	370	100
TOTAL	470	492

Loans for local authority housing

These loans primarily consist of loans to construction entities with very long-term maturities.

NOTE 20 BANKING ACTIVITIES FINANCIAL ASSETS

- 20.1 Customer loans and receivables
- 20.2 Credit institutions loans and receivables
- 20.3 Securities portfolio
- 20.4 Other banking financial assets
- 20.5 Banking accruals

20.1 Customer loans and receivables

(€ million)	31/12/2016	31/12/2015
Ordinary customer receivables	759	864
Other customer receivables	65	67
Factoring	818	146
Provisions	(139)	(157)
Customer sight loans and receivables	1,504	921
Term loans	184	
Short-term credit facilities	4,932	4,553
Home loans	55,948	54,214
Loans to legal entities	5,926	3,560
Loans to local public sector	5,679	4,495
Securities received under repurchase agreements	807	3,126
Provisions	(366)	(283)
Term customer loans and receivables	73,110	69,665
Finance lease transactions	2,040	1,567
Securities equivalent to customer loans and receivables	2,131	1,476
TOTAL	78,784	73,628

An assessment of the risk exposure of customer loans (primarily home loans) and of impairments is shown in Note 33.3.1.

The "Securities equivalent to customer receivables and loans" line primarily corresponds to certain financial

assets classified in the "available for sale" category, which were reclassified to "loans and receivables" on 1 July 2008 pursuant to the IAS 39 amendment published in October 2008 (see Note 34.5).

20.2 Credit institutions loans and receivables

(€ million)	31/12/2016	31/12/2015
Ordinary accounts receivable	191	196
Overnight deposits and loans	10,009	3,626
Sight loans and receivables – credit institutions	10,199	3,823
Term accounts and loans	72,703	77,284
Securities received under repurchase agreements	765	559
Subordinated and participating loans	190	190
Term deposits and loans – credit institutions	73,659	78,033
Securities equivalent to loans and receivables due from credit institutions	603	1,246
TOTAL	84,461	83,102

Term accounts and loans primarily include accounts opened at Caisse des Dépôts in connection with the centralisation of regulated products, primarily Livret A passbook savings accounts, Sustainable Development, and Popular savings accounts.

An assessment of credit risks on receivables due from credit institutions (Banking activities) is set out in Note 33.3.2.

20.3 Securities portfolio

(€ million)	31/12/2016	31/12/2015
Government securities and similar	19,885	21,777
Bonds and other fixed-income securities	2,386	2,380
Financial assets held to maturity	22,271	24,158
Government securities and similar	7,526	3,165
Bonds and other fixed-income securities	10,014	10,838
Equities and other variable-income securities	1,220	1,377
Available-for-sale financial assets	18,760	15,379
Government securities and similar	723	226
Bonds and other fixed-income securities	11,031	10,180
Equities and other variable-income securities	44	74
Financial assets held for transaction purposes	11,798	10,480
Interest-rate derivatives	1,811	1,344
Foreign exchange derivatives	22	2
Derivatives/Positive Fair Value	1,832	1,347
Financial assets at fair value through profit or loss	13,630	11,827
Revaluation adjustment on hedged portfolios (fair value hedges)	138	178
TOTAL	54,799	51,542

The general principles governing the recognition of securities and derivatives for the Banking activities are set out in Notes 2.14.2 to 2.14.5.

The fair value calculation methods for banking activities financial instruments are set out in Note 34.2.

An assessment of credit risks for the main items in the Banking activities securities portfolio can be found in Note 33.3.

20.4 Other banking financial assets

(€ million)	31/12/2016	31/12/2015
Deposits and guarantees paid	882	631
Other miscellaneous receivables ^(a)	441	503
Accrued income	392	353
TOTAL	1,716	1,486

(a) Other receivables primarily consist of ongoing transactions with customers. The change in this line should be considered together with that of liability accruals.

20.5 Banking accruals

Banking activities accruals primarily consist of accounts pending settlement of transactions with retail customers.

Accruals - Assets

(€ million)	31/12/2016	31/12/2015
Prepaid expenses	38	39
Collection accounts	34	13
Settlement accounts for securities transactions	4	3
Other insurance assets	476	418
Other accruals - Assets	945	1,110
TOTAL	1,497	1,583

Accruals - Liabilities

(€ million)	31/12/2016	31/12/2015
Settlement accounts for securities transactions	8	9
Other accruals – Liabilities	2,195	2,432
TOTAL	2,203	2,441

NOTE 21 Inventories and work-in-progress

(€ million)	31/12/2016			31/12/2015
	Gross amount	Provisions	Net amount	Net amount
Raw materials, supplies inventories and goods inventories	86	(2)	84	85
Finished and semi-finished product inventories and work in progress	14	(2)	12	24
TOTAL	100	(3)	97	109

Inventories primarily consist of spare parts for technical facilities and finished products sold in the post office network (primarily stamp-collecting products).

NOTE 22 Trade and other receivables

(€ million)	31/12/2016	31/12/2015
Advances and deposits paid	91	56
Trade receivables and related accounts	2,267	2,186
<i>Provisions on trade receivables and related accounts</i>	<i>(100)</i>	<i>(97)</i>
International mail receivables	578	624
CICE tax credit receivable ^(a)	592	561
Other receivables	492	439
<i>Provisions on other receivables</i>	<i>(33)</i>	<i>(32)</i>
TOTAL	3,886	3,737

(a) A CICE trade receivable was assigned in 2016 for €154 million.

International Mail receivables (€578 million) are primarily owed by foreign post offices for the delivery of the mail that they have passed on in France.

Likewise, trade and other payables include an international mail service liability (see Note 31) of

€536 million owed to foreign postal operators for mail to be delivered outside of France passed on by La Poste to these post operators for delivery.

NOTE 23 Cash and cash equivalents**23.1 Cash and cash equivalents****23.2 Cash and central bank deposits (Banking activities)****23.1 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and short-term investments in monetary instruments. These investments, which were initially due to mature in less than three months, are readily convertible into a known amount of cash and are exposed to a negligible risk of a change in value.

<i>(€ million)</i>	31/12/2016	31/12/2015
Cash equivalents	1,901	2,255
Cash at bank	247	198
Cash on hand	5	5
TOTAL	2,152	2,457

Cash equivalents

Cash equivalents consisted mainly of term deposits accessible at any time, or within three months, for an amount of €1,193 million (€1,425 million as at 31 December 2015), and units in money-market units for an amount of €676 million.

23.2 Cash and central bank deposits (Banking activities)

<i>(€ million)</i>	31/12/2016	31/12/2015
Cash on hand (including cash held at post offices)	814	961
Central banks	1,918	851
TOTAL	2,732	1,812

NOTE 24 Assets held for sale

The assets held-for-sale as at 31 December 2016 and 2015 corresponded to properties under promise of sale.

NOTE 25 EQUITY

- 25.1 Share capital
- 25.2 Non-controlling interests

25.1 Share capital

As at 31 December 2016, the share capital amounted to €3.8 billion, divided into 950 million ordinary shares with a par value of €4 each. As at that date, 73.7% of the capital was owned by the French government and 26.3% was owned by Caisse des Dépôts.

Background

On 1 March 2010, La Poste became a Société Anonyme (French public limited company), with a share capital set at €1 billion, split into 500 million fully paid-up shares with a par value of €2 each. This share capital is, by law, wholly-owned by the French government or government-owned entities, except for any portion reserved for La Poste employees.

Prior to that date, La Poste was an independent government-owned company, with no share capital within the legal meaning of the term.

April 2011 capital increase

At its 10 February 2011 meeting, the Board of Directors approved the planned €2.7 billion capital increase, to which the French government was to subscribe €1.2 billion and Caisse des Dépôts €1.5 billion.

The Extraordinary General Meeting of 6 April 2011 approved the following resolutions:

- share capital increase of €1 billion through an increase of the par amount of the existing shares from €2 to €4, via the incorporation of reserves;
- issue of 350 million new shares with equity warrants (ABSA) with a unit price of €6, including a par value of €4 and an issue premium of €2, i.e. a total of €2.1 billion including €1.4 billion in capital and €700 million in issue premiums;
- an equity warrant (BSA) is attached to each new share. The BSAs will entitle their holders to subscribe to 100 million new shares between 1 March and 30 April 2013 for a total amount of €600 million, including €400 million in capital and €200 million in issue premiums. The government and Caisse des Dépôts have made an irrevocable commitment to exercise all of their BSAs no later than the last day of the exercise period (i.e. 30 April 2013);
- inclusion of Caisse des Dépôts in the Group's governing bodies, with three representatives on the Board of Directors.

A first payment of €1.05 billion for the capital issued was made in April 2011, and included €467 million from the government and €583 million from Caisse des Dépôts.

The second payment of €1.05 billion, which was identical to the first, was paid in April 2012.

In April 2013, the French government and Caisse des Dépôts exercised the 350 million in equity warrants they were holding, which resulted in the issuance of 100 million new shares at a unit price of €6, €2 of which was an issue premium.

25.2 Non-controlling interests

As at 31 December 2016, non-controlling interests were not significant, individually or collectively.

Non-controlling interests amounted to €115 million as at 31 December 2016.

NOTE 26 PROVISIONS FOR CONTINGENCIES AND LOSSES

- 26.1 Specific provisions for the Insurance and Banking activities
26.2 Other provisions for contingencies and losses

26.1 Specific provisions for the Insurance and Banking activities

As at 31 December 2016, underwriting provisions for the Insurance and Banking activities, classified as current provisions for contingencies and losses, broke down as follows:

<i>(€ million)</i>	Home Loan Savings risk	Insurance underwriting provisions	TOTAL
Balance as at 31/12/2014	440	1,787	2,228
Addition for the year	64	238	301
Reversal for use		(3)	(3)
Other movements		(13)	(13)
Balance as at 31/12/2015	504	2,009	2,513
Addition for the year		230	230
Reversal for the year	(142)	(18)	(160)
Other movements		11	11
Balance as at 31/12/2016	362	2,231	2,593

The provision for Home Loan Savings risk is intended to cover the negative impact of Home Loan Savings deposits for lending institutions authorised to accept them, given the commitments that they imply (see Note 2.19).

This provision was subject to a net decrease of €142 million over the financial year, which broke down as follows:

<i>(€ million)</i>	Amounts collected	PEL and CEL amounts granted	2016 provisions	2015 provisions	Net movements 2015/2016
Age					
Over 10 years	5,873		73	100	(27)
4 to 10 years	10,721		104	126	(22)
Under 4 years	10,762		166	246	(80)
Total Home Loan Savings Plans (PEL)	27,356	53	343	472	(129)
Total Home Loan Savings Accounts (CEL)	4,590	368	19	32	(13)
TOTAL	31,946	421	362	504	(142)

26.2 Other provisions for contingencies and losses

As at 31 December 2016, the other provisions for contingencies and losses broke down as follows:

<i>(€ million)</i>	Employee- related disputes	Other disputes	Other	TOTAL
Non-current provisions	63	19	90	172
Current provisions	53	86	446	585
Balance as at 31/12/2014	115	105	536	757
Addition for the year	119	68	231	418
Reversal for use	(23)	(15)	(219)	(257)
Reversal of provisions no longer required	(11)	(10)		(21)
Other movements			8	9
Non-current provisions	137	44	109	290
Current provisions	63	105	447	616
Balance as at 31/12/2015	201	149	556	906
Addition for the year	96	62	108	266
Reversal for use	(25)	(15)	(91)	(130)
Reversal of provisions no longer required	(27)	(22)	(97)	(146)
Other movements		2	(2)	
Non-current provisions	161	16	152	328
Current provisions	84	161	322	567
Balance as at 31/12/2016	245	177	473	895

Provisions for employee disputes cover all employee disputes (industrial tribunal, etc.) and ongoing disputes with social security bodies.

Provisions for other disputes relate to disputes brought before administrative, civil or commercial courts.

As at 31 December 2016, **other provisions** included:

- the costs to regroup the Group's headquarters for €11 million
- a €144 million covering the penalty issued by the French Competition Authority against two companies of the Group
- a €46 million provision covering the negative net asset value of equity associates and joint ventures, compared to €44 million as at 31 December 2015 (see note 18.1)
- miscellaneous risks linked to the operational activity of the Group

NOTE 27 BONDS AND OTHER FINANCIAL DEBT

- 27.1 Breakdown of financial debt
- 27.2 Breakdown of debt by maturity
- 27.3 Bonds and deeply subordinated debt
- 27.4 Bond derivatives
- 27.5 Other financial debt

27.1 Breakdown of financial debt

(€ million)	31/12/2016		31/12/2015	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	490	4,103	401	4,218
Bonds	160	3,959		4,118
Finance leases	15	92	7	64
La Poste savings bonds	57		59	
Commercial paper			16	
Current bank facilities	7		12	
Deposits and guarantees received	231	27	293	26
Other borrowings at amortised cost	19	26	13	9
Borrowings designated at fair value	452	1,257	285	1,750
Hedged borrowings		473	502	
Bonds			502	
Subordinated debt		473		
Financial derivative liabilities relating to bonds	8	4	18	
Other derivatives			6	
Interest accrued not due on borrowings	113		132	
Medium and long-term bonds and other financial debt (non-current)		5,836		5,968
Short-term bonds and other financial debt (current)	1,064		1,345	
TOTAL CURRENT AND NON-CURRENT		6,900		7,313

27.2 Breakdown of debt by maturity

(€ million)	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial debt at amortised cost								
Bonds	160		1,796	960	2,163	3,158	4,119	4,118
Finance leases	15	7	31	25	61	39	107	71
La Poste savings bonds	57	59					57	59
Commercial paper		16					16	
Current bank facilities	7	12					7	12
Deposits and guarantees received	231	293	25	25	2	2	258	320
Other borrowings at amortised cost	19	13	26	9			44	22
Borrowings at fair value								
Bonds	452	285	527	1,023	730	727	1,709	2,035
Hedged borrowings								
Bonds		502						502
Subordinated debt					473		473	
Financial derivative liabilities relating to bonds	8	18			4		12	18
Other derivatives		6						6
Accrued interest not due	113	132					113	132
TOTAL	1,064	1,345	2,404	2,042	3,432	3,927	6,900	7,313

27.3 Bonds and deeply subordinated debt

Bond debt and deeply subordinated debt, excluding accrued interest, changed as follows:

(€ million)	Borrowings at amortised cost	Borrowings at fair value	Hedged borrowings	Hedged subordinated debt	Total
Balance as at 31/12/2014	3,380	2,096	518		5,995
New borrowings	750				750
Redemptions					
Issue premium	(12)				(12)
Change in credit risk		(4)			(4)
Other changes	(0)	(58)	(16)		(74)
Balance as at 31/12/2015	4,118	2,035	502		6,656
New borrowings				471	471
Redemptions		(238)	(500)		(738)
Issue premium				(2)	(2)
Change in credit risk		9			9
Other changes	1	(97)	(2)	4	(95)
Balance as at 31/12/2016	4,119	1,709		473	6,301

Subordinated debt issue

La Poste issued on 1 December 2016 \$500 million in deeply subordinated notes at a fixed rate of 5.3% and a maturity on 1 December 2043. La Poste will have the right to redeem these notes early, starting on 1 December 2023. According to the Group comprehension, some rating agencies assign to this instrument an equity component of 50%.

These notes are hedged in a cash-flow hedge of currency and interest rate risk via a cross-currency swap. After effect of the hedge, the notes have a nominal value of €470.4 million and a fixed rate of 2.894%.

Bond redemption

The following bonds were redeemed in 2016:

- On 17 February 2016: a bond issued in 2009 with a nominal value of €500 million. This bond was hedged at fair value.

- On 19 December 2016: a bond issued in 2000 and 2001 with a nominal value of £200 million. This bond was recorded at fair value through profit or loss.

Change in credit risk

The fair value measurement of the borrowings designated at fair value through profit or loss (see Note 2.15.1) reflects the decrease in the cost of credit risk over the year. This change had a €9 million positive impact on the fair value of the bonds as at 31 December 2016, compared with 31 December 2015 (€4 million negative impact in 2015). This impact was recorded in other comprehensive income (see Note 3).

The other changes primarily related to the change in the fair value of borrowings designated at fair value through profit or loss.

As at 31 December 2016, the Group bonds, which have a nominal value of over €500 million, broke down as follows:

Issue date	Maturity	Currency	Nominal rate	Nominal value (millions of currency units)	Accounting treatment
2003	2023	Euro	4.375%	580	Fair value
2008	2018	Euro	4.500%	500	Fair value
		<i>Other bonds at fair value</i>		440	
TOTAL BONDS AT FAIR VALUE				1,520	
2004	2019	Euro	4.750%	580	Amortised cost
2006	2021	Euro	4.250%	1,000	Amortised cost
2012-2013	2024	Euro	2.750%	1,000	Amortised cost
2015	2025	Euro	1.125%	750	Amortised cost
		<i>Other bonds at amortised cost</i>		800	
TOTAL BONDS AT AMORTISED COST				4,130	

The breakdown of the bond-rate by type of rate as at 31 December 2016 was as follows:

(€ million)	Debt breakdown before fixed-for-floating swaps		Impact of fixed-for-floating transactions	Debt breakdown after fixed-for-floating swaps	
	Amount	%	Amount	Amount	%
Fixed-rate borrowings	5,828	100%	(1,709)	4,119	71%
Floating-rate borrowings			1,709	1,709	29%
<i>Of which borrowings covered by partial or total rate-refixing swaps (see note below)</i>			730		
TOTAL BORROWINGS	5,828	100%		5,828	100%

The fixed-for-floating-rate swaps mentioned above are used at any time after issuance, in order to turn the fixed rate into a floating rate up until the maturity of the borrowings in question.

Furthermore, swaps allow the refixing of a portion of these borrowings at fixed rates with short maturities ranging from one to five years.

As at 31 December 2016, the portion of floating-rate borrowings covered by these "rate refixing" swaps amounted to €730 million, i.e. 12.5% of total borrowings. These borrowings are still shown on the "Floating-rate borrowings" line.

"Rate-refixing" swaps represent a nominal amount of €580 million.

As at 31 December 2016, the breakdown of bond debt by currency was as follows:

(€ million)	Debt structure before currency swaps		Impact of currency swaps	Debt structure after currency swaps	
Euro	5,828	100%		5,828	100%
Pound Sterling					
TOTAL	5,828	100%		5,828	100%

Bonds denominated in foreign currencies are backed by swaps that allow the currency risk to be fully hedged.

27.4 Non-banking activities derivatives

(€ million)	Fair value as at 31/12/2016		Fair value as at 31/12/2015	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	242		289	10
Floating-for-fixed derivatives		8		9
TOTAL	242	8	289	18
Hedging derivatives				
Fair value hedges			22	
Cash flow hedges		3		
TOTAL DERIVATIVES RELATING TO DEBT	242	11	311	18
Other				
Cash management funds derivatives				6
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	242	11	311	24
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives		4		6

27.5 Other financial debt

Finance leases

Liabilities relating to assets held under finance leases primarily involve properties and sorting machines.

La Poste savings bonds

This line represents La Poste's savings bond liabilities. All of the bonds had matured by the end of 2016.

Commercial paper

Commercial paper issued by La Poste and not matured as at 31 December 2015 had maturities of six months and represented €16 million. No commercial paper was outstanding as at 31 December 2016.

Deposits and guarantees paid

This line primarily relates to security deposits received in respect of financial instruments put in place to manage bonds.

NOTE 28 GROUP NET DEBT

- 28.1 Group net debt position
28.2 Changes to Group net debt

28.1 Group net debt position

(€ million)	Note	31/12/2016	31/12/2015
Cash and cash equivalents (balance sheet line)	23	2,152	2,457
Debt-related derivative assets	19	243	311
Investment securities with initial maturities of over 3 months	19	470	492
Security deposits paid in connection with derivatives, recognised as assets	19		6
Net financial receivable against La Banque Postale		316	390
Cash and other asset items (1)		3,180	3,656
Medium and long-term bonds and other financial debt	27	5,836	5,968
Short-term bonds and other financial debt	27	1,064	1,345
Gross debt (2)		6,900	7,313
NET DEBT (2)-(1)		3,719	3,657
<i>Increase (Decrease) in net debt as at 31 December 2016</i>		62	

28.2 Changes to Group net debt

(€ million)	referen- ces	31/12/2016	31/12/2015
Cash flows from operating activities	CFS ^(a)	1,448	1,574
Cash flows from investing activities	CFS	(1,072)	(779)
Cancellation of the change in cash management financial assets	CFS	(21)	(66)
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets ^(b)		(1,094)	(845)
Dividends paid to the government		(171)	(171)
Purchase of non-controlling interests	CFS	(8)	(27)
Net financial interest expense		(145)	(148)
Change in the fair value of financial instruments		(4)	15
Impact of changes in consolidation scope on gross debt		(67)	(28)
Increase in finance lease liabilities		(16)	(9)
Issue premiums and costs		(2)	(12)
Other items ^(c)		(4)	(3)
Cash flows and change in debt from financing activities		(417)	(382)
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		(62)	348
Net debt at the beginning of the period		(3,657)	(4,005)
Net debt at the end of the period		(3,719)	(3,657)

(a) "CFS" refers to the non-banking column of the Cash Flow Statement in the consolidated financial statements.

(b) The cash flows from investing activities stand out from CFS due to the exclusion of the "change in cash management financial assets", assets deducted from the net debt calculation.

(c) The "Other items" line includes the impact of currency fluctuations on net debt and dividends paid to non-controlling interests.

NOTE 29 EMPLOYEE BENEFITS

- 29.1 Change in provisions for employee benefits
- 29.2 Description of employee benefits
- 29.3 Actuarial assumptions
- 29.4 Change in post-employment benefit commitments
- 29.5 Analysis of post-employment benefit expenses
- 29.6 Expected cash outflows

29.1 Change in provisions for employee benefits

Provisions for employee benefits have changed as follows during 2016:

€ million	31/12/2015		Changes in consolidation scope	Increase	Decrease for use	Interest cost	Other changes ^(a)	31/12/2016	
	Current	Non-current						Current	Non-current
Post-employment benefits for La Poste's government employees	17	511		5	(8)	8	(239)	10	284
Retirement benefits for the Group's contract staff	10	298	1	24	(6)	6	54	12	373
Pension plans for employees of foreign subsidiaries		68		3	(6)	2	7		74
Post-employment benefits	27	877	1	33	(20)	16	(178)	22	732
End-of-career arrangements	420	1,020		564	(371)	12		462	1,183
Severance payments	99	24		9				101	30
Long-term sick leave/long-term paid leave	60	45			(5)			59	41
Accrued leave	125	110		9				128	115
Other long-term benefits	2	17			(2)			1	16
Other benefits	286	196		18	(7)			290	203
TOTAL	734	2,093	1	615	(398)	27	(178)	774	2,118

(a) Of which the effect of the change in modalities for granting Home help and Holiday vouchers benefits for -€141 million, and changes in actuarial differences on post-employment benefits for government employees of La Poste for -€98 million.

29.2 Description of employee benefits

Post-employment and long-term benefits resulting from defined benefit plans, together with their related costs, are measured using the projected unit credit method, in accordance with IAS 19. Annual actuarial appraisals are carried out.

The appraisal calculations involve taking third-party actuarial economic assumptions into account (discount rates, inflation rates, and the rate of increase in pensions, etc.), as well as assumptions that are specific to Le Groupe La Poste (employee turnover rates, mortality rates, and the rate of increase in salaries, etc.).

29.2.1 Pension commitments for government employees at La Poste

Article 150 of the 2006 Amending Finance Act, published in the *Journal Officiel* of 31 December 2006, implemented an employer contribution made in full discharge of the obligation regarding the pensions of government employees working at La Poste.

As a result, no provision is recorded in La Poste's financial statements in respect of government employees' retirement benefits.

29.2.2 Post-employment benefits granted to retired government employees attached to La Poste

Other commitments for post-employment benefits include:

- employee welfare services provided to government employees, primarily including holiday vouchers;
- a loyalty bonus granted to retired state employees who hold their pension in a current account at La Banque Postale;
- granting assistance to voluntary organisations that provide services to retired government employees.

29.2.3 Retirement benefits for the contract staff of La Poste and the Group's French subsidiaries

Employees retiring from the Company and eligible for a pension receive retirement benefits, the amount of which is based on length of service and final salary.

29.2.4 Pension plans for employees of the Group's foreign subsidiaries

Pension commitments for the Group's foreign subsidiaries primarily relate to the GeoPost sub-group

and the GeoPost UK subsidiary. GeoPost UK's commitments are partially covered by a pension fund.

29.2.5 End-of-career arrangements

La Poste employees may benefit, under certain conditions, from early end-of-career arrangement plans. These arrangements are offered to people who meet a minimum-age requirement from 53 to 59 years of age and according to certain conditions (position that is physically demanding or not, active or office roles, number of years of service...). During the term of the plan, the beneficiaries receive 70% of a full time remuneration while working in an operational activity for a smaller portion of the time.

The provisions relating to early end-of-career arrangement plans recognised as at 31 December 2016 factor in the expected enrolments to the plan available until June 2018, as well as enrolments to the plans operating previously.

29.2.6 Other long-term benefits

These are paid leave schemes:

- **Accrued leave:** Accrued leave is a scheme that allows employees to accrue part of their unused earned leave beyond the period for using earned paid leave. The provision for Accrued Leave corresponds to the value of the leave rights included in this scheme.
- **Supplementary leave:** Government employees from the overseas departments or who work in the overseas departments benefit from paid supplementary leave, as well as from paid travel expenses. The provision covers these supplementary leave and travel rights.
- **Long-term sick leave/long-term paid leave:** the provision for long-term sick leave and long-term paid leave is designed to cover the costs relating to future leave incurred as at the balance-sheet date. This provision is measured at every balance-sheet date for every employee concerned, on the basis of future entitlements, as expressed by a number of payable index points.

29.3 Actuarial assumptions

The actuarial assumptions used to measure employee benefits are reviewed and updated once a year at the annual balance-sheet date.

The main assumptions selected as at 31 December 2016 were as follows:

- likelihood of retaining working staff within the Group, life expectancy and estimates of future salary increases;
- retirement age assumptions for employees of foreign companies and employees governed by foreign collective bargaining agreements, which take account of local economic and demographic factors;
- an assumed average benefit increase of 2% (no change compared with 2015);
- provisions for retirement commitments relating to end-of-career arrangements that form part of agreements are calculated on the basis of the definite enrolments in these plans as at the balance-sheet date, as well as of Management's best estimate of likely future enrolments up until the expiry date of these agreements. A one-point increase in the expected rate of enrolment would have increased the provision by €45 million as at 31 December 2016.
- the discount rates used for actuarial appraisals as at the balance-sheet date, determined with reference to a basket of AA-rated corporate bonds published by *Reuters*, were as follows:

Maturity	5 years	10 years	15 years	20 years
2016				
Euro zone	0.2%	1.0%	1.4%	1.6%
UK zone	1.5%	2.5%	2.7%	2.8%
2015				
Euro zone	0.8%	1.5%	2.1%	2.3%
UK zone	2.2%	2.6%	3.2%	3.4%

29.4 Change in post-employment benefit commitments

The tables below show the change in the commitment and in the plan assets for the Group's post-employment benefit plans as at 31 December 2016 and 31 December 2015.

29.4.1 Change in commitments

(€ million)	2016	2015
Commitment at the beginning of the period	1,096	1,066
Cost of services provided	34	37
Discount unwinding costs	21	22
Curtailement and settlement of plans ^(a)	(141)	
Benefits paid	(24)	(28)
Employee contributions	1	1
Actuarial (gain) loss relating to changes in assumptions	136	(3)
Actuarial (gain) loss due to experience adjustments	(148)	(14)
Translation adjustments	(35)	16
COMMITMENT AT THE END OF THE PERIOD	940	1,096

(a) Effect of the change in modalities for granting Home help and Holiday vouchers benefits for -€141 million.

29.4.2 Change in plan assets

(€ million)	2016	2015
Plan assets at the beginning of the period	192	178
Expected return on assets	5	6
Employer contributions	6	8
Employee contributions	1	2
Benefits paid	(10)	(13)
Change in consolidation scope		1
Actuarial differences	15	1
Translation adjustments	(26)	11
Other	2	
PLAN ASSETS AT THE END OF THE PERIOD	186	192

The plan assets primarily relate to GeoPost UK's pension commitments.

29.4.3 Net commitment

(€ million)	31/12/2016	31/12/2015
Commitments	940	1,096
Plan assets	(186)	(192)
NET COMMITMENT	754	904
<i>of which non-current provision</i>	<i>732</i>	<i>877</i>
<i>of which current provision</i>	<i>22</i>	<i>27</i>

29.4.4 Change in actuarial differences (recognized in "other comprehensive income")

(€ million)	2016	2015
Actuarial (gain) loss at the beginning of the period	172	189
Actuarial (gain) loss relating to changes in assumptions	136	(3)
Actuarial (gain) loss due to experience adjustments	(148)	(14)
Actuarial differences on plan assets	(15)	(1)
ACTUARIAL (GAIN) LOSS AT THE END OF THE PERIOD	145	172

29.4.5 Breakdown of plan assets

Types of assets	31/12/2016	31/12/2015
Equities	18%	17%
Diversified investment funds	47%	48%
LDI funds (Liability-Driven Investment)	16%	13%
Insurance contracts	19%	22%

29.4.6 Discount rate sensitivity

A 50 basis point reduction in the discount rate would increase the Group's net post-employment benefit commitment by around €78 million.

29.5 Analysis of post-employment benefit expenses

(€ million)	2016	2015
Cost of services provided	34	37
Discount unwinding costs	21	22
Expected return on assets	(5)	(6)
Curtailement and settlement of plans	(141)	
EXPENSE (INCOME) FOR THE PERIOD	(91)	53

29.6 Expected cash outflows

The table below presents an estimate of the benefits payable over the next five years in respect of defined-benefit post-employment benefits:

(€ million)	Cash outflows
2017	22
2018	17
2019	18
2020	19
2021	20

As at 31 December 2016, the average duration of post-employment benefits was 17 years.

The contribution by GeoPost UK to its pension plan in 2017 is estimated to €6 million.

NOTE 30 BANKING ACTIVITIES FINANCIAL LIABILITIES

- 30.1 Liabilities to credit institutions
- 30.2 Liabilities to customers
- 30.3 Debt evidenced by a certificate and other banking financial liabilities

30.1 Liabilities to credit institutions

(€ million)	31/12/2016	31/12/2015
Ordinary accounts payable	671	346
Overnight deposits and borrowings		48
Other amounts due	27	21
Sight liabilities to credit institutions	698	414
Securities given under repurchase agreements	15,653	13,422
Term deposits and loans	2,652	1,905
Term liabilities to credit institutions	18,305	15,327
TOTAL	19,003	15,741

Securities given under repurchase agreements correspond to inter-bank and similar transactions.
The subordinated debt corresponds to La Banque Postale's bond issues.

The maturity schedule for liabilities to credit institutions is as follows:

(€ million)	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Sight liabilities to credit institutions	698	414					698	414
Term liabilities to credit institutions	17,757	14,191	271	891	277	245	18,305	15,327
TOTAL	18,455	14,605	271	891	277	245	19,003	15,741

30.2 Liabilities to customers

This item primarily represents deposits by customers of the Banking activities plus accrued interest not due on these deposits.

(€ million)	31/12/2016	31/12/2015
Livret A passbook savings accounts	59,575	60,177
Home Loan Savings Plans (PEL)	27,357	25,744
Home Loan Savings Accounts (CEL)	4,591	4,821
PSP accounts	217	255
LEP savings accounts	7,759	7,936
Sustainable Development (LDD) accounts	7,288	7,253
Youth passbook savings accounts	624	667
Livret B (savings passbook) accounts	1,762	1,897
Stock Savings Plan Liquidity Accounts	648	514
Other special accounts	3,446	3,145
Special savings accounts	113,266	112,408
Ordinary trade payables	58,740	53,926
Customer borrowings	130	100
Term deposits	189	782
Equities and securities given under repurchase agreements	2,744	3,449
Other amounts due to customers	599	720
Liabilities to customers	62,403	58,976
TOTAL	175,669	171,384

Since 1 January 2009, the funds in La Banque Postale's Livret A passbook savings accounts, which were previously held by Caisse Nationale d'Épargne, have been taken over directly by La Banque Postale. This is

pursuant to the deregulation of the distribution of Livret A passbook savings accounts, which resulted in the winding up of Caisse Nationale d'Épargne.

30.3 Debt evidenced by a certificate and other banking financial liabilities

(€ million)	31/12/2016	31/12/2015
Subordinated debt	2,980	2,389
Bonds	4,333	4,220
Certificates of deposit	6,149	4,834
Debt evidenced by a certificate	13,463	11,443
Guarantee deposits received	1,277	1,020
Financial liabilities at fair value through profit or loss	349	326
Hedging derivatives	914	326
Other financial liabilities	1,782	1,602
TOTAL	17,785	14,717

The "financial liabilities at fair value through profit or loss" primarily correspond to interest rate derivatives.

The maturity schedule for debt evidenced by a certificate is as follows:

(€ million)	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Debt evidenced by a certificate	6,445	5,412	2,156	2,320	4,862	3,711	13,463	11,443

NOTE 31 TRADE AND OTHER PAYABLES

<i>(€ million)</i>	31/12/2016	31/12/2015
Trade payables and related accounts	1,813	1,700
Tax and social security liabilities	1,746	1,793
Payable to suppliers of non-current assets	261	252
International mail payables	536	572
Customer advances and deposits	164	182
Other operating payables	173	154
TOTAL	4,693	4,652

ADDITIONAL INFORMATION

NOTE 32 INFORMATION ON RISKS EXCLUDING BANKING ACTIVITIES

- 32.1 Credit risk
- 32.2 Liquidity risk
- 32.3 Interest-rate risk
- 32.4 Currency risk

La Poste takes a prudent approach to risk management, which is based on a system of notional limits for each financial risk to which it is exposed as part of its financial activities. This system of limits is set out in a "Limits Handbook" that is updated regularly, according to the changes in the Treasury and Financing Department's activities, and is presented to the La Poste Audit Committee every year.

An execution report for the Limits Handbook is also presented to La Poste's Audit Committee every year.

32.1 Credit risk

In the course of its non-banking financial activities, La Poste is primarily exposed to two types of credit risk:

- the risk of its issuers defaulting on their investment securities;
- the risk of its market counterparties defaulting.

La Poste's cash is invested in money-market UCITS, term deposits and Negotiable Debt Securities (NDS) with a minimum short-term rating of A2/P2. The credit risks are controlled by a system of limits representing the maximum nominal amount not to exceed for each UCITS or issuer.

Moreover, in view of its operations in derivative markets, La Poste is exposed to the risk of its market counterparties defaulting. The exposure relating to these instruments is assessed through the net market value of the derivatives for each counterparty, after

taking into account guarantees received or given under collateralisation agreements.

The commitments to La Poste's counterparties are subject to systematic collateralisation agreements that enable the risk of default to be reduced at the franchise level.

Considering the high amount of its investments, in 2013 La Poste implemented an indicator designed to assess the maximum statistical risk of financial loss on its investment securities portfolio, with a 97.5% confidence interval. This indicator is based on one year CDS for each of the issuers in its portfolio, weighted with the investment's current amount and residual maturity.

32.2 Liquidity risk

Liquidity risk is assessed through forecast cash flows, calculated as a moving average every day during the first month and then monthly for the rest of the year.

Any liquidity gaps are refinanced through the issue of French commercial paper or Euro Commercial Paper (ECP).

In addition, La Poste has negotiated confirmed credit facilities with financial institutions and has access to a €650 million syndicated credit facility, as well as to an additional €75 million credit facility granted by BNPP (see Note 37.4.2).

The table below shows the contractual cash flows relating to non-derivative financial liabilities, as well as the contractual flows relating to debt management derivatives, regardless of whether they are shown as liabilities or assets. These flows are not discounted and their total may therefore differ from the amount recognised on the balance sheet.

As at 31/12/2016 (€ million)	Balance sheet amount	2017 flows		2018 flows		2019-2021 flows		2022 flows and beyond	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Bonds	5,828	215	600	183	500	405	1,800	204	2,750
Borrowings at amortised cost	4,119	143	160	135	500	328	1,800	153	2,170
Borrowings at fair value	1,709	72	440	48	500	76		51	580
Borrowings subject to fair value hedging									
Subordinated debt	473	25		25		75		550	473
Other financial debt	474		330		24		78		42
Finance leases	107		15		13		39		40
La Poste savings bonds	57		57						
Commercial paper									
Current bank facilities	7		7						
Deposits and guarantees received	258		231		6		19		2
Other borrowings at amortised cost	44		19		5		20		
Derivatives	(231)	(82)		(59)		(106)		(66)	4
Derivative liabilities	12	(7)		(10)		(33)		(23)	4
Derivative assets	(243)	(75)		(49)		(73)		(43)	
TOTAL	6,544	158	930	149	524	374	1,878	688	3,269

32.3 Interest-rate risk

La Poste has pursued an active management strategy for its bond debt since 1999, based on the use of derivatives to reduce the coupon rate of its bonds.

This hands-on management, together with the investment activity, generates an interest-rate risk linked to an unfavourable change in the yield curve.

The interest-rate risk is controlled by a limit representing the net amount of debts and variable interest investments projected over a sliding twelve-month period, on which a decreasing or increasing interest rates stress scenario is applied.

The result of this stress test is not allowed to generate a financial cost greater than €10 million. During the year, the result of the test was a theoretical financial cost substantially lower than this limit (less than €5 million throughout the year). The active management of the debt interest rate, as well as the decision, on each investment maturity date (less than 12 months) on the reinvestment rate, allow this risk to be precisely monitored and the impacts of a significant increase or decrease of interest rates to be limited.

Sensitivity analysis

A uniform sudden 50-basis point increase in the market yield curve would result in a €3.2 million increase in the Group's annual financial expense, after taking into account debt management derivatives (compared with €5.3 million as at 31 December 2015).

A uniform sudden 50-basis point increase in the market yield curve would result in a €10.9 million profit in income (compared with €5 million as at 31 December 2015), resulting from the change in the fair value of the debt recognised at fair value through profit or loss and of the debt management swaps.

32.4 Currency risk

La Poste cautiously assesses currency risk by systematically hedging borrowings and investment securities denominated in foreign currencies via the setting up of currency swaps or forward purchases and sales.

As at 31 December 2016, there were no significant foreign currency-denominated investment securities. Some bonds are denominated in pounds sterling, and the subordinated debt is denominated in dollars. These borrowings are fully protected by a foreign exchange hedge, as detailed in Note 27.

NOTE 33 INFORMATION ON RISKS RELATING TO BANKING ACTIVITIES

- 33.1 Structural risk factors
- 33.2 La Banque Postale's risk exposure
- 33.3 Credit risk
- 33.4 Liquidity risk
- 33.5 Interest-rate risk
- 33.6 Market risk

33.1 Structural risk factors

La Banque Postale has reviewed the risks that could have a material adverse effect on its business, its financial position and its results (or its ability to achieve its targets), and considers that there are no significant risks other than those shown.

The structural risk factors that affect La Banque Postale are primarily related to its retail banking business, i.e. liquidity and interest-rate risk linked to converting short-term customer deposits to longer-term use, credit risk on the loans granted to its customers, and the operational risk relating to the banking activities.

Market risk also represents a structural risk factor, which La Banque Postale monitors closely.

33.2 La Banque Postale's risk exposure

(€ million)	31/12/2016	31/12/2015
Financial assets at fair value through profit or loss	11,798	10,480
Trading derivatives	532	555
Hedging derivatives	1,578	1,229
Available-for-sale financial assets	18,879	15,611
Loans and receivables – Credit institutions	84,461	83,102
Customer loans and receivables	78,784	73,628
Financial assets held to maturity	22,271	24,158
Balance sheet exposure net of impairment	218,303	208,762
Financing commitments given	20,087	17,270
Guarantee commitments given	2,535	3,067
Off-balance sheet exposure	22,622	20,336
TOTAL NET EXPOSURE	240,925	229,098

The following risks are described below:

- 33.3. Credit risk
- 33.4. Liquidity risk
- 33.5. Interest-rate risk
- 33.6. Market risk

33.3 Credit risk

The Risk Department reports to the Group Risks Steering Committee on the drafting and implementation of the system for monitoring and managing credit risk relating to the retail and corporate banking businesses, in compliance with the Order of 3 November 2014.

In terms of risk monitoring procedures, the Risk Department defines the monthly credit risk monitoring indicators approved by the Group Risks Steering Committee.

The Risk Department covers credit risk, as defined in Article 4 of Regulation 97-02 (amended), namely the risk incurred in the event that a counterparty or counterparties considered as a single beneficiary within the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

Organisation and steering of credit risks

The risks control Policy and the charter of the risks management department were implemented into a strong and permanent risks organisation, taking into account the evolutions of La Banque Postale since its creation, in order to secure the future profits of the Group, and inspired by industry's best practises to quantify and steer risks, by using internal models, notably to determine internal capital.

The risks control organisation was fully deployed at regional level and has regional dashboards to monitor and steer risks at operational level. These dashboards are also monitored at central level, which allows for fluid communication between central and regional functions.

Review of internal rating models to adapt them to Basel III requirements

La Banque Postale launched its Basel II Internal Models project in 2013. Since 2015, the Group risk Department has integrated into its credit granting and credit risks steering rules the Basel parameters and notations (PD, LGD, ELBE) derived from the internal models for individuals. Taking these models into account for the granting, delegating and daily management processes resulted in significantly better risk management for individuals.

33.3.1. Credit risk on transactions with retail customers

In terms of retail customers lending, La Banque Postale Group activities that give rise to a credit risk include:

- home loans to individuals and SCI property investment companies (La Banque Postale and its subsidiaries BPE and SOFIAP)
- overdrafts and means of payment extended to individuals (La Banque Postale and its subsidiary BPE)
- consumer loans (La Banque Postale Financement, BPE, as well as La Banque Postale for previous loans granted to Le Groupe La Poste staff)
- personal micro-loans (La Banque Postale)

Retail customer lending activity is highly concentrated in France (99.9% of outstanding loans).

Risk management

Concerning retail customers loans activities, the Group Risk Department is in charge, at La Banque Postale Group level, of defining the risk-taking rules and the tools used for managing the generated risks, of overseeing the effective application of the rules and the proper functioning of the tools for the Group, i.e. La Banque Postale SA, La Banque Postale Financement, BPE and SOFIAP.

It amends the rules for granting and committing to loans.

The Group Retail Risk Department runs La Banque Postale's Group Retail Customers Lending Committee, which is the highest delegating body within the La Banque Postale Group for granting retail loans.

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

Beyond the scope of its own remit, the Group Risk Department has the credit risk "game plan" approved by the Group Risk Steering Committee (chaired by a member of the Executive Board), or by the Executive Board, if requested by the Chairman of the Group Risk Steering Committee.

After they are approved, the Group Retail Risk Department makes sure these rules are implemented and correctly applied during all the lending process.

As part of the credit risk organisation deployment, the Risk Managers of LBPF, BPE and Sofiap report to the Group Risk Manager.

In accordance with regulations, the Retail Credit Risk Department ensures that the risks surveillance and monitoring rules are implemented and it coordinates all the control mechanisms involved. A follow-up is performed at Group Risk Steering Committee level, with specific follow-ups on each subsidiary.

Risk mitigation

General principle

The general principle is that any financing must be 100% hedged by an "eligible" guarantee, i.e. offering a sufficient hedging level:

- Asset-backed mortgage of the first rank or equivalent, privilege of the money-lender, mortgage, pledge of mortgage assets granted by a third party guaranteeing the borrower's debt
- pledge of financial products (life insurance contracts, securities accounts, REIT units), in accordance with the hedging ratio of the loan by the pledged savings, as specified in the issuance conditions, depending of the nature of the pledged assets (securities, bonds, currency...)
- guarantees provided by a guarantee body, authorised by the Guarantee Providers Referencing Committee of La Banque Postale

By exception to the above principles

Some low amount house works loans are granted without a guarantee.

Bridging loans can be granted without an "eligible" guarantee, when the sale agreement or the promise of sale for the asset that is the subject of the loan has been signed and the conditions precedent in favour of the buyer of the asset have been lifted. In that case, the bank can settle for a simple promise to pledge the sold asset.

If the quality of the application file justifies it, La Banque Postale can accept to grant a loan without guarantee, if the total of loans granted without guarantee to the same customer does not exceed the limits set in the issue conditions.

If the quality of the application file justifies it, La Banque Postale can accept the guarantee provided by a private individual as principal guarantee, within the limits set in the issue conditions.

Consumer loans are granted without guarantee or collateral.

Exposure to credit risk on transactions with retail customers

31/12/2016	Gross book value		Gross off-balance sheet amount		Total exposure	
	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of total exposure	Amounts outstanding	% total
(€ million)						
Home loans	55,948	94%	3,305	6%	59,253	81%
Consumer loans	4,931	88%	698	12%	5,629	8%
Ordinary accounts receivable	533	7%	7,295	93%	7,828	11%
TOTAL	61,413	84%	11,297	16%	72,711	100%

31/12/2015	Gross book value		Gross off-balance sheet amount		Total exposure	
	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of total exposure	Amounts outstanding	% total
(€ million)						
Home loans	54,214	96%	2,275	4%	56,490	81%
Consumer loans	4,553	90%	519	10%	5,072	7%
Ordinary accounts receivable	681	8%	7,867	92%	8,548	12%
TOTAL	59,448	85%	10,662	15%	70,110	100%

Guarantees obtained

31/12/2016		Asset-backed guarantee		Guarantee from a legal entity		Guarantee from an individual		Unguaranteed		Gross book value	
		Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
(€ million)											
Home loans	Performing	18,440	33%	35,751	65%	24		1,090	2%	55,304	99%
	Impaired	308	48%	311	48%			25	4%	644	1%
TOTAL		18,748		36,061		25		1,115		55,948	
Consumer loans	Performing	5		8		1		4,551	100%	4,565	93%
	Impaired			2				365	100%	367	7%
TOTAL		5		10		1		4,916		4,931	

31/12/2015		Asset-backed guarantee		Guarantee from a legal entity		Guarantee from an individual		Unguaranteed		Gross book value	
		Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
(€ million)											
Home loans	Performing	17,227	32%	35,028	65%	18		1,428	3%	53,701	99%
	Impaired	299	58%	181	35%			33	6%	513	1%
TOTAL		17,526		35,209		18		1,461		54,214	
Consumer loans	Performing	3		8		1		4,227	100%	4,239	93%
	Impaired			2				312	100%	314	7%
TOTAL		3		9		1		4,539		4,553	

Credit quality of assets that are neither in arrears nor impaired on an individual basis

31/12/2016	31/12/2015	
	Amounts outstanding	%
(€ million)	Amounts outstanding	%
Performing home loans	not in arrears	54,926 99%
	in arrears	378 1%
TOTAL PERFORMING LOANS	55,304	100%
Performing consumer loans	not in arrears	4,501 99%
	in arrears	64 1%
TOTAL PERFORMING LOANS	4,565	100%

Financial assets in arrears

31/12/2016	Unimpaired amounts outstanding in arrears					Total	Impaired loans	Guarantees			
(€ million)	<30 d	30 d to 60 d	60 d to 90 d	90 d to 180 d	>180 d			Asset-backed guarantees	Guaranteed by a legal entity	Guaranteed by individuals	Unguaranteed
Home loans	265	67	34	12		378	644	308	311	25	
Consumer loans	40	16	8			64	367		2	365	
TOTAL	305	82	42	12		442	1,011	308	313	390	

31/12/2015	Unimpaired amounts outstanding in arrears					Total	Impaired loans	Guarantees			
(€ million)	<30 d	30 d to 60 d	60 d to 90 d	90 d to 180 d	>180 d			Asset-backed guarantees	Guaranteed by a legal entity	Guaranteed by individuals	Unguaranteed
Home loans	195	63	34	37		328	513	409	396	37	
Consumer loans	20	12	11	18	15	76	314		2	316	
TOTAL	215	75	45	55	15	405	826	409	398	72	

Analysis of assets impaired on an individual basis

31/12/2016	Type of guarantee	Accounts receivable	Applied guaranteed amount	Discounted provisions	Discounted provisioning rate
(€ million)		(a)		(b)	(b/a)
Impaired home loans	Asset-backed guarantee	285	184	(111)	39%
	Guarantee from a legal entity	252	227	(29)	11%
	Guarantee from an individual				41%
	Unguaranteed	23	4	(18)	80%
	Doubtful by contagion not in arrears	84	84	(1)	1%
TOTAL		644	499	(159)	25%
Impaired consumer loans		367	1	(167)	45%
Impaired ordinary accounts receivable and equivalent		53	10	(40)	76%

31/12/2015	Type of guarantee	Accounts receivable	Applied guaranteed amount	Discounted provisions	Discounted provisioning rate
(€ million)		(a)		(b)	(b/a)
Impaired home loans	Asset-backed guarantee	262	219	(78)	30%
	Guarantee from a legal entity	126	122	(10)	8%
	Guarantee from an individual	1			26%
	Unguaranteed	27		(12)	46%
	Doubtful by contagion not in arrears	97	90	(13)	14%
TOTAL		513	431	(114)	22%
Impaired consumer loans		314	1	(149)	47%
Impaired ordinary accounts receivable and equivalent		129		(109)	84%

33.3.2. Credit risk on transactions with non-retail customers

La Banque Postale's activities that give rise to a credit risk are on two levels:

- as part of its commercial activity aimed at financing the economy, La Banque Postale was granted a licence to offer financing to Legal Entities from the French Prudential Control Authority in September 2011. The main customer segments served by the range of products offered are currently: Companies, Local Authorities, Public Health Companies, social housing associations and Non-profit Associations;
- as part of its intervention on the financial markets, La Banque Postale is also required to manage the credit risk arising on inter-bank cash transactions, like deposits, loans, repos (which therefore relates to financial institutions) and the issuer risk arising on the debt securities traded in the trading room (companies, financial institutions, sovereign entities, and local authorities).

These risks take the form of balance sheet, and off-balance sheet commitments (guarantees, collateral, investments made by La Banque Postale's insurance subsidiaries, and the undrawn portion of loans granted, etc.).

La Banque Postale has opted for a prudent approach and gradual expansion.

The range of financing offered by La Banque Postale currently includes: cash facilities, advance on subsidies, equipment leases, medium-term loans, bilateral or syndicated loans for key accounts, property leases, factoring and simple derivatives product without margin calls.

In 2016, La Banque Postale launched the following financing offers:

- a range of financing aimed for professionals, comprising cash facilities, equipment leases, factoring and medium-term loans.
- an offer aimed at real estate development contracts

Granting rules

La Banque Postale's rules for granting and committing to loans have been drawn up in compliance with Articles 111 and 112 of the Order of 3 November 2014 on internal controls in credit institutions, payment service providers and investment firms under supervision by the French Prudential Control Authority.

The review and decision-making process is based on: eligibility conditions, a review, and determining a financial rating specific to each segment, as well as obtaining guarantees in some cases.

The aim of the risk management system selected for the activity involving the financing of legal entities is to make it possible to detect risks at all levels for each of the activity's processes (granting, management, collection and provisioning). It is based on the following factors:

- setting up a comprehensive credit committee system at various levels within the Bank, and delegating processes tailored for each segment;
- individual risk monitoring procedures and a management platform for global risk.

For SMEs, micro-businesses and voluntary organisations, the general review and decision-making process is supplemented by a specific banking behaviour score.

Depending on markets, transactions in an amount equal to or in excess of €10 million or €20 million must be approved by a member of the Executive Board.

Investment limits

In terms of investment, third parties are systematically rated and assigned an individual limit designed to cap the total amount of the commitment. Where applicable, these individual limits are supplemented by so-called group limits, which govern exposure to a group of third parties that are considered as a single beneficiary within the meaning of Article 4-39 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

La Banque Postale's universe is usually restricted to investment grade counterparties and issuers, which therefore have an internal rating of at least BBB-.

The minimum rating limit is lowered to BB- (according to the ACP cross-reference tables, BB- corresponds to the 4: BB-to BB+ grade at Fitch and S&P; to the Ba1 to Ba3 grade at Moody's; to the 4 to 5 grade at COFACE; and to the 4 to 5+ grade at FIBEN) in certain specific cases, primarily as part of the expansion of the Major Corporate Customers financing business, as long as the Bank maintains an ongoing commercial relationship, or with approval by the Executive Board.

La Banque Postale can only perform repo, or stock or fixed derivative lending transactions that expose it to a counterparty risk, if there is a prior ISDA or FBF Framework Agreement in place that includes collateralisation clauses. The quantitative factors included in such agreements (instruments concerned, threshold and frequency of margin calls, and exemptions, etc.) are subject to approval by the Group Risk Department.

In case of a significant deterioration of the risk, the concerned issuers and counterparties are closely monitored by the Watch List Committee, and information is provided to the Group Risk Committee.

The individual limits are supplemented by a set of limits designed to control the risks of concentration on groups of counterparties, which are classified in accordance with their geographic area, their activity segment, their business type or their internal rating. The Group Risk Steering Committee may review these diversification limits on a monthly basis. This Committee also issues a list of authorised countries and currencies.

Risk mitigation

Concerning risk hedging and mitigation, La Banque Postale applies the following rules:

- All commitments must be hedged by a guarantee, except when other risk management rules allow it.
- Guarantees must comply with risk management rules: be legally valid and managed by operational entities.
- When possible, guarantees should be eligible for prudential purposes, though this is not an obligation.

Exposure to credit risk on market transactions with legal entities

Category	31/12/2016					
(€ million)	Sovereign	Bank	Corporate	Public authority	Securitisation	TOTAL
Financial assets at fair value through profit or loss	723	10,144	932			11,798
Available-for-sale financial assets	8,258	8,488	1,846	281	7	18,879
Loans and receivables – Credit institutions	81,213	3,249				84,461
Customer loans and receivables	1,028	4	11,530	5,147	127	17,837
Assets held to maturity	20,322	1,920	3	26		22,271
BALANCE SHEET EXPOSURE NET OF IMPAIRMENT	111,543	23,805	14,310	5,454	134	155,246

Rating	31/12/2016				
(€ million)	AAA	AA	A	Other	TOTAL
Financial assets at fair value through profit or loss		821	6,514	4,463	11,798
Available-for-sale financial assets	4,308	5,089	4,860	4,622	18,879
Loans and receivables – Credit institutions	202	82,075	1,255	928	84,461
Customer loans and receivables	79	656	1,698	15,404	17,837
Assets held to maturity	1,759	18,327		2,185	22,271
BALANCE SHEET EXPOSURE NET OF IMPAIRMENT	6,348	106,969	14,326	27,603	155,246

Geographical area	31/12/2016			
(€ million)	France	Euro zone	Non-euro zone	TOTAL
Financial assets at fair value through profit or loss	5,929	3,719	2,150	11,798
Available-for-sale financial assets	6,513	7,206	5,161	18,879
Loans and receivables – Credit institutions	83,987	146	329	84,461
Customer loans and receivables	16,987	385	465	17,837
Assets held to maturity	17,680	4,032	559	22,271
BALANCE SHEET EXPOSURE NET OF IMPAIRMENT	131,096	15,488	8,662	155,246

Exposures outside of the Euro-zone are concentrated in United Kingdom, United States, Canada and Switzerland.

Category	31/12/2015					
(€ million)	Sovereign	Bank	Corporate	Public authority	Securitisation	TOTAL
Financial assets at fair value through profit or loss	226	9,203	1,051			10,480
Available-for-sale financial assets	3,737	9,471	2,132	263	7	15,610
Loans and receivables – Credit institutions	79,715	3,374				83,089
Customer loans and receivables	1,281	2	9,003	4,153	381	14,819
Assets held to maturity	22,319	1,831		8		24,158
BALANCE SHEET EXPOSURE NET OF IMPAIRMENT	107,277	23,881	12,186	4,424	388	148,156

Rating	31/12/2015				
	AAA	AA	A	Other	TOTAL
(€ million)					
Financial assets at fair value through profit or loss		1,170	5,557	3,753	10,480
Available-for-sale financial assets	1,230	3,599	6,115	4,666	15,610
Loans and receivables – Credit institutions	190	81,634	831	433	83,089
Customer loans and receivables	234	858	4,321	9,406	14,819
Assets held to maturity	1,313	22,026		819	24,158
BALANCE SHEET EXPOSURE NET OF IMPAIRMENT	2,968	109,288	16,824	19,076	148,156

Geographical area	31/12/2015			
	France	Euro zone	Non-euro zone	TOTAL
(€ million)				
Financial assets at fair value through profit or loss	5,605	3,180	1,695	10,480
Available-for-sale financial assets	6,513	4,772	4,326	15,610
Loans and receivables – Credit institutions	82,789	61	239	83,089
Customer loans and receivables	14,225	264	330	14,819
Assets held to maturity	18,838	4,508	812	24,158
BALANCE SHEET EXPOSURE NET OF IMPAIRMENT	127,969	12,785	7,402	148,156

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are securities. Bank issuers account for the bulk of financial assets at fair value through profit or loss (86% of the positions in the portfolio).

These are high quality assets, mainly located in France.

Loans and receivables – Credit institutions

La Banque Postale enters into inter-bank transactions (both deposits and securities borrowing/lending) in the normal course of its business.

The counterparty risk relating to inter-bank deposits is managed in the same way as issuer risk (these transactions are included in individual, group and diversification limits).

Financial assets held to maturity

These are high-quality assets that consist mainly of loans issued or guaranteed by euro zone Member States. Sovereign issuers amount to 91% of the portfolio. Furthermore, issuers with a Tier 1 rating (AAA to AA-) account for 90% of the positions in the portfolio.

Risk relating to Local Public Sector

The risks concern primarily Local Public Authorities, as La Banque Postale made them a priority when it launched this financing activity in June 2012. The financing activity aimed at public health companies and social housing associations was progressively launched from the year 2013 on.

Risk relating to companies

As at 31 December 2016, La Banque Postale's exposure to the Corporate segment had increased, notably concerning medium-long term loans, due to the growth of La Banque Postale in legal entities financing and to the voluntary diversification of issuers in which La Banque Postale is investing.

The majority of the exposure on rated companies invested in are rated at least BBB+. For companies rated lowest in the portfolio, a strong vigilance is exercised on conditions allowing to mitigate the risk: guarantees, counterparties credit risk-mitigation clauses, financial covenants, seniority ranks.

Most of the exposure to companies concerns French corporates.

Credit risk on transactions with legal entities

31/12/2016	Gross book value		Gross off-balance sheet amount		Total exposure	
	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of total exposure	Amounts outstanding	% total
(€ million)						
Finance lease operations	2,051	92%	174	8%	2,224	10%
Local public sector loans	5,679	56%	4,482	44%	10,161	44%
Loans to other legal entities	5,991	64%	3,374	36%	9,366	41%
Factoring and trade receivables	818	100%			818	4%
Ordinary accounts receivable	226	42%	310	58%	536	2%
TOTAL	14,765	64%	8,340	36%	23,105	100%

31/12/2015	Gross book value		Gross off-balance sheet amount		Total exposure	
	Amounts outstanding	As a % of total exposure	Amounts outstanding	As a % of total exposure	Amounts outstanding	% total
(€ million)						
Finance lease operations	1,568	89%	201	11%	1,770	11%
Local public sector loans	4,495	53%	3,980	47%	8,476	52%
Loans to other legal entities	3,561	66%	1,816	34%	5,377	33%
Factoring and trade receivables	146	100%			146	1%
Ordinary accounts receivable	183	33%	379	67%	562	3%
TOTAL	9,954	61%	6,376	39%	16,330	100%

Guarantees obtained on the loans granted to legal entities

31/12/2016		Asset-backed guarantee		Guarantee from a legal entity		Guarantee from an individual		Unguaranteed		Gross book value	
		Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
(€ million)											
Finance leases	Performing	1,124	56%	276	14%			622	31%	2,021	99%
	Impaired			10	34%			19	66%	29	1%
TOTAL		1,124		286				641		2,050	
Local public sector loans	Performing			24	0%			5,613	100%	5,637	99%
	Impaired							42	100%	42	1%
TOTAL				24				5,655		5,679	
Other legal entities loans	Performing	1,158	20%	2,200	37%			2,579	43%	5,938	99%
	Impaired			10	19%			43	81%	53	1%
TOTAL		1,158		2,210				2,622		5,991	
Factoring and trade receivables	Performing			53	7%	1	0%	760	93%	814	100%
	Impaired							4	100%	4	
TOTAL				53		1		764		818	

31/12/2015		Asset-backed guarantee		Guarantee from a legal entity		Guarantee from an individual		Unguaranteed		Gross book value	
		Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%	Amounts outstanding	%
(€ million)											
Finance leases	Performing			207	13%	23	1%	1,338	85%	1,568	100%
	Impaired							4	92%	5	
TOTAL				207		23		1,343		1,573	
Local public sector loans	Performing			44	1%			4,451	99%	4,494	100%
	Impaired							1	100%	1	
TOTAL				44				4,452		4,495	
Other legal entities loans	Performing	727	20%	1,543	43%	1		1,288	36%	3,560	100%
	Impaired							1	82%	1	
TOTAL		727		1,543				1,289		3,561	
Factoring and trade receivables	Performing			12	8%			133	91%	145	99%
	Impaired							1	97%	1	1%
TOTAL				12				134		146	

Credit quality of financial assets that are neither in arrears nor impaired on an individual basis

31/12/2016	31/12/2015	
	Amounts outstanding	%
(€ million)		
Performing finance lease operations		
not in arrears	2,019	100%
in arrears	2	
TOTAL	2,021	1,568
Performing local public sector loans		
not in arrears	5,635	100%
in arrears	2	
TOTAL	5,637	4,494
Performing loans to other legal entities		
not in arrears	5,314	89%
in arrears	624	11%
TOTAL	5,938	3,560
Performing factoring and trade receivables		
not in arrears	776	95%
in arrears	38	5%
TOTAL	814	145

Financial assets in arrears

31/12/2016	Unimpaired amounts outstanding in arrears					Impaired loans	Guarantees			
(€ million)	<30 d	30 d to 60 d	60 d to 90 d	90 d to 180 d	>180 d		Total	Asset-backed guarantees	Guaranteed by a legal entity	Guaranteed by an individual
Finance lease operations	2					2	29		10	19
Local public sector loans	2					2	42			42
Factoring and trade receivables	28	5	4			38	4			4
Loans to other legal entities	624					624	53	10		43
TOTAL	656	5	4			666	128	20		109

31/12/2015	Unimpaired amounts outstanding in arrears					Impaired loans	Guarantees			
(€ million)	<30 d	30 d to 60 d	60 d to 90 d	90 d to 180 d	>180 d		Total	Asset-backed guarantees	Guaranteed by a legal entity	Guaranteed by an individual
Finance lease operations	4	2				6	5			8
Local public sector loans	1	2				3	1			
Factoring and trade receivables	18	4				22	1			
Loans to other legal entities							1			1
TOTAL	23	7				30	8			10

Analysis of assets impaired on an individual basis

31/12/2016	Type of guarantee	Accounts receivable	Applied guaranteed amount	Discounted provisions	Discounted provisioning rate
(€ million)		(a)		(b)	(b/a)
Impaired finance leases operations	Guarantee from a legal entity	10	2	(4)	39%
	Unguaranteed	19		(7)	35%
TOTAL		29	2	(11)	37%
Impaired loans to other legal entities	Guarantee from a legal entity	10	10	(1)	15%
	Unguaranteed	43		(39)	90%
TOTAL		53	10	(40)	76%
Impaired local public sector loans		42		(5)	12%

31/12/2015	Type of guarantee	Accounts receivable	Applied guaranteed amount	Discounted provisions	Discounted provisioning rate
(€ million)		(a)		(b)	(b/a)
Impaired finance leases operations	Guarantee from a legal entity	2		(1)	29%
	Unguaranteed	3		(1)	41%
TOTAL		5		(2)	36%

Securitisations

La Banque Postale operates two different securitisation portfolios within its "banking book":

- Positions in securitisation mutual funds for €134 million, which are rated or which underlying assets are well known, and allow for a transparent treatment.
- A portfolio of securitisation investments under repurchase agreements, treated according of articles 111.2 and 221-225 of CRR for regulatory capital purposes

Exposure to counterparty risk

In the terminology used at La Banque Postale, counterparty risk stems primarily from transactions involving futures. Exposure is assessed via the present value method.

These transactions take place primarily with banking counterparties. In this context, they are systematically performed as part of agreements that provide for the netting of exposure and the putting up of collateral with regular margin calls.

The residual risk, which is subject to limits and is periodically monitored by the Corporate Credit, Public Sector and Institutional Risk Department, is not material.

La Banque Postale is exposed to a counterparty risk in connection with all derivative instruments held in its banking or trading portfolios, as well as with securities (and equivalent) leased or borrowed.

The risk is limited by the fact that La Banque Postale only works with top-tier institutions, with which it has signed a netting and collateral agreement. In addition, the instruments used are mainly "plain-vanilla" interest rate swaps.

Concentration risk for each beneficiary

The regulations on major risks are applied in accordance with prudential regulation applicable for financial institutions and investments companies, published in the Official Journal of the European Union on 26 June 2013 (Directive 2013/36/EU and Regulation (UE) No. 575/2013 of the European Parliament and of the Council), and implemented on 1 January 2014. They specify that institutions must comply with the following limit: the total amount of risks incurred in respect of a single beneficiary must not exceed 25% of the Group net shareholders' equity.

None of the limits set by the Supervisory Board was exceeded as at 31 December 2016

33.3.3 Additional information on sovereign exposure

The list of sovereign exposures was prepared in accordance with the scope defined by the European Banking Authority (EBA), in other words by including the exposure data relative to regional authorities, central authorities and businesses guaranteed by the French government.

As the Insurance sector exposures were immaterial, they have not been detailed below.

The exposure shown below summarises the exposure for subsidiaries in which La Banque Postale owns an interest of 50% or more

SOVEREIGN EXPOSURES

As at 31 December 2016, La Banque Postale's direct and indirect exposure to GIIPS amounted to €1.2 billion. This exposure has been continuously

decreasing since 2011, due mainly to the redemption of some portfolio lines that came to maturity.

La Banque Postale does not have any exposure to Cyprus, Hungary and Egypt.

(€ million)	Bank portfolio	Assets at fair value through profit or loss	Derivatives	Total direct exposure ^(a)	Repo	Off-balance sheet ^(b)	Total direct and indirect exposure ^(c)	Exposure (as a %)
Greece								
Ireland								
Italy	387	551		939	257		1,196	3.9%
Portugal								
Spain	7			7			7	0.0%
TOTAL GIIPES	394	551		946	257		1,203	3.9%
Germany	4,477			4,477	14		4,491	14.5%
Austria	15			15	4		20	0.1%
Belgium	2,247			2,247	11		2,258	7.3%
Finland					6		6	0.0%
France	18,587			18,587	1,230		19,817	63.9%
Luxembourg	591	1		592			592	1.9%
Netherlands	1,249			1,249			1,249	4.0%
Poland	23			23	25		48	0.2%
Slovakia	1			1			1	0.0%
Slovenia	7			7			7	0.0%
Supra-national								
TOTAL EUROPE	27,195	1		27,196	1,290		28,487	91.8%
Rest of the World	990	170		1,161	182		1,343	4.3%
TOTAL	28,580	723		29,303	1,730		31,032	100%

(a) Direct exposure: net book value (including impairment) of the Bank's proprietary exposure.

(b) Off-balance sheet operations include forward bonds (term price).

(c) Direct and indirect exposure: direct exposure, plus indirect exposure through the guarantees granted to some of the Group's UCITS

NON-SOVEREIGN EXPOSURES TO CERTAIN COUNTRIES OF THE EUROPEAN UNION

The main non-sovereign exposures to the following countries: Greece, Ireland, Italy, Portugal and Spain, of La Banque Postale represented an amount of €2,275 million as at 31 December 2016 (compared to €3,064 million as at 31 December 2015). They split mainly between the banking category for €1,821 million and the corporate category for €431 million (compared to respectively €2,438 million and €626 million as at 31 December 2015).

33.4 Liquidity risk

The main characteristics of La Banque Postale driving its liquidity management policy are a very low risk profile and resources mainly originating from customers, be it short term or long term. These resources being for the most part without maturity and payable at any time (deposits, saving accounts), their outflow is modelled in order to determine its time profile. La Banque Postale selected a conservative approach for its liquidity valuation, and used very conservative assumptions to estimate outflows. Resources are thus valued using increased outstanding volatility and decreased liquidity duration.

The ALM (Asset and Liability Management) Committee, chaired by the Financial director, is primarily responsible for monitoring liquidity risk.

The ALM Committee reviews customer deposit models on a regular basis, and formally validates the outflow assumptions produced. It validates outflow assumptions for balance sheet items of retail banking, and regularly monitors the tactical and structural liquidity limits.

Assessment of risk

Short-term liquidity monitoring

Short-term liquidity is monitored using LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). The LCR is a short-term liquidity ratio which measures the bank's ability to resist during 30 days to a severely degraded situation in a context of a systemic shock. The target value of this ratio is over 100%, and the subject institution benefits from a transition period to reach this target. La Banque Postale respected this target as at 31 December 2016.

The LCR and the liquidity reserve are calculated daily.

The NSFR represents the stable available financing divided by mandatory stable financing. This ratio should be at all times greater than 100%. The NSFR should

become a minimum requirement by 1 January 2018. As of today, as part of the regulatory liquidity exercises performed for the ECB, La Banque Postale's NSFR exceeds 100%.

Monitoring the short-term liquidity also relies on:

- tools enabling the Treasury department to monitor intraday positions in real time
- a daily calculation of the cash liquidity gap
- advanced weekly liquidity crisis indicators, defined in the emergency financing plan
- bi-annual testing of market access in different currencies

Long-term liquidity monitoring

The bank uses a liquidity gap to assess its long-term liquidity level. This gap comprises projections of static gaps by maturity. Limits are set for 1, 3 and 5 year maturities. The assumptions taken into account follow a stressed approach, resulting in a prudent estimation of the Bank's liquidity situation.

The methods used to evaluate the liquidity gap are determined depending on the type on assets and liabilities in the balance sheet:

- outstanding amounts with maturities (contractual outflows, corrected or not by a model)
- outstanding amounts without maturities (outflow agreement)
- Liquidity profile of transferable assets
- Off-balance sheet commitments (liquidity commitments and guarantees)

Operations without maturities (including sight deposits and savings accounts) are taken into account using outflow agreements reviewed by the ALM Committee and the Group Risks Department.

Off-balance sheet commitments are taken into account using drawing assumptions.

The transferable nature of certain operations can in some cases be taken into account.

Liquidity reserve

The liquidity reserve represents the amount of cash and liquidity available rapidly for transfer or repurchase agreements, in order to deal with a liquidity crisis.

The liquidity reserve comprises:

- cash deposited with the central bank (excluding mandatory reserves)
- securities forming the HQLA (High Quality Liquid Assets) cushion, comprising mainly state securities, covered bonds and corporate securities complying with prudential liquidity criteria
- other securities transferable to the ECB (mainly banking securities) affected by the ECB haircut

High quality guaranteed home loans, which are convertible through the issue of covered bonds by the Home Financing Company of the Group, are also a significant liquidity resource (around €10 billion potential collateral as at 31 December 2016, in addition to the other usual financing resources).

Components of the securities liquidity reserve as at 31 December 2016

Liquidity reserve (€ million)	31/12/2016
Cash and central bank	11,248
Unencumbered HQLA securities	13,925
Other ECB eligible securities	13,403
TOTAL	38,576

Risk mitigation techniques

In addition to the prudent liquidity risk management guidelines implemented by the ALM Committee and the Risk Committee, La Banque Postale has established diversified sources of funding:

- A €20 billion certificates-of-deposit programme with the goal of refinancing part of the Bank's short-term financing needs, and to satisfy institutional clients.
- A €10 billion EMTN programme
- A €10 billion EMTN programme set up to issue Home Lending Bonds (OFH)
- A portfolio of held-to-maturity securities, which mainly consists of high-quality government bonds, which are rapidly convertible and provides a permanent source of eligible securities granting access to the ECB's refinancing transactions or to the repo market.
- Access to the inter-bank market.

33.5 Interest-rate risk

Interest rate risk represents the likelihood of seeing the Bank's future margins or economic value affected by fluctuations in interest rates. Managing the interest rate risk includes managing the sensibility of the net interest margin (NIM).

This risk is monitored via future margin sensibility and economic value sensitivity to interest rates indicators, as well as scenarios designed to assess the ability of the institution to withstand exogenous shocks.

The interest rates movements in these scenarios affect both uncertain inflows from financial products and results from retail banking operations, via customer behaviour models, in particular regarding the implicit options available to customers.

The ALM Committee is primarily responsible for monitoring interest-rate risk. It monitors the interest-rate risk performance indicators, and anticipates their future development, in light of the Bank's commercial policy, and of observations on customer behaviour.

Assessment of risk

Interest rate risk is managed in order to cover the sensibility of the future net interest margin whilst respecting the value sensibility indicators.

Interest rate risk is measured by maturity and index type for products dependent on variable rates or indexes (Euribor, inflation, Eonia, etc.) while taking into account outflow agreements, which are themselves dependent on market conditions.

The methods used to evaluate the interest rate gap and sensibilities are determined depending on the type on assets and liabilities in the balance sheet:

- outstanding amounts with maturities (contractual outflows, corrected or not by a model)
- outstanding amounts without maturities (outflow agreement)
- Liquidity profile of transferable assets
- Off-balance sheet commitments (liquidity commitments and guarantees)

Operations without maturities (including sight deposits and savings accounts) are taken into account using outflow agreements reviewed by the ALM Committee and the Group Risks Department.

Off-balance sheet commitments are taken into account using drawing assumptions.

33.6 Market risk

Market risks represent the potential loss caused by adverse variations in parameters (interest and currency rates, spreads, volatility, etc.) on the value on financial instruments carried by the bank. They mainly concern assets valued at fair value through profit or loss.

Monitoring market risks is the responsibility of the Financial Risks Department within the Group Risks Department, in particular its Market Risks division. Its missions revolve around four priorities:

- limits and authorisations
- valuation
- risk assessment and monitoring
- process control

Assessment of risk

Value at risk (VaR)

VaR is a risk indicator used to assess the potential loss which the bank could face. It provides an estimate of the maximum potential loss at a given horizon with a given probability. This indicator does not provide an estimate of the potential loss which could result from rare events.

The VaR indicator covers transaction portfolios as well as certain banking portfolios. A global VaR is also calculated on all positions. The VaR indicator is available for each activity included in the market portfolio.

The Bank has decided to apply a Value at Risk indicator (1-day, 99%) to all its marked-to-market positions as a cautionary measure. The VaR implemented at La Banque Postale is a parametric VaR, which is calculated based on a variance-covariance matrix covering interest-rate risk, spread risk, currency risk and the risk of fluctuations in the equity indices to which the bank is exposed. In terms of risk factors, the main approximation concerns the "specific interest-rate risk": the credit spread risk (to which bonds are sensitive) is taken into account via a sector-rating approach which only captures a portion of this type of risk.

This matrix is calculated with a scaling factor designed to overweight recent changes compared with earlier ones. Therefore, La Banque Postale's implementation does not cover second tier risks (convexity), which are actually a rare occurrence for the Bank.

The VaR calculated in this way partially covers option risk, although second-tier risks are not taken into account. The development of option positions, which are currently not material, could result in the Risk Department using a more appropriate method.

The Risk Department back-tests the results of the model used to calculate the VaR, in order to assess its quality.

Trading portfolio risks are subject to VaR limits. These limits are set by the Group Risks Steering Committee, possibly after proposal by the ALM Committee.

Stress scenarios

A stress scenario is used to simulate an extreme situation in order to evaluate its financial consequences on the results or the equity of La Banque Postale.

Using scenarios is a tool to analyse and monitor market risks. Crisis scenarios used affect primarily exchange rates, yield curves, credit spread, and UCITS depending on their asset class.

NOTE 34 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

- 34.1 Fair value of financial instruments by category
- 34.2 Methods for calculating the fair value of financial instruments
- 34.3 Impact of financial instrument on net profit/(loss) and equity
- 34.4 Financial hedging instruments
- 34.5 Reclassification of financial assets

34.1 Fair value of financial instruments by category

The tables below show the fair value of the financial instruments on the balance sheet, and their breakdown according to the IAS 39 categories:

	31/12/2016		Book value according to the IAS 39 categories						
	Book value	Fair value	Fair value through profit or loss Trading	Designated as fair value through profit or loss	Available-for-sale assets	Loans and receivables	Assets held to maturity	Borrowings at amortised cost	Hedging
<i>(€ million)</i>									
ASSETS									
Bank assets									
Customer loans and receivables	78,784	82,504				78,784			
Credit institutions loans and receivables	84,461	84,499				84,461			
Securities portfolio	54,799	57,876	12,079		18,760		22,271		1,689
Other current financial assets	1,716	1,716				1,690			26
Non-bank assets									
Other non-current financial assets	480	480	185		219	76			
Trade and other receivables	3,886	3,886				3,886			
Other current financial assets	609	609	428		100	81			
Cash and cash equivalents	2,152	2,152	2,152						
LIABILITIES									
Bank liabilities									
Liabilities to credit institutions	19,003	18,851						19,003	
Liabilities to customers	175,669	178,639						175,669	
Debt evidenced by a certificate and other	17,785	17,702	344	5		1,277		10,994	5,165
Non-banking liabilities									
Bonds at amortised costs and subject to fair value hedging	6,900	7,825	473	1,709				4,245	473
Trade and other payables	4,693	4,693						4,693	

(€ million)	31/12/2015		Book value according to the IAS 39 categories						
	Book value	Fair value	Fair value through profit or loss Trading	Designated as fair value through profit or loss	Available-for-sale assets	Loans and receivables	Assets held to maturity	Borrowings at amortised cost	Hedging
ASSETS									
Bank assets									
Customer loans and receivables	73,628	76,159				73,628			
Credit institutions loans and receivables	83,102	82,436				83,102			
Securities portfolio	51,542	54,517	10,704		15,379		24,158		1,301
Other current financial assets	1,486	1,486				1,380			106
Non-bank assets									
Other non-current financial assets	707	707	245		389	73			
Trade and other receivables	3,737	3,737				3,737			
Other current financial assets	485	485	347		111	27			
Cash and cash equivalents	2,457	2,457	2,457						
LIABILITIES									
Bank liabilities									
Liabilities to credit institutions	15,741	15,148						15,741	
Customer transactions	171,384	171,807						171,384	
Debt evidenced by a certificate and other	14,717	14,846	322	5		1,020		10,489	2,881
Non-banking liabilities									
Bonds and other financial debt	7,313	7,973	24	2,035				4,751	502
Trade and other payables	4,652	4,652						4,652	

34.2 Methods for calculating the fair value of financial instruments

34.2.1 Financial instruments excluding banking activities

The fair value of the bond debt and of the related swaps is measured using a calculation method based on observable data, which corresponds to Level 2 of the fair value ranking established in IFRS 7. Details of this calculation method are provided below.

Every financial product is assessed as a series of future cash flows regardless of whether they are determined at the calculation date. The fair value calculation is based on discounting these future cash flows. The discounting factors are deduced from a zero coupon curve. To calculate the fair value of the bond debt, La Poste's credit spread is added to the zero coupon curve. La Poste's implied credit spread is determined based on price brackets supplied by various market participants (brokers).

In the case of cash flows dependent on a floating-rate not yet determined at the calculation date, future rates are estimated based on the future structure of interest rates.

In the case of financial products with cash flows in different currencies, the cash flows are discounted for each currency based on discounting factors specific to each currency. The currency market values obtained are then translated into euros at the ECB exchange rate on the day of the calculation.

Option products are determined by factoring in implied market volatility, in view of the option exercise dates.

The fair value of current financial assets and liabilities is deemed equivalent to their book value, in view of their short-term maturity.

The fair value of bonds and UCITS units is determined according to listed prices.

34.2.2 Financial instruments used in banking activities

Fair value is the amount for which an asset could be exchanged, or a liability extinguished between knowledgeable and willing parties operating under normal competition conditions. When an instrument is first recognised, its fair value is usually the transaction price.

IAS 39 recommends initially using a listed price on an active market to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker, a trader or a regulatory agency, and if these prices represent actual transactions carried out at arm's length. In the absence of an active market, fair value must be determined using valuation techniques.

These techniques include the use of recent arm's length transactions. They are based on market data, the fair values of substantially identical instruments, discounted cash flow models or option pricing models, and use recognised valuation methods. The aim of a valuation technique is to establish what the instrument's price would have been in a normal market.

For example, the fair value of bonds, variable-income securities and futures is determined according to listed prices. Valuation techniques are used for over-the-counter derivatives, discount securities (e.g. commercial paper, and certificates of deposit, etc.) and repo deposits.

The market value of unlisted equity investments classified as available-for-sale financial assets is determined with reference to certain criteria such as net assets, the earnings outlook and discounted future cash flows.

Unconsolidated investments where the fair value cannot be measured reliably are valued at cost, and are deemed Level 3.

The listed price for an asset held or a debt to be issued is usually the bid price, and the ask price for a debt held or an asset to be acquired.

Fair value of loans

The scope applied is that of all loans drawn down and included on La Banque Postale's balance sheet. Loans that have been granted but not yet released are not taken into account, as it is assumed that, since their rate has just been fixed, their value will not be different from the amount advanced.

For the types of loans sold by the Bank, the main assumptions underlying the calculation are as follows:

- The fair value of overdrafts on sight accounts is assumed to correspond to the accounting value due to the very short length of the loans (less than one month).

- The fair value of loans is determined on the basis of internal models, which consist in discounting future recoverable capital and interest flows over the residual maturity, which are discounted based on opportunity interest rates.

Fair value of deposits

The main underlying assumptions for the calculation are as follows:

- For deposits where the remuneration rate is regulated, Livret B (savings passbook) accounts, Youth passbook savings accounts, National Savings Accounts and term deposits accounts, fair value is assumed to correspond to the net book value of the amount outstanding.
- The fair value of sight deposits is assumed to correspond to the net book value of the amount outstanding, net of the fair cost value of the swaps used to hedge overnight deposits (via the carve-out option).

Fair value of held or issued debt instruments

The fair value of listed financial instruments corresponds to the closing market price. The fair value of unlisted financial instruments is determined by discounting future cash flows at the market rate in effect at the closing date.

All of these instruments are deemed level 2, and the most significant parameters with regard to the market value of these instruments are considered indirectly observable.

34.2.3 Ranking of fair value assessments recognised on the balance sheet

The fair value ranking levels defined in IFRS 7 are as follows:

- Level 1: valuation determined by prices listed on an active market
- Level 2: valuation determined by techniques using observable data;
- Level 3: valuation determined by techniques using unobservable data.

(€ million)	31/12/2016		
	Level 1	Level 2	Level 3
BANKING ACTIVITIES ASSETS			
Government securities and similar	552	170	
Bonds and other fixed-income securities	2,694	8,337	
Equities and other variable-income securities	44		
Financial assets at fair value through profit or loss	3,291	8,507	
Interest-rate derivatives		505	
Foreign exchange derivatives		23	
Equity and index derivatives		4	
Trading derivatives		532	
Interest-rate derivatives		1,560	
Fair value hedging derivatives		1,560	
Interest-rate derivatives		18	
Cash flow hedging derivatives		18	
Government securities and similar	7,491	35	
Bonds and other fixed-income securities	9,794	220	
Equities and other variable-income securities	747	221	252
Unconsolidated investments			119
Available-for-sale financial assets	18,033	476	371
NON-BANKING ACTIVITIES ASSETS			
Other non-current financial assets		380	100
Trade and other receivables		3,886	
Other current financial assets		609	
Cash and cash equivalents	656	1,496	
BANKING ACTIVITIES LIABILITIES			
Debt evidenced by a certificate		5	
Financial liabilities designated at fair value through profit or loss		5	
Interest-rate derivatives		501	
Foreign exchange derivatives		60	
Other derivative instruments		25	
Credit derivatives		4	
Equity and index derivatives		5	
Trading derivatives		596	
Interest-rate derivatives		879	
Exchange-rate derivatives		35	
Fair value hedging derivatives		914	
NON-BANKING ACTIVITIES LIABILITIES			
Bonds and other financial debt		6,900	
Trade and other payables		4,693	

Reclassifications from Level 1 to Level 2: €9 million (two fixed-rate investments whose price are not reflected on an active market any more).

Reclassifications from Level 2 to Level 1: €6 million (one fixed-rate investments whose transactions now meet the criteria for volume and frequency).

(€ million)	31/12/2015		
	Level 1	Level 2	Level 3
BANKING ACTIVITIES ASSETS			
Government securities and similar	226		
Bonds and other fixed-income securities	2,366	7,815	
Equities and other variable-income securities	74		
Financial assets at fair value through profit or loss	2,666	7,815	
Interest-rate derivatives		546	
Foreign exchange derivatives		2	
Equity and index derivatives		6	
Trading derivatives		555	
Interest-rate derivatives		1,126	
Fair value hedging derivatives		1,126	
Interest-rate derivatives		102	
Cash flow hedging derivatives		102	
Government securities and similar	3,130	35	
Bonds and other fixed-income securities	10,556	281	
Equities and other variable-income securities	902	277	197
Unconsolidated investments			231
Available-for-sale financial assets	14,588	593	429
NON-BANKING ACTIVITIES ASSETS			
Other non-current financial assets		418	58
Trade and other receivables		3,737	
Other current financial assets	192	293	
Cash and cash equivalents	806	1,651	
BANKING ACTIVITIES LIABILITIES			
Debt evidenced by a certificate		5	
Financial liabilities designated at fair value through profit or loss		5	
Interest-rate derivatives		559	
Foreign exchange derivatives		56	
Other derivative instruments		29	
Interest-rate derivatives		2	
Equity and index derivatives		8	
Trading derivatives		653	
Interest-rate derivatives		326	
Fair value hedging derivatives		326	
NON-BANKING ACTIVITIES LIABILITIES			
Bonds and other financial debt		7,313	
Trade and other payables		4,652	

Level 3 fair values: reconciliation of opening and closing balances (banking activities)

(€ million)	Assets at fair value through profit or loss	Assets designated at fair value through profit and loss	Trading derivatives	Hedging derivatives	Available-for-sale assets	TOTAL
Opening balance					429	429
Gains and losses recorded in income					(1)	(1)
Gains and losses recorded in equity					(2)	(2)
Purchases					58	58
Sales					(25)	(25)
Other movements					(88)	(88)
Closing balance					371	371

Level 3 fair values: profits and losses for the period recognised in income

None

34.3 Impact of financial instrument on net profit/(loss) and equity

Non-banking activities

The impact of the Group's financial instruments on income (excluding Banking activities) is described in Note 13 "financial profit / (loss)".

Banking activities

The table below details the impact of the Banking activities financial instruments on income and equity.

2016	Interest income (expense)	Changes in fair value		Impairment	Deconsolidation and dividends	Net gain (loss)
		Fair value through profit or loss	Fair value through equity			
(€ million)						
Loans, receivables and payables	1,719			(181)		1,538
Assets held to maturity	755					755
Available-for-sale assets	150		171		208	529
Financial instruments at fair value through profit or loss		(14)				(14)
Hedging	204	2				206
TOTAL	2,828	(12)	171	(181)	208	2,808

2015	Interest income (expense)	Changes in fair value		Impairment	Deconsolidation and dividends	Net gain (loss)
		Fair value through profit or loss	Fair value through equity			
(€ million)						
Loans, receivables and payables	1,924			(181)		1,743
Assets held to maturity	734					734
Available-for-sale assets	277		22		135	434
Financial instruments at fair value through profit or loss		(78)				(78)
Hedging	190	4				194
TOTAL	3,125	(74)	22	(181)	135	2,833

34.4 Financial hedging instruments

Non-banking activities

See Note 27.

Banking activities

Hedging derivatives used in the Banking activities (see Note 2.14.6) broke down as follows:

(€ million)	Fair value hedges		Cash flow hedges		Hedging of net investments in foreign currencies		TOTAL	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate derivatives								
31/12/2015	1,126	310	102	16			1,228	326
31/12/2016	1,560	879	18				1,578	879
Exchange rate derivatives								
31/12/2015								
31/12/2016		35						35

34.5 Reclassification of financial assets

In 2008, La Banque Postale chose the option provided by the 13 October 2008 amendment to IAS 39 and IFRS 7 to reclassify certain available-for-sale financial assets under "loans and receivables".

The transfer of part of the securities in the available-for-sale financial assets portfolio that no longer had the expected liquidity to the loans and receivables category

enables the financial statements to provide a better view of La Banque Postale's allocation of resources.

The net book value and fair value of securities reclassified on 1 July 2008 have become immaterial as at 31 December 2016.

34.6 Offsetting of financial instruments

The following disclosures present the information required by IFRS 7 on financial instruments that are offset on the balance sheet, as well as on financial instruments that are not offset on the balance sheet, but are subject to an enforceable master netting arrangement or a similar agreement.

34.6.1 Non-banking derivative instruments

2016	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Net amounts
	A	B	C=A-B	Derivative instruments D	Collateral cash E	F=C-D-E
(€ million)						
Derivative assets	243		243	12	231	(0)
Derivative liabilities	12		12	12		(0)
Derivative assets on cash management funds						
Derivative liabilities on cash management funds						0

2015	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Net amounts
	A	B	C=A-B	Derivative instruments D	Collateral cash E	F=C-D-E
(€ million)						
Derivative assets	311		311	18	293	0
Derivative liabilities	18		18	18		0
Derivative assets on cash management funds						
Derivative liabilities on cash management funds	6		6		6	0

La Poste has put framework agreements in place with all of its market counterparties in order to reduce its exposure if its market counterparties default. These agreements result in the losing counterparty paying a guarantee deposit to the winning counterparty in cash, equivalent to the net position of the derivatives. Margin

calls occur weekly or daily, according to the counterparties. These agreements do not comply with the criteria in IAS 32 governing the offset of derivative assets and liabilities on the balance sheet. They do, however, fall within the scope of disclosures under the IFRS 7 standard on offsetting.

34.6.2 Banking financial instruments

2016	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Securities received/ given as guarantees	Net amounts
				Financial instruments D	Collateral cash D		
(€ million)	A	B	C=A-B			E	F=C-D-E
ASSETS							
Financial instruments at fair value through profit or loss	12,330		12,330	805	1,252		10,272
Of which derivatives (including hedging derivatives)	2,110		2,110	805	1,252		52
Customer and credit institutions loans and receivables	83,417	4,633	78,784	515	(27)	1,081	77,214
Of which securities under repurchase agreements	6,203	4,633	1,570	515	(27)	1,081	
Accruals and other assets	3,413		3,413	6			3,406
Of which deposits and guarantees paid	8		8	6			2
Other assets not offset	135,051		135,051				135,051
TOTAL ASSETS	234,210	4,633	229,577	1,327	1,226	1,081	225,944
LIABILITIES							
Financial instruments at fair value through profit or loss	914		914	805	664		(556)
Of which derivatives (including hedging derivatives)	1,510		1,510	805	664		40
Customer and credit institutions liabilities	180,627	4,633	175,994	515	(15)	17,881	157,613
Of which securities under repurchase agreements	23,042	4,633	18,409	515	(15)	17,881	27
Other liabilities not offset (excluding equity)	42,845		42,845				42,845
TOTAL LIABILITIES	224,386	4,633	219,754	1,321	650	17,881	199,902

2015	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Securities received/ given as guarantees	Net amounts
				Financial instruments D	Collateral cash D		
(€ million)	A	B	C=A-B			E	F=C-D-E
ASSETS							
Financial instruments at fair value through profit or loss	11,035		11,035	541	1,223		9,271
Of which derivatives (including hedging derivatives)	1,784		1,784	541	1,223		20
Customer and credit institutions loans and receivables	160,654	3,924	156,730	118	37	3,526	153,048
Of which securities under repurchase agreements	7,606	3,924	3,682	118	37	3,526	1
Accruals and other assets	3,163		3,163	1			3,162
Of which deposits and guarantees paid	5		5	1			4
Other assets not offset	47,779		47,779				47,779
TOTAL ASSETS	222,632	3,924	218,708	661	1,260	3,526	213,261
LIABILITIES							
Financial instruments at fair value through profit or loss	984		984	541	405		38
Of which derivatives (including hedging derivatives)	979		979	541	405		33
Customer and credit institutions liabilities	191,436	3,924	187,512	118	236	16,522	170,637
Of which securities under repurchase agreements	20,802	3,924	16,878	118	236	16,522	2
Other liabilities not offset (excluding equity)	21,068		21,068				21,068
TOTAL LIABILITIES	213,488	3,924	209,564	659	641	16,522	191,742

NOTE 35 RELATED PARTY TRANSACTIONS

- 35.1 Relations with the French government and public sector companies
- 35.2 Relations with consolidated companies
- 35.3 Remuneration of administration and management bodies

35.1 Relations with the French government and public sector companies

35.1.1 Relations with the French government

Since the 10 February 2010 Act reaffirming the provisions of the July 1990 Act on the restructuring of the postal and telecommunications public service, La Poste has been a société anonyme (public limited company) overseen by the Minister for Industry under the Minister for the Economy, Industry and Employment, and subject to economic and financial control by the French government, and to the control procedures of the French Court of Auditors and the French Parliament.

A new business contract was signed on 1 July 2013 between La Poste and the French government for the 2013-2017 period. This contract updates the respective commitments of La Poste and the French government for the next five years, in particular:

- Maintaining the public service missions that have been entrusted to La Poste: Universal Postal Service, Press transportation and delivery, Banking Accessibility and Regional Planning, maintaining the cost compensation principle for these three latter missions.
- A reinforcement of quality of service commitment.
- Missions adapted to users' expectations and technological advancements.
- The introduction of citizen commitments to promote the development of corporations and territories, act in favour of disadvantaged people, develop a digital society and engage in corporate social responsibility.

The French Postal Regulation Act of 20 May 2005 provided Arcep with the power to regulate pricing for the Universal Postal Service on a multi-year basis, after reviewing La Poste's proposals. The Act also confirmed and clarified La Poste's regional development responsibilities.

In the case of the Group's banking activities, the French government sets the commission rates on regulated savings products, i.e. Livret A passbook savings accounts, Sustainable Development Savings Accounts and Popular Savings accounts. The change in these rates has a direct impact on La Banque Postale's Net Banking Income.

35.1.2 Relations with public sector companies

Le Groupe La Poste enters into transactions, under market conditions, with public sector companies in the normal course of its business.

35.2 Relations with consolidated companies

Transactions performed between fully consolidated Group companies are eliminated on consolidation and are therefore not discussed in this Note.

Transactions with equity associates primarily relate to CNP Assurances, with which La Banque Postale has signed a commercial partnership agreement, resulting in the payment of commissions. The impact on the Group's financial statements of transactions with CNP Assurances of transactions are summarised in the table below:

(€ million)	31/12/2016	31/12/2015
Income	594	543
Expenses		
Accounts receivable	125	51
Liabilities	251	134

Transactions with other equity associates and joint ventures are not material.

35.3 Remuneration of administration and management bodies

The remuneration of Le Groupe La Poste senior executives amounted to €4.9 million in total for the year ended 31 December 2016 (€5.4 million in 2015). Senior executives do not benefit from any specific post-employment benefits.

The Group's main senior executives are the members of the Executive Committee and the members of the Board of Directors (whose remuneration comprises attendance fees, for the most part paid back to the State or to Caisse des Dépôts, and the salaries of employee representatives). Attendance fees paid in 2016 amount to €0.2 million (€0.2 million in 2015).

NOTE 36 STRUCTURED ENTITIES

- 36.1 Consolidated structured entities
- 36.2 Unconsolidated structured entities

36.1 Consolidated structured entities

Pursuant to IFRS 10 and 11, and taking into account materiality, the Group consolidates one structured entity, FCT Elise 2012.

The "FCT Elise 2012" entity was first consolidated in October 2012. It is a French fund whose debt is owned at 95% by La Banque Postale, and at 5% by Crédit Foncier de France. This fund carries in its balance sheet assets interest-free loans granted to retail customers of La Banque Postale pre-dating 2010 (date of the launch of interest-free loans in the bank's balance sheet).

This fund represents total assets of €0.5 billion as at 31 December 2016. It is fully consolidated.

36.2 Unconsolidated structured entities

As at 31 December 2016, the Group identified the two following classes of non-consolidated structured entities: securitisation and asset management.

Structured entities with financial interests

As at 31 December 2016, the only significant operations with structured entities with financial interests within the Group are financial liabilities at fair

value through profit or loss for €155 million, and €17 million in shares of securitisation funds. Revenues earned by the Group from these entities amounted to €63.5 million and are mainly comprised of management fees. No loss was recorded as at 31 December 2016.

The maximum loss exposure is usually limited to shares held in the funds, except for those funds where La Banque Postale grants a performance and capital guarantee.

Concerning funds managed by the entity La Banque Postale Asset Management, and given the structuring of derivatives, the guarantee only applies in case of a default by the performance swaps suppliers. Counterparties are market counterparties and the default risk is considered low.

Structured entities without financial ties

Are defined as sponsors those funds that are structured by a management company controlled by the Group, mainly by La Banque Postale Asset Management.

Revenues earned by the Group from these entities amounted to €53.3 million and are mainly comprised of management fees.

NOTE 37 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

- 37.1 Lease commitments
- 37.2 Banking activities commitments
- 37.3 Other commitments given
- 37.4 Other commitments received
- 37.5 Other commitments
- 37.6 Contingent liabilities

37.1 Lease commitments

The minimum future payments for operating leases where the Group is the lessee broke down as follows:

(€ million)	31/12/2016	31/12/2015
Less than 1 year	557	561
1 to 5 years	1,183	1,155
Over 5 years	633	625
TOTAL	2,374	2,342

Operating lease payments amounted to €747 million in 2016 (€723 million in 2015).

37.2 Banking activities commitments

The contractual value of commitments given and received as part of La Banque Postale's business activities is as follows:

(€ million)	31/12/2016	31/12/2015
Financing and guarantee commitments and commitments on securities given		
Financing commitments		
to credit institutions	450	137
to customers	19,637	17,132
Guarantee commitments		
to credit institutions	301	292
to customers ^(a)	2,234	2,775
Commitments on securities to be delivered	2,063	1,405
Financing and guarantee commitments and commitments on securities received		
Financing commitments		
from credit institutions ^(b)	1,807	1,472
from customers	1,500	901
Guarantee commitments		
from credit institutions	29,094	27,924
from customers	7,858	10,279
Commitments on securities to be received	340	387
Other commitments given ^{(b)(c)}	8,253	7,346
Other commitments received ^(d)	1,426	633

(a) Includes capital and performance guarantees granted to holders of shares of UCITS managed by Group entities.

(b) Of which commitments given (€1,644 million) and received (€1,583 million) as part of the "3 G" guarantee management arrangement with the Banque de France, which allows banks to jointly manage all collateral relating to their refinancing transactions with Banque de France.

(c) In 2016, this includes commitments of €6,474 million (€5,692 million in 2015) relating to home loans given in guarantees of bonds issued by La Banque Postale Home Loan SFH, the housing financing company of the Group.

(d) Of which collateral received on investments for €292 million as at 31 December 2016 (€632 million as at 31 December 2015).

Commitments related to Crédit Logement

- Le Groupe La Poste has undertaken to maintain Crédit Logement's basic equity, in proportion to its 6% interest, so that Crédit Logement can meet its solvency ratio.
- The Group has undertaken, where applicable, to replenish Crédit Logement's mutual guarantee fund, which covers borrower default on the loans held on Crédit Logement's books. This commitment, which corresponds to the proportion of loans distributed by La Poste's network, amounted to €289 million as at 31 December 2016.

Fair value of assets received as guarantee which the Group can dispose of

The fair value of securities received under repurchase agreements amounts to €1.6 billion as at 31 December 2016.

Margin calls on securities under repurchase agreements and derivatives represent an amount of €1.5 billion as at 31 December 2016.

37.3 Other commitments given

37.3.1 Guarantees and endorsements

Total guarantees and endorsements given amounted to €15 million as at 31 December 2016.

37.3.2 Commitments relating to the acquisition of Seur

Under the shareholders' agreement signed on 10 March 2008 with Seur franchisees who were shareholders in Seur SA, GeoPost granted each shareholder an individual put option with the following terms and conditions:

- sale of all the shares in Seur SA to GeoPost. The Group recorded the corresponding debt;
- sale of the shares in the franchises owned;

These options are exercisable over a period of 20 years as from 10 March 2008, subject to the acquisition of a franchise by GeoPost subsequent to this agreement.

The purchase obligation guaranteed by GeoPost is subject to an annual ceiling of €100 million.

These options have been in place since the acquisition of the Teruel franchise by GeoPost in March 2009.

37.3.3 Commitment related to the acquisition of DPD Bulgaria and DPD Romania

In relation to the sale of DPD Bulgaria and DPD Romania in November 2014, GeoPost SA provided a set of guarantees to the acquirer, including:

- guarantees of ownership of the securities and tax and social guarantees, for a period of 60 months

Potential compensation will be equal to 100% of damages and up to

- for the acquisition of DPD Bulgaria: €417 thousand, except for the ownership of securities for which the guarantee is up to the sale price of 100% of the shares, i.e. €4.2 million.

- for the acquisition of DPD Romania: €892 thousand, except for the ownership of securities for which the guarantee is up to the sale price of 100% of the shares, i.e. €8.8 million and the tax and social guarantees granted for a maximum amount of €2 million.

To be admissible, a claim must be for more than €10 thousand or the sum of claims must be for more than €50 thousand.

37.3.4 Sponsorship

La Poste committed to finance several sponsorship projects for a total amount of €14 million as at 31 December 2016.

37.4 Other commitments received

37.4.1 Guarantees and endorsements

Total guarantees and endorsements received amounted to €69 million as at 31 December 2016, including €58 million for La Poste.

37.4.2 Credit facilities

- La Poste has a five-year, €650 million revolving credit facility expiring in October 2018, under the terms of which it has received commitments from the nine banks in the banking pool. This facility had not been used as at 31 December 2016.
- In October 2013, BNPP granted a firm 5-year credit facility to La Poste for an amount of €75 million. This facility had not been used as at 31 December 2016.

37.4.3 Property sale commitments

La Poste has entered into property sale commitments that are expected to be completed in 2017. As at 31 December 2016, the commitments received in this respect amounted to €262 million in total.

37.4.4 Call options on securities

On 21 December 2000, Caisse d'Épargne Group granted Le Groupe La Poste an unreserved irrevocable call option on CNP Assurances shares and additional securities representing 2% of the share capital of CNP Assurances.

37.4.5 Liabilities guarantees

As part of its business acquisition transactions, the Group was granted by the sellers liabilities guarantees which cannot be precisely estimated, as they depend on trigger thresholds and/or caps.

37.4.6 Non-compete clauses

As part of the acquisition of Seur franchises in Spain and Portugal, the sellers committed to non-compete clauses whose violation would require the sellers to pay compensation in the total amount of €8.5 million.

37.5 Other commitments

37.5.1 Shareholders' agreement regarding CNP Assurances

The French government, Caisse des Dépôts, Caisse Nationale des Caisses d'Épargne et de Prévoyance (CNCE), Le Groupe La Poste and Sopassure have entered into a shareholders' agreement regarding CNP Assurances. The agreement, which was originally set to expire on 31 December 2008, was extended to 31 December 2017.

Pursuant to the asset transfer agreement between La Poste and La Banque Postale, La Poste's rights and obligations under this shareholders' agreement were taken over by La Banque Postale.

37.5.2 Commitments relating to the acquisition of a portion of the SAS Carte Bleue shares

As part of SF2's acquisition of an interest in SAS Carte Bleue, La Poste has undertaken to retain a majority interest in its SF2 subsidiary.

In addition, SF2 has granted La Poste a call option over all of the shares and related rights to the SAS Carte Bleue share capital that La Poste could exercise should it become a minority shareholder in SF2. In this event, the purchase price of the SAS Carte Bleue shares shall be jointly agreed upon between La Poste and SF2.

Pursuant to the asset transfer agreement between La Poste and La Banque Postale, La Poste's rights and obligations under this shareholders' agreement were taken over by La Banque Postale.

37.6 Contingent liabilities

The Group is not aware of any material risks for which no provision has been recorded in the consolidated financial statements.

NOTE 38 BANKING ACTIVITIES BALANCE SHEET

38.1 La Banque Postale sub-group balance sheet (in banking format)
38.2 Banking assets and liabilities by residual maturity

38.1 La Banque Postale sub-group balance sheet (in banking format)

ASSETS

(€ million)	31/12/2016	31/12/2015
Cash on hand and at central banks	2,732	1,812
Financial assets at fair value through profit or loss	12,079	10,704
Hedging derivatives	1,578	1,229
Available-for-sale financial assets	19,605	16,337
Loans and receivables – Credit institutions	84,461	83,102
Loans and receivables – Customers	78,784	73,628
Revaluation adjustment on interest-rate hedged portfolios	138	178
Financial assets held to maturity	22,271	24,158
Tax assets	155	216
Accruals and other assets	3,207	2,968
Investments in equity associates	3,220	2,911
Tangible and intangible assets, and investment properties	951	929
Net goodwill – Assets	143	174
Elimination of investments	(4,052)	(4,052)
TOTAL	225,270	214,292

LIABILITIES

(€ million)	31/12/2016	31/12/2015
Financial liabilities at fair value through profit or loss	349	326
Hedging derivatives	914	326
Inter-bank and similar transactions: Liabilities to credit institutions	19,003	15,741
Customer transactions	175,669	171,384
Debt evidenced by a certificate	10,484	9,055
Revaluation adjustment on interest-rate hedged portfolios	1,051	704
Tax liabilities	262	140
Accruals and sundry liabilities	4,728	4,877
Underwriting reserves of insurance companies	2,231	2,009
Provisions	590	771
Subordinated debt	2,980	2,389
Non-controlling interests	74	243
Equity, Group share	6,141	5,295
Consolidated reserves and other	5,446	4,614
Net profit/(loss) Group share	695	681
Balance of transactions with the rest of the Group – Impact on income		
Balance of transactions with the rest of the Group – Impact on the balance sheet	793	1,032
TOTAL	225,270	214,292

38.2 Banking assets and liabilities by residual maturity

(€ million)	Maturities of under 1 year	Maturities of over 1 year	Total
Assets by residual maturity			
Cash and central bank deposits	2,732		2,732
Securities portfolio	15,146	40,386	55,532
Receivables from credit institutions	82,055	2,406	84,461
Customer loans and receivables	11,659	67,125	78,784
Revaluation adjustment on portfolio interest rate hedging - Assets	3	134	138
Liabilities by residual maturity			
Other financial liabilities	107	1,156	1,263
Liabilities to credit institutions	18,455	548	19,003
Liabilities to customers	174,532	1,137	175,669
Debt evidenced by a certificate	6,433	4,051	10,484
Subordinated debt	13	2,967	2,980
Revaluation adjustment on portfolio interest rate hedging - Liabilities	2	1,049	1,051

NOTE 39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- 39.1 Reconciliation between net profit/(loss) and cash flows from operating activities before the cost of net financial debt and tax
- 39.2 Depreciation, amortisation and impairment
- 39.3 Change in working capital requirement
- 39.4 Change in balance of banking sources and uses
- 39.5 Outflows for acquisitions of tangible and intangible assets
- 39.6 Proceeds from new borrowings
- 39.7 Redemption of borrowings
- 39.8 Other cash flows from financing activities
- 39.9 Change in net cash of banking activities

39.1 Reconciliation between net profit/(loss) and cash flows from operating activities before the cost of net financial debt and tax

(€ million)	Note	2016	2015
Consolidated net profit/(loss)		893	675
Share in profits of equity associates		(185)	(210)
Unrealised gains and losses on fair value adjustments (excluding Banking activities)		(4)	(15)
Gains and losses on disposal (including dilution)		(19)	7
Net changes in provisions		207	540
Depreciation, amortisation and impairment	39.2	1,015	1,013
Operating cash flow after the cost of net financial debt and tax		1,907	2,009
Cost of net financial debt ^(a)		145	148
Corporation tax (including deferred taxes)		104	253
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE COST OF NET DEBT AND TAXES		2,156	2,411

(a) Excluding change in unrealised gains and losses on fair value adjustments

39.2 Depreciation, amortisation and impairment

(€ million)	2016	2015
Additions to and reversals of amortisation of operating profit/(loss)	945	1,002
Additions to and reversals of amortisation of financial profit/(loss)		(2)
Impairment of goodwill	69	13
TOTAL	1,015	1,013

39.3 Change in working capital requirement

(€ million)	2016	2015
Change in inventories and work-in-progress	13	10
Change in operating receivables	(148)	(244)
Change in operating payables and other operating assets and liabilities	3	291
TOTAL	(132)	57

39.4 Change in balance of banking sources and uses

(€ million)	2016	2015
Change in Banking activities securities portfolio	(3,162)	718
Change in Banking activities loans and receivables	(5,156)	(5,771)
Change in credit institution receivables (Banking activities)	4,998	3,837
Change in other Banking activities current financial assets	(61)	(247)
Change in liabilities to credit institutions (Banking activities)	2,987	453
Change in customer transactions (Banking activities)	4,284	4,133
Change in other financial liabilities (Banking activities)	2,754	(704)
Change in accruals (Banking activities)	(46)	(229)
TOTAL	6,598	2,191

39.5 Outflows for acquisitions of tangible and intangible assets

(€ million)	2016	2015
Acquisitions of intangible assets	(350)	(334)
Acquisitions of tangible assets	(834)	(671)
Change in payables to suppliers of non-current assets	44	11
TOTAL	(1,140)	(993)

39.6 Proceeds from new borrowings

(€ million)	2016	2015
Bonds		750
Borrowings from credit institutions	7	3
Commercial paper		286
Other borrowings and similar debt	1,071	756
TOTAL	1,078	1,795

39.7 Redemption of borrowings

(€ million)	2016	2015
Borrowings from credit institutions	5	(4)
La Poste savings bonds	(2)	(2)
Commercial paper	(16)	(555)
Borrowings on finance leases	(30)	(15)
Other borrowings and similar debt	(794)	(24)
TOTAL	(837)	(600)

39.8 Other cash flows from financing activities

(€ million)	2016	2015
Collection of deposits and guarantees received	3	295
Repayment of deposits and guarantees received	(64)	(354)
Other	(7)	(12)
TOTAL	(68)	(72)

39.9 Change in net cash from Banking activities

(€ million)	NOTE	2016	2015
Opening cash and central bank deposits		1,812	1,950
Sight loans and receivables - credit institutions (assets)		3,823	200
Sight loans and receivables - credit institutions (liabilities)		(414)	(286)
Opening		5,220	1,863
Closing cash and central bank deposits	23.2	2,732	1,812
Sight loans and receivables - credit institutions (assets)	20.2	10,199	3,823
Sight loans and receivables - credit institutions (liabilities)	30.1	(698)	(414)
Closing		12,233	5,220
Net decrease (increase) in cash and cash equivalents from banking activities		7,013	3,357
of which impact of changes in consolidation scope			2
Net decrease (increase) in cash and cash equivalents from banking activities on the balance sheet before impact of changes in consolidation scope		7,013	3,355

NOTE 40 FEES PAID TO THE STATUTORY AUDITORS

Pursuant to Decree No. 2008-1487 of 30 December 2008, the fees paid to the Statutory Auditors recognised by La Poste and its consolidated companies in the income statement are set out below.

2016

(€ million excl. tax)	KPMG	%	PWC	%
Statutory audit, certification, review of separate and consolidated financial statements				
- parent company	0.6	16%	0.6	27%
- fully consolidated subsidiaries	2.7	70%	1.4	64%
	3.4	86%	2.1	91%
Services other than Statutory Auditors' assignment				
- parent company	0.3	8%		
- fully consolidated subsidiaries	0.2	6%	0.2	9%
	0.5	14%	0.2	9%
TOTAL	3.9	100%	2.3	100%

2015

(€ million excl. tax)	KPMG	%	PWC	%
Statutory audit, certification, review of separate and consolidated financial statements				
- parent company	0.6	21%	0.6	27%
- fully consolidated subsidiaries	1.9	63%	1.1	45%
	2.5	84%	1.7	72%
Other due diligence and services relating directly to the Statutory Auditors' assignment				
- parent company	0.2	6%		
- fully consolidated subsidiaries	0.3	10%	0.7	28%
	0.5	16%	0.7	28%
Other services provided to fully consolidated companies by the partnership	0.0			
TOTAL	3.0	100%	2.4	100%

NOTE 41 POST-BALANCE SHEET EVENTS

On 16 January 2017, GeoPost acquired a 37.5% stake in BRT, a major express delivery operator on the Italian market.

NOTE 42 SCOPE OF CONSOLIDATION

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2015	2016	2015	2016	2015	2016
CONSOLIDATING COMPANY							
LA POSTE 9 rue du Colonel Pierre Avia 75757 PARIS CEDEX 15							
SERVICES-MAIL-PARCELS SEGMENT							
La Poste Silver	France	100.00	100.00	100.00	100.00	FC	FC
TICKEASY	France		100.00		100.00		FC
Financière AXEO	France		51.00		51.00		FC
Coordination AXEO	France		51.00		51.00		FC
AXEO Développement	France		51.00		51.00		FC
AXEO Pro Services	France		51.00		51.00		FC
AXEO Services	France		51.00		51.00		FC
AXEO Travaux	France		51.00		51.00		FC
Mil Services	France		51.00		51.00		FC
Organisme Formation Services	France		51.00		51.00		FC
Help Confort	France		51.00		51.00		FC
Sofipost	France	100.00	100.00	100.00	100.00	FC	FC
Somepost	France	100.00	100.00	100.00	100.00	FC	FC
STP	France	100.00	100.00	100.00	100.00	FC	FC
SCI STP Immo	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost SA	France	100.00	100.00	100.00	100.00	FC	FC
Neolog	France	100.00	100.00	100.00	100.00	FC	FC
ViaPost	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Global Mail	France	100.00	100.00	100.00	100.00	FC	FC
Asendia	Switzerland	50.00	50.00	50.00	50.00	EM	EM
Viapost Ascq	France	100.00	100.00	100.00	100.00	FC	FC
Mobigreen	France	100.00	100.00	100.00	100.00	FC	FC
Greenovia	France	100.00	100.00	100.00	100.00	FC	FC
Nouvelle Attitude SAS	France	100.00	100.00	100.00	100.00	FC	FC
Orium	France	100.00	100.00	100.00	100.00	FC	FC
Orium GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Morin Développement	France	100.00	100.00	100.00	100.00	FC	FC
Morin Logistic	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost SGPS	Portugal	100.00	100.00	100.00	100.00	FC	FC
Mediapost Distribuição Postal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Mediapost Galex Distribucion y Logistica	Portugal	100.00	100.00	100.00	100.00	FC	FC
Eurobussula LDA	Portugal	100.00	100.00	100.00	100.00	FC	FC
Viapost Dourges	France	100.00	100.00	100.00	100.00	FC	FC
Morin Logistic Sud	France	100.00	100.00	100.00	100.00	FC	FC
Neopress Direct	France	100.00	100.00	100.00	100.00	FC	FC
Neopress Routage	France	66.00	66.00	66.00	66.00	FC	FC
Proximity	France	25.00	25.00	25.00	25.00	EM	EM
Viapost Transport Management	France		100.00		100.00		FC
Mediapost Espagne	Spain	51.00	51.00	51.00	51.00	FC	FC
Mediapost Hit Mail	Romania	100.00	100.00	100.00	100.00	FC	FC
Creat Direct	Romania	100.00	100.00	100.00	100.00	FC	FC
Inbox Marketing	Romania	98.40	98.40	98.40	98.40	FC	FC
Interactions Marketing	Romania	90.00	90.00	90.00	90.00	FC	FC
Mobile Marketing	Romania	90.00	90.00	90.00	90.00	FC	FC
Cassiop	France		70.01		70.01		FC
SMP	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Marketing	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Informatique	France	100.00	100.00	100.00	100.00	FC	FC
SOGEFINAD	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Gestion	France	100.00	100.00	100.00	100.00	FC	FC
Budget Box	France	40.01	40.01	40.01	40.01	EM	EM
GEOPOST SEGMENT							
GeoPost	France	100.00	100.00	100.00	100.00	FC	FC
Alturing (ex Telintrans)	France	100.00	100.00	100.00	100.00	FC	FC
Sodexi	France	35.00	35.00	35.00	35.00	EM	EM
TD Express Services SARL	France	100.00	100.00	100.00	100.00	FC	FC
Pickup Services	France	100.00	100.00	100.00	100.00	FC	FC
La Navette Pickup	France	100.00	100.00	100.00	100.00	FC	FC
Pickup Store	France	100.00	100.00	100.00	100.00	FC	FC
Packcity France	France	25.00	25.00	25.00	25.00	EM	EM
Packcity Geopost	France	50.50	50.50	50.50	34.00	EM	EM
Stuart SAS	France	22.22	22.22	22.22	22.22	EM	EM

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2015	2016	2015	2016	2015	2016
GeoPost Intercontinental sub-group							
Chronopost International Algérie	Algeria	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Burkina Faso	Burkina Faso	40.00	40.00	40.00	40.00	EM	EM
Chronopost International Côte d'Ivoire	Ivory Coast	50.00	50.00	50.00	50.00	FC	FC
Lenton Group Ltd	Hong Kong	34.65	34.65	34.65	34.65	EM	EM
DPD Continental India	India	100.00		100.00		FC	
DTDC	India	42.53	43.17	42.53	43.17	EM	EM
DPD Laser Mauritius Ltd	Mauritius	62.25	62.25	75.00	75.00	FC	FC
Chronopost International Niger	Niger	50.00	50.00	50.00	50.00	FC	FC
DPD Laser	South Africa	75.00	75.00	75.00	75.00	FC	FC
Geopost Americas Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Chronopost sub-group							
Chronopost International Cameroun	Cameroon	100.00	100.00	100.00	100.00	FC	FC
Chronopost	France	100.00	100.00	100.00	100.00	FC	FC
Sci Intel Immo	France	100.00	100.00	100.00	100.00	FC	FC
Chronopost Food	France	100.00	100.00	100.00	100.00	FC	FC
Calédonie Express	France	60.00	60.00	60.00	60.00	EM	EM
Biologicistic SAS	France		100.00		100.00		FC
Pour de bon	France		46.76		46.76		EM
CI Maroc	Morocco	34.00	34.00	34.00	34.00	EM	EM
Chronopost International Portugal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Tigers sub-group							
WLG Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
Tigers Global Logistics Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
WDM Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
Tigers AG	Switzerland	71.92	71.92	100.00	100.00	FC	FC
Wako Express Co. Ltd	China	71.92	71.92	100.00	100.00	FC	FC
Tigers Co. Ltd	China	71.92	71.92	100.00	100.00	FC	FC
Tigers Trading Company Ltd	China		71.92		100.00		FC
Tigers GmbH	Germany	71.92	71.92	100.00	100.00	FC	FC
Buy Online GmbH	Germany	71.92	71.92	100.00	100.00	FC	FC
Tigers Ltd	Hong Kong	71.92	71.92	65.87	65.87	FC	FC
Tigers HK Co. Ltd	Hong Kong	71.92	71.92	100.00	100.00	FC	FC
Wako Air Express Co. Ltd	Hong Kong	71.92	71.92	100.00	100.00	FC	FC
Tigers Worldwide Logistics Ltd	India	53.76	54.06	74.75	75.17	FC	FC
Tigers Malaysia	Malaysia	71.92	71.92	100.00	100.00	FC	FC
Tigers Intern. Logistics BV	Netherlands	71.92	71.92	100.00	100.00	FC	FC
Tigers Intern. Transport BV	Netherlands	71.92	71.92	100.00	100.00	FC	FC
LWW South Africa	South Africa	71.92	71.92	100.00	100.00	FC	FC
Tigers Logistics Group Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers UK Holding Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers Global Logistics Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
KDAG Holding Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Signet International Holding Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Signet International Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Albatross Logistics Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
WLG Inc.	United States	71.92	71.92	100.00	100.00	FC	FC
Tigers (USA) Global Logistics Inc.	United States	71.92	71.92	100.00	100.00	FC	FC
BIOCAIR sub-group							
Biocair Australia PTY Ltd	Australia		100.00		100.00		FC
Biocair Belgium	Belgium	100.00	100.00	100.00	100.00	FC	FC
Biocair Forwarding Intern. Co Ltd	China	100.00	100.00	100.00	100.00	FC	FC
Biocair Germany GmbH	Germany		100.00		100.00		FC
Biocair Asia Ltd	Hong Kong	100.00	100.00	100.00	100.00	FC	FC
Biocair Singapore Pte Ltd	Singapore	100.00	100.00	100.00	100.00	FC	FC
Biocair Intern. Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Biocair Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Biocair South Africa Ltd	South Africa		100.00		100.00		FC

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2015	2016	2015	2016	2015	2016
GeoPost Central Europe sub-group							
DPD Austria	Austria	25.57	25.57	25.57	25.57	EM	EM
DPD Belgium NV	Belgium	100.00	100.00	100.00	100.00	FC	FC
Speedy AD	Bulgaria	25.00	25.00	25.00	25.00	EM	EM
DPD Belarus	Belarus	50.00	100.00	50.00	100.00	EM	FC
DPD Schweiz AG	Switzerland	100.00	100.00	100.00	100.00	FC	FC
DPD Croatia	Croatia	100.00	100.00	100.00	100.00	FC	FC
DPD Czech Republic	Czech Republic	100.00	100.00	100.00	100.00	FC	FC
GeoPost IMDH GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
DPD GeoPost GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
DPD iloxx eService GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
DPD Aschaffenburg	Germany	93.84	100.00	93.84	100.00	FC	FC
DPD Betriebsgesellschaft	Germany	93.84	100.00	100.00	100.00	FC	FC
DPD Vertriebsgesellschaft	Germany	93.84	100.00	100.00	100.00	FC	FC
DPD Delicom	Germany	93.84	100.00	100.00	100.00	FC	FC
Armadillo Holding GmbH	Germany	50.00	100.00	50.00	100.00	EM	FC
Tiramizoo GmbH	Germany	23.64	23.64	23.64	23.64	EM	EM
Deuscher Paket Dienst Altentreptow GmbH	Germany	100.00		100.00		FC	
ParcelLock GmbH	Germany		33.33		33.33		EM
DPD Zeitfracht	Germany		100.00		100.00		FC
DPD Estonia	Estonia	100.00	100.00	100.00	100.00	FC	FC
DPD Hungaria	Hungary	100.00	100.00	100.00	100.00	FC	FC
E-Radius Informatikal Szolqaltato LLC	Hungary	30.00	100.00	30.00	100.00	EM	FC
GP Caspian	Kazakhstan	50.00	100.00	50.00	100.00	EM	FC
DPD Latvija	Latvia	100.00	100.00	100.00	100.00	FC	FC
DPD Lithuania	Lithuania	100.00	100.00	100.00	100.00	FC	FC
Forwarder Line Logistik	Liechtenstein	100.00	100.00	100.00	100.00	FC	FC
DPD Luxembourg SA	Luxembourg	100.00	100.00	100.00	100.00	FC	FC
DPD Netherland BV	Netherlands	100.00	100.00	100.00	100.00	FC	FC
DPD Polska	Poland	100.00	100.00	100.00	100.00	FC	FC
Air Cargo Poland	Poland	100.00	100.00	100.00	100.00	FC	FC
DPD Strefa Paczki	Poland	100.00	100.00	100.00	100.00	FC	FC
Siodemka Systemi	Poland	100.00	100.00	100.00	100.00	FC	FC
Seur Portugal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Armadillo Bizpak	Russia	50.00	100.00	50.00	100.00	EM	FC
DPD Slovakia Sro	Slovakia	100.00	100.00	100.00	100.00	FC	FC
DPD Slovenien	Slovenia	100.00	100.00	100.00	100.00	FC	FC
GeoPost YK Servisi AS	Turkey	51.00	51.00	51.00	51.00	FC	FC
Yurtiçi Kargo Servisi AS	Turkey	25.00	25.00	25.00	25.00	EM	EM
DPD Ukraine	Ukraine	50.00	100.00	50.00	100.00	EM	FC
GeoPost Spain sub-group							
Seur GeoPost	Spain	92.76	92.76	100.00	100.00	FC	FC
Menexpres	Spain	92.76	92.76	100.00	100.00	FC	FC
GeoPost Espagne	Spain	92.76	92.76	92.76	92.76	FC	FC
Seur SA	Spain	73.46	76.48	75.15	78.28	FC	FC
Seur Espana Operaciones	Spain	73.46	76.48	100.00	100.00	FC	FC
Seur Gerencia de Riesgos	Spain	73.46	76.48	100.00	100.00	FC	FC
Seur Integracion Logistica	Spain	73.46	76.48	100.00	100.00	FC	FC
Barcino Pack	Spain	32.69		44.50		EM	
Transjaen	Spain	73.46	76.48	100.00	100.00	FC	FC
Seur Internacional	Spain	92.76		100.00		FC	
Red Logistica Navarra SA	Spain	66.28	69.01	90.24	90.24	FC	FC
Someva, S.L.	Spain		76.48		100.00		FC

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2015	2016	2015	2016	2015	2016
GeoPost UK sub-group							
DPD Ireland Ltd	Ireland	100.00	100.00	100.00	100.00	FC	FC
GeoPost Ireland Limited	Ireland	100.00	100.00	100.00	100.00	FC	FC
GeoPost Intermediate Holding	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
GeoPost UK Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
UK Letter Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD Uk Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Plc	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Parcels Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
GeoPost Holding Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Parceline Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Mail Plus Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Castlegate	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
WnDirect Ltd	United Kingdom	83.93	100.00	83.93	100.00	FC	FC
WN TPC (IG)	United Kingdom	50.36	100.00	60.00	100.00	EM	FC
Pie Mapping Software Limited	United Kingdom		100.00		100.00		FC
DPD France sub-group							
DPD France	France	100.00	100.00	100.00	100.00	FC	FC
SCI EXA Immo	France	100.00	100.00	100.00	100.00	FC	FC
SCI Examurs Paris	France	100.00	100.00	100.00	100.00	FC	FC
SCI Exalab	France	100.00		100.00		FC	
Resto-in sub-group							
Resto-in	France	80.00	80.00	80.00	80.00	FC	FC
Eatingdesk	Belgium	80.00	80.00	100.00	100.00	FC	FC
Bloomsburys GmbH	Germany	80.00	80.00	100.00	100.00	FC	FC
Gourmet delivery	Spain	80.00	80.00	100.00	100.00	FC	FC
Resto-in Uk	United Kingdom	80.00	80.00	100.00	100.00	FC	FC
LA BANQUE POSTALE SEGMENT							
La Banque Postale	France	100.00	100.00	100.00	100.00	FC	FC
SF2	France	100.00	100.00	100.00	100.00	FC	FC
Sopassure	France	50.02	50.02	50.02	50.02	JOP	JOP
SCI CRSF Métropole	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Asset Management	France	70.00	70.00	70.00	70.00	FC	FC
La Banque Postale Prévoyance	France	50.00	100.00	50.00	100.00	FC	FC
La Banque Postale Structured Asset Management	France	70.00		100.00		FC	
SCI CRSF DOM	France	100.00	100.00	100.00	100.00	FC	FC
CNP Assurances	France	20.15	20.15	36.25	36.25	EM	EM
La Banque Postale Financement	France	65.00	65.00	65.00	65.00	FC	FC
La Banque Postale Crédit aux Entreprises	France	100.00	100.00	100.00	100.00	FC	FC
FCT Elise 2012	France	95.00	95.00	95.00	95.00	FC	FC
CILOGER	France	90.00		90.00		FC	
La Banque Postale Conseil en Assurances	France	100.00	100.00	100.00	100.00	FC	FC
Tocqueville Finance Holding	France	92.56	92.62	92.56	92.62	FC	FC
Tocqueville Finance	France	92.47	92.49	99.89	99.86	FC	FC
Fédéris	France	70.00		100.00		FC	
AEW	France		40.00		40.00		EM
Easybourse	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Assurance Santé	France	51.00	51.00	51.00	51.00	FC	FC
La Banque Postale Assurances IARD	France	65.00	65.00	65.00	65.00	FC	FC
BPE	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Collectivités Locales	France	65.00	65.00	65.00	65.00	FC	FC
LBP Home Loan SFH	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Saint Romain	France	100.00	100.00	100.00	100.00	FC	FC
SOFIAP	France	66.00	66.00	66.00	66.00	FC	FC

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2015	2016	2015	2016	2015	2016
DIGITAL SERVICES SEGMENT							
Holding B-NUM	France	100.00	100.00	100.00	100.00	FC	FC
DOCAPOST IOT	France	100.00	100.00	100.00	100.00	FC	FC
CGLIB	France	51.00	51.00	51.00	51.00	FC	FC
Docapost Fast	France		100.00		100.00		FC
Applicam Participations	France		100.00		100.00		FC
Docapost Applicam	France		100.00		100.00		FC
Mix Commerce	France	100.00	100.00	100.00	100.00	FC	FC
Docapost BPO IS	France	65.00	65.00	65.00	65.00	FC	FC
Gescomail	France	65.00	65.00	100.00	100.00	FC	FC
Sérès	France	66.00	66.00	66.00	66.00	FC	FC
Docapost BPO SAS	France	100.00	100.00	100.00	100.00	FC	FC
Docapost BPO On Line	France	100.00	100.00	100.00	100.00	FC	FC
CNPT Docapost BPO	France	66.00	66.00	66.00	66.00	FC	FC
Sefas	France	100.00	100.00	100.00	100.00	FC	FC
Sefas Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Sefas Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
CER Docapost BPO SAS	France	50.98	50.98	50.98	50.98	FC	FC
Sofadev Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
T2IS Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
Sefas Espana	Spain	100.00	100.00	100.00	100.00	FC	FC
Maileva	France	100.00	100.00	100.00	100.00	FC	FC
Provéance	France	67.00	67.00	67.00	67.00	FC	FC
Certinomis	France	100.00	100.00	100.00	100.00	FC	FC
Sérès Allemagne	Germany	66.00	66.00	100.00	100.00	FC	FC
Sérès Espagne	Spain	66.00	66.00	100.00	100.00	FC	FC
Xange Capital	France	34.87	34.87	34.87	34.87	EM	EM
Docapost DPS	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Conseil	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost Publicité	France	100.00	100.00	100.00	100.00	FC	FC
Doc@post	France	100.00	100.00	100.00	100.00	FC	FC
Médiapost Holding	France	100.00	100.00	100.00	100.00	FC	FC
Docapost CSP	France	100.00	100.00	100.00	100.00	FC	FC
Bretagne Routage	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Datamark Services	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Deutschland	Germany	100.00	100.00	100.00	100.00	FC	FC
Media Prisme SAS	France	81.68	81.68	81.68	81.68	FC	FC
Matching SAS	France	81.67	81.67	81.67	81.67	FC	FC
Media Prisme SP	Spain	81.68		100.00		FC	
Media Prisme BE	Belgium	81.68	81.68	100.00	100.00	FC	FC
Cabestan	France	100.00	100.00	100.00	100.00	FC	FC
Financière Adverline	France	90.00	100.00	90.00	100.00	FC	FC
Adverline	France	89.39	99.15	99.20	99.02	FC	FC
Société	France	89.39	99.15	100.00	100.00	FC	FC
Maison	France	89.39	99.15	100.00	100.00	FC	FC
Oxeva	France	62.60	69.43	70.03	70.03	FC	FC
Vertical Mail	France	89.39	99.15	100.00	100.00	FC	FC
LA POSTE NETWORK SEGMENT							
LP Télécom	France	51.00	51.00	51.00	51.00	EM	EM

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2015	2016	2015	2016	2015	2016
REAL ESTATE SEGMENT							
Poste Immo	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier Industriel	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier de Proximité	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Colis	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Mixte	France	100.00	100.00	100.00	100.00	FC	FC
SAS PI Invest	France		100.00		100.00		FC
SCI PI Bordeaux Tourville	France		100.00		100.00		FC
SCI GREEN OPALE	France		100.00		100.00		FC
SC PYXIS	France		100.00		100.00		FC
SOBRE	France		47.50		47.50		EM
SCCV PI MARSEILLE COLBERT	France		100.00		100.00		FC
Loca Poste SAS	France	100.00	100.00	100.00	100.00	FC	FC
ImmoStoc SAS	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire	France	100.00	100.00	100.00	100.00	FC	FC
SCI Logement	France	100.00	100.00	100.00	100.00	FC	FC
SCI Centres de Loisirs	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Annexes	France	100.00	100.00	100.00	100.00	FC	FC
Ciposte SAS	France	100.00	100.00	100.00	100.00	FC	FC
SAS Arkasolia	France	50.00	50.00	50.00	50.00	EM	EM
SAS PI Energies Renouvelables	France	100.00	100.00	100.00	100.00	FC	FC
SAS PI Développement	France	100.00	100.00	100.00	100.00	FC	FC
SCI Arkadea Fort de France	France	49.00	49.00	49.00	49.00	EM	EM
SCI BP	France	100.00	100.00	100.00	100.00	FC	FC
SCI BP Mixte	France	100.00	100.00	100.00	100.00	FC	FC
TPF2 Sppicav	France	20.02	20.02	20.02	20.02	EM	EM
Akatea TPF2	France	20.02	20.02	20.02	20.02	EM	EM
Fréjorgues Energy SAS	France	49.00	49.00	49.00	49.00	EM	EM
Arkadéa SAS	France	50.00	50.00	50.00	50.00	EM	EM
SCI Bataille	France	35.00	35.00	35.00	35.00	EM	EM
Akatea 2 - TPF2 SAS	France	20.02	20.02	20.02	20.02	EM	EM
SCCV 56, rue Cler	France	49.00	49.00	49.00	49.00	EM	EM
PI Energy	France	20.00	46.00	20.00	46.00	EM	EM
SCI Arkadea Lyon Croix Rousse	France	30.00	30.00	30.00	30.00	EM	EM
PI Energy 2	France	20.00	46.00	20.00	46.00	EM	EM
SCI Arkadea Lyon Crepet	France	35.00	35.00	35.00	35.00	EM	EM
SCI Arkadea Rennes Trigone	France	49.00	49.00	49.00	49.00	EM	EM
SCI Arkadea Marseille Saint Victor	France		49.00		49.00		EM
SCI DOM	France	100.00	100.00	100.00	100.00	FC	FC
SCI 44 Vaugirard	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier Local	France	100.00	100.00	100.00	100.00	FC	FC
Société SCCV rue du Champ Macret-Roye	France	100.00	100.00	100.00	100.00	FC	FC
UNALLOCATED							
Sofrepost	France	99.99	99.99	99.99	99.99	FC	FC
Véhiposte SAS	France	100.00	100.00	100.00	100.00	FC	FC
GIE Véhiposte	France	100.00	100.00	100.00	100.00	FC	FC

FC: Full consolidation EM: Equity Method JOP: Joint operation integrated according to percentage of interest

NOTE 43 OTHER UNCONSOLIDATED EQUITY INVESTMENTS – EXCLUDING FRANCE

(in thousand euros)	Country	31/12/2016			31/12/2015	
		Percentage held	Gross amount	Impairment	Net amount	
JLGP Participações Ltda ^(b)	Brazil	100%	33,967		33,967	
Meyem ^(b)	Spain	100%	6,301		6,301	
Loalma Rias Bajas ^(b)	Spain	100%	5,255		5,255	
Lordtrans Transportes Urgentes ^(b)	Portugal	100%	3,609		3,609	
Logaldis Coruna ^(b)	Spain	100%	2,945		2,945	
Promarsa ^(b)	Spain	100%	2,200		2,200	
Logalty	Spain	10%	1,568	-400	1,168	683
Livelihoods	Luxembourg	3%	1,000		1,000	1,000
PSM ^(b)	Spain	100%	965		965	
Transibur ^(b)	Spain	100%	686		686	
Seres Mexique	Mexico	100%	586	-33	553	545
Mediapost Vietnam	Vietnam	36%	361	-50	311	290
Guardrisk Insurance	South Africa	100%	276		276	182
Seres Colombie	Columbia	100%	662	-474	188	177
Metrica	Bulgaria	60%	101		101	101
DPD Deutscher Paket Dienst Management	Germany	100%	77		77	77
Seres Argentine	Argentina	90%	455	-397	58	43
Cargo Pool Gmbh	Germany	5%	39		39	39
ALAI	Spain	15%	39		39	
LBP AM Dept Funds	Luxembourg	100%	31		31	31
Platin Gmbh 1378	Germany	100%	28		28	
Platin Gmbh 1379	Germany	100%	28		28	
Geopost Iberica	Germany	100%	27		27	27
CIDES	Spain	10%	25		25	25
Tigers Myanmar	Burma	100%	24		24	
BBVA	Spain	ns	22		22	
Kombiverkehr Deutsche Gesellschaft	Germany	ns	16		16	16
Applicam Tunisie	Tunisia	95%	10		10	
Banco Santander	Spain	ns	12		12	
Divers	Portugal	ns	11		11	11
Bancaja	Spain	ns	9		9	
IDP	Spain	10%	6		6	6
Divers	Portugal	ns	5		5	
Divers	Spain	ns	4		4	
Interattica ^(a)	Greece	100%	20,657	-20,657		
Guangzhou DPD Co ^(a)	China	100%	7,950	-7,950		
MPIE Limited	Great Britain	100%	876	-876		1,022
Seres Equateur	Equador	100%	71	-71		71
Visa Europe	Great Britain					103,649
Someva ^(c)	Spain					8,944
Red 30 Trans ^(c)	Spain					7,660
Barcino Pack ^(c)	Spain					4,500
Vifedis ^(c)	Spain					2,084
Parcel lock ^(c)	Germany					1,357
Turgallum Gestion de Transp. ^(c)	Spain					24
Divers	Spain					3
TOTAL			90,904	-30,908	59,996	132,567

(a) Companies in the process of being liquidated.

(b) Companies acquired in the end of 2016, to be consolidated in 2017.

(c) Companies consolidated in 2016.