



**AMENDMENT TO THE UNIVERSAL
REGISTRATION DOCUMENT
AT 30 JUNE 2022
AND
INTERIM FINANCIAL REPORT**



La Banque Postale Group

Amendment to the Universal Registration Document & Interim Financial Report at 30 June 2022



The French language version of this amendment to the Universal Registration Document was filed on 5 August 2022 with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF), as the competent authority under Regulation (EU) No 2017/1129, without prior approval in accordance with Article 9 of the regulation.

The Universal Registration Document can be used when securities are offered to the public or for their admission to trading on a regulated market if it is completed by a note on the securities and, if applicable, a summary and all of the amendments made to the Universal Registration Document. The package is approved by the AMF in accordance with Regulation (EU) No 2017/1129.

This is a translation into English of the amendment to the universal registration document of the Company issued in French and it is available on the website of the Issuer. All possible care has been taken to ensure that this translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

In addition, pursuant to Article 19 of Regulation (EU) No 2017/1129, the following documents are incorporated by reference in this amendment to the Universal Registration Document:

- ▶ the consolidated financial statements and parent company financial statements for the year ended 31 December 2021, together with the Statutory Auditors' reports on the consolidated financial statements and parent company financial statements, which appear on pages 232-237 and 369-371, respectively, of the [2021 Universal Registration Document filed with the AMF on 22 March 2022 under No D.22-0130](#);
- ▶ the consolidated financial statements and parent company financial statements for the year ended 31 December 2020, together with the Statutory Auditors' reports on the consolidated financial statements and parent company financial statements, which appear on pages 208-213 and 352-354, respectively, of the [2020 Universal Registration Document filed with the AMF on 19 March 2021 under No D.21-0156](#).

These documents are available at the Company's registered office at 115, rue de Sèvres, 75275 Paris Cedex 06, France, and on the website www.labanquepostale.com.

INTRODUCTION

Company and trading name

The name of the Company is “La Banque Postale”, herein referred to as La Banque Postale.

Legal form – Applicable legislation

French public limited company (*société anonyme*) with an Executive Board and a Supervisory Board
The Company is governed by current laws and regulations, specifically:

- ▶ the provisions of the French Commercial Code (*Code de commerce*) regarding commercial companies;
- ▶ the provisions of the French Monetary and Financial Code (*Code monétaire et financier*) regarding credit institutions;
- ▶ the provisions of French Law No. 2005-516 of 20 May 2005 regarding the regulation of postal activities; and
- ▶ the provisions of French order No. 2017-948 of 20 August 2014 regarding governance and transactions involving the share capital of companies with public shareholdings.

Place of registration and registration number – Incorporation date – Country of origin

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

Country of origin: France

Legal entity identifier (LEI): 96950066U5XAAIRCPA78

Share capital

The share capital is set at six billion five hundred and eighty-five million three hundred and fifty thousand two hundred and eighteen euros (€6,585,350,218). It is divided into eighty million three hundred and nine thousand one hundred and forty-nine (80,309,149) shares in a single category and fully paid up.

Duration of the Company

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

Registered office

The Company’s registered office is located at 115, rue de Sèvres, 75275 Paris Cedex 06, France.

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

Business review

La Banque Postale Group’s business is organised around four areas of expertise: Bancassurance France, International Bancassurance, Corporate and Investment Banking and Wealth and Asset Management.

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PRESENTATION OF LA BANQUE POSTALE GROUP

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1.1 GENERAL PRESENTATION OF THE GROUP

La Banque Postale, a French public limited company (*société anonyme*) with an Executive Board and a Supervisory Board, is the parent company of La Banque Postale Group.

La Banque Postale has carved a unique position in the French market by basing its growth on a multi-partner business model that leverages the La Poste group's values of trust, inclusiveness and local service. Thus, La Banque Postale's commercial strategy focuses on simple and affordable products suited to the needs of its customers.

The Group's organisation is based primarily on its Financial Centres, located in mainland France and the French overseas departments. La Banque Postale Group also includes its subsidiaries and strategic investments – notably CNP Assurances – and is supported by the distribution capacity of the La Poste Network.

La Banque Postale Group's business is organised around four areas of expertise:

- ▶ **Bancassurance France**, comprising La Banque Postale's Retail Banking business, Ma French Bank and the domestic Life and Non-Life insurance subsidiaries and businesses;
- ▶ **International Bancassurance**, consisting of CNP Assurances' international insurance businesses in Brazil, Italy and Ireland, notably;
- ▶ **Corporate and Investment Banking**, comprising the corporate, local public sector, financial institutions and institutional customer segments, as well as the specialised financing and capital markets businesses.
- ▶ **Wealth and Asset Management**, comprising Louvre Banque Privée (formerly BPE) and the asset management businesses of La Banque Postale Asset Management and Tocqueville Finance.

Key consolidated figures

(in € millions; reported data)	2017	2018	2019	2020	First-half 2021	2021	First-half 2022
Net banking income	5,687	5,570	5,647	7,724	3,974	8,020	4,182
Operating expenses ⁽¹⁾	(4,619)	(4,615)	(4,692)	(5,711)	(3,143)	(6,215)	(3,255)
Gross operating profit	1,068	955	955	2,013	831	1,805	926
Cost of risk	(192)	(183)	(178)	(674)	(98)	(268)	(90)
Attributable net profit	764	726	780	4,155	282	636	462
Total assets (in € billions)	231	245	272	737	754	772	752
Cost/income ratio ⁽²⁾	81.8%	83.4%	83.8%	74.4%	79.7%	78.0%	78.3%

(1) Operating expenses = general operating expenses + net depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

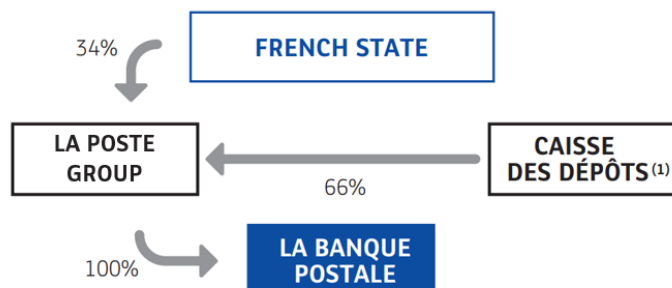
(2) Cost/income ratio = operating expenses/(net banking income - doubtful interest).

1.2 GROUP SHAREHOLDING STRUCTURE

The La Poste group owns all of La Banque Postale's capital and voting rights, except for one share held by the Chairman of the Supervisory Board. There are no employee shareholders.

Article 1 of French law no. 2010-123 of 9 February 2010 stipulates that La Poste's share capital shall be held by the French State and by other public sector shareholders, except for any shares that may be held under employee ownership schemes.

The La Poste group is 66%-owned by Caisse des dépôts and 34% by the French State.



(1) Caisse des dépôts and its subsidiaries constitute a state-owned group serving the public interest and France's economic development. This group fulfils general interest missions in support of national and regional government policies and may also operate in the open market. It is supervised by the French Parliament, which also acts as its guarantor pursuant to Article 518-2 of the French Monetary and Financial Code (*Code monétaire et financier*).

1.3 GROUP ORGANISATION

Simplified organisational chart at 30 June 2022

LA BANQUE POSTALE GROUP			
Bancassurance France		International Bancassurance	
La Banque Postale ^(*)		CNP Assurances – International	100.00%
Ma French Bank	100.00%		
La Banque Postale Consumer Finance	100.00%		
EasyBourse	100.00%		
SOFIAP	66.00%		
La Banque Postale Home Loan SFH ^(**)	100.00%		
SCI CRSF Métropole ^(**)	100.00%		
SCI Tertiaire Saint Romain ^(**)	100.00%		
CNP Assurances – France	100.00%		
La Banque Postale Assurance Santé	51.00%		
La Banque Postale Assurances IARD	100.00%		
La Banque Postale Prévoyance	100.00%		
La Banque Postale Conseil en Assurances	100.00%		
Wealth Management and Asset Management		Corporate and Investment Banking	
Louvre Banque Privée	100.00%	La Banque Postale ^(*)	
La Banque Postale Immobilier Conseil	100.00%	La Banque Postale Leasing & Factoring	100.00%
La Banque Postale Asset Management Holding	70.00%	La Banque Postale Collectivités Locales	65.00%
La Banque Postale Asset Management	70.00%	La Banque Postale Home Loan SFH ^(**)	100.00%
Tocqueville Finance SA	69.93%	SCI CRSF Métropole ^(**)	100.00%
		SCI Tertiaire Saint Romain ^(**)	100.00%
		LBP Dutch Mortgage Portfolio 1 BV	100.00%
		LBP Dutch Mortgage Portfolio 2 BV	100.00%
		FCT Elise 2012	95.00%
Corporate Centre			
115K	100.00%		

(*) Parent company

(**) Entities allocated to several business lines in the management accounts.

The organisational chart shown above does not include entities held for sale.

The percentages indicated correspond to La Banque Postale Group's ownership interest in the subsidiary. For the CNP Assurances Group, the percentage corresponds to the interest held in the parent company, CNP Assurances SA.

The Corporate Centre is used to record income and expenses that cannot be allocated directly to the business lines, such as the Single Resolution Fund (SRF)/Fonds de Garantie des Dépôts et de Résolution (FGDR) contributions and management fees. Income and expenses resulting from the application of the accounting standard on business combinations, which do not arise in the normal course of business, are also allocated to the Corporate Centre. They include amortisation of the fair value adjustments to CNP Assurances' net assets on the date control was acquired, which is allocated to the Corporate Centre to avoid distorting the presentation of the Bancassurance France and International Bancassurance business lines' results.

1.4 2030 STRATEGIC PLAN

La Banque Postale launched its 2030 strategic plan in March 2021 with the objective of becoming France's favourite bank.

The plan is organised around three priorities:

- ▶ become one of the best banks in terms of customer satisfaction and join the top 3 in 2023 for remote services;
- ▶ embrace the just transition movement and launch a community engagements platform;
- ▶ place employees at the centre of the strategic plan by improving the employer brand Net Promoter Score (NPS) by 20 points by 2025.

Commenting on the 2030 strategic plan as it was launched, Philippe Heim, Chairman of the Executive Board, said:

"Fifteen years after it was formed, La Banque Postale is beginning a new stage in its development supported by a solid base. It has a strong brand reflecting its identity as a community bancassurer; a franchise comprising over 20 million customers; unique accessibility, with over one million visitors per day to the 17,000 contact points throughout the country and three million visitors to its digital platforms; a mature diversified business model serving all types of customers including both individuals – from the most vulnerable to those looking for wealth management solutions – and legal entities; and an exceptionally robust balance sheet with a CET1 ratio of more than 20%.

The new strategic plan presented today should enable La Banque Postale to become France's favourite bank, acclaimed not only by customers but also by the wider public and by employees. In order to rank among the top three in terms of customer satisfaction by 2023 at the latest, the Group will propose an enhanced, integrated digital bancassurance offering adapted to all customer groups and marketed under three separate brands, La Banque Postale, Ma French Bank and BPE. The historical Retail Banking base will be consolidated and will serve as a springboard to rapidly develop the diversified businesses in which La Banque Postale already has recognised expertise and leadership positions, such as consumer finance, asset management, local authority banking and commercial banking. Lastly, La Banque Postale will work with CNP Assurances to tap the full potential of the multi-partner international bancassurance model.

As a community bank with a distinctive market positioning, La Banque Postale will remain fully focused on shaping a just transition to an economy and a society capable of responding to environmental, social, regional and digital challenges."

1.4.1 Three priorities

Position La Banque Postale among the leaders for the quality of the customer experience by 2023

La Banque Postale's stated objective is to rank among the top three for customer satisfaction in remote banking services by 2023 and in all banking services by 2025⁽¹⁾. This is a particularly difficult challenge given the diverse nature of the 20-million strong customer base – ranging from the financially vulnerable to people looking for wealth management solutions – and the new customer experience standards.

La Banque Postale has certain strengths that are recognised by its customers and already place it among the top three for customer satisfaction with a human touch. These strengths include its teams' people skills, their expertise in executing both simple and complex transactions and their knowledge of each customer's personal situation.

The ambition of joining the top three for all-around customer satisfaction will be supported by a new service quality governance system led by a Customer Experience Director who will be a member of the Executive Committee; multi-channel management of customer experiences and processes based on satisfaction surveys; action to address sources of customer irritation; measures to enhance account managers' expertise; and digitisation of customer experiences and processes to give the organisation the agility needed to fulfil this objective.

Reaffirm community ambitions to support the just transition

Since it was formed, La Banque Postale has forged an identity rooted in community banking. Today, it is reaffirming its ambition to shape a just transition to an economy and a society capable of responding to environmental, social, regional and digital challenges. This vision of a just transition implies building into the business model systematic measurement of the different businesses' impacts in all these areas. This ambition is now led by a dedicated Community Engagement Department reporting to the Chairman of the Executive Board.

A community engagement platform has been developed, describing the Group's priorities:

- ▶ finance the energy transition and promote responsible consumption;
- ▶ correct emerging inequalities;

(1) Net Promoter Score and *La Voix du Client*.

- ▶ broaden access to impact finance by signing up all of the business lines to this cause;
- ▶ give all employees a role in deploying this ambition through the advice and support given to the Group's customers.

All of the initiatives of the new community engagement platform were presented in June 2021 during the Citizens' Economy Dialogues.

A key initiative is the introduction of a unique proprietary indicator, the Impact Weighting Factor, to measure the businesses' environmental, social and regional impact. The weighting factor will be taken into account in all lending and investment decisions, and will also be available to customers to help them channel their savings.

La Banque Postale has set the objective of achieving net zero emissions by 2040 across all businesses.

Place the employee experience at the centre of the Group's strategic project

La Banque Postale is proud of its teams' engagement and their deep commitment to customer service, which allowed them to pull out all the stops during the health crisis.

Paying the same attention to the employee experience as to the customer experience is one of the strategic plan's key success factors. That's why La Banque Postale intends to refocus its management model on customer satisfaction. Improving service quality depends on increasing the teams' empowerment. Any initiative that enables the Group to become closer to its customers and respond more effectively to their needs will be encouraged.

Preference will be given to collective performance in support of the strategic plan ambitions, by digitising customer experiences and processes so that employees are free to focus on high value-added tasks, as well as by encouraging agile working methods, test and learn and short decision-making paths. Employees will be supported through training, with the organisation of over 300,000 days of training each year.

Several initiatives to improve the quality of work life will help to enhance the Group's employer brand, with the aim of achieving an employee NPS of +20⁽²⁾ by 2025. These include offering greater flexibility in organising working arrangements, developing personalised mobility plans and affirming responsible employment policies in terms of diversity, gender balance and integration.

Lastly, employees will be closely involved in deploying the community engagements platform, primarily through an internal consultation process. Remuneration systems will be aligned with these objectives.

1.4.2 Three levers to support major ambitions

Three main levers will drive the development project:

- ▶ consolidate the Retail Banking base;
- ▶ increase the pace of business model diversification;
- ▶ prepare the future by developing an innovative, international partnership model.

Consolidate the Retail Banking base

The Group will consolidate its positions by pursuing an ambitious customer acquisition strategy and developing offerings marketed under its three brands (La Banque Postale, Ma French Bank and BPE, which became Louvre Banque Privée in May 2022).

- ▶ La Banque Postale, the bank for everyone, will step up its drive to win new customers and increase cross-selling, particularly for wealth management and business banking services, with the objective of acquiring over 3 million new customers by 2025. It will remain firmly committed to its public service mission of offering essential banking services to people who would otherwise be excluded, and assisting customers who are financially vulnerable or are not comfortable with digital formats.
- ▶ The Ma French Bank mobile bank should drive the customer acquisition process, with the objective of attracting 1.3 million customers by 2025 thanks to a comprehensive consumer finance, savings and insurance offering that is both straightforward and affordable, to be rolled out in the period to 2023.
- ▶ Louvre Banque Privée is targeting €25 billion in assets under management and €85 billion managed by the private banking unit.

The business model will combine a stronger regional presence with digital excellence and mass processing capabilities:

- ▶ The quality of customer support will be enhanced by deploying a differentiating CRM model that uses data more effectively to offer a higher value-added service through digitisation and the pooled management of simple

(2) Net Promoter Score based on the question "Would you recommend La Banque Postale as an employer?".

transactions. The objective is for 70% of sale transactions to be carried out using selfcare or assisted selfcare systems by 2025.

- ▶ The digital multi-channel distribution strategy has already been stepped up, with the 2021 launch of a digital app enabling new customers to open an account and existing customers to apply for a home loan directly on their smart phone. And from 2022, all of La Banque Postale's standard bancassurance products will be available on a digital app. The project to digitise all front-to-back office processes is advancing rapidly and will be completed in 2025.
- ▶ Mass processing of low value-added transactions in the middle and back offices and optimised counter service practices will drive improved operational and marketing efficiency.
- ▶ With the La Poste network, La Banque Postale has reaffirmed its strategic choice of maintaining a physical presence in all regions. This unique network of 17,000 contact points visited by one million customers per day, combined with a website that attracts three million users per day, enables La Banque Postale to capture the traffic needed to support its strategic development. The post office refurbishment plan that has seen 2,600 post offices refurbished in the past five years will continue, with a capital spending budget earmarked for the refurbishment of 300 to 400 post offices per year.

Increase the pace of diversification

La Banque Postale will increase the pace of business diversification, optimising the allocation of capital to investments that will be accretive in the short term.

Build the personal banking franchise

The focus on responsible consumer finance will be maintained, with the objective of growing the business by 40% by 2025. This objective will be met through active cross-selling, expanding the scope of the business to include split payments, loans for specific purchases, home loan refinancing, etc., and setting up new distribution partnerships. The Business Solution platform launched in 2021 will facilitate the distribution of white label products.

LBP AM will consolidate its position as a leader in sustainable finance and expand its diversified conviction management offering, including investments in real assets. This will be achieved by leveraging its globally recognised expertise (34 LBP AM/Tocqueville Finance funds were awarded four or five stars by Morningstar in 2020 for their financial performance). SRI assets under management will increase to €70 billion in 2025, helped by external distribution.

Expand the corporate banking business

La Banque Postale wants to become a major banking partner for French businesses, by doubling its SME & mid-sized enterprise customer base and raising transaction volumes with these customers by around 250% by 2025. Its ability to partner customers' development projects in Europe (investments, acquisitions) will be strengthened by leveraging its expertise in structured finance (LBOs, real estate financing, lease financing, factoring, asset & project finance) and DCM origination. The customer experience will be digitised.

The "originate to distribute" model (origination, arrangement and syndication) will be promoted, with the aim of applying this model for 25% of new syndicated structured finance deals.

Financial institutions in France and Europe will be targeted for syndication (DCM, loans) and funding transactions, thanks to dedicated coverage, with the objective of increasing net banking income from this source by 30% in the period to 2025.

La Banque Postale will consolidate its position as the benchmark provider of banking services for all public agencies, in partnership with SFIL, with the objective of achieving a 30% market share by 2025.

Tap into the bancassurance model's potential

To ensure the deployment of the integrated bancassurance model and creation of a unified insurance business line, La Banque Postale aims to continue:

- ▶ The life insurance operating model between CNP Assurances and La Banque Postale will be revamped by assertively transforming technical provisions and refreshing both product offerings and digital and multi-channel processes. The momentum created by the revamped model should lift unit-linked sales to around 30% of new life business by 2025.
- ▶ Sales of non-life insurance to banking customers will be increased by enhancing the service offering and digitising the customer experience. The aim is to achieve fully-digitised customer journeys and a cross-selling rate of over 30% by 2025⁽³⁾. In addition, distribution will be diversified (through brokers and distribution partnerships) and the offering for professionals and micro-enterprises will be enhanced.

(3) Among active customers.

Prepare the bank of the future: an innovative, international partnership model

La Banque Postale of the future will be more international

The partnership approach will be the preferred method of fulfilling the Group's international development ambitions, notably in CNP Assurances' geographic markets. The development of partnerships outside France will enable the Group to acquire new skills, diversify the business portfolio in order to reduce its exposure to eurozone interest rates and tap the full potential of fast-growing regions or sectors. The aim is to generate 20% of total net banking income in international markets by 2025.

La Banque Postale of the future will be built around an innovative, partnership-based FinTech/AssurTech platform

New open platforms will be launched, with the Group acting as both producer and service provider, and as a personalised solutions aggregator for all customers.

By 2025, La Banque Postale will have created a 'companion bank' ecosystem that will enable customers to use a digital platform to explore service bundles created with specialist partners that meet the needs arising at key points in their lives, such as home purchase and estate planning services.

The first service bundles will be offered to customers in 2022.

To fulfil this ambition, the Group will develop open banking platforms, starting with the consumer finance and non-life insurance offerings. For example, early 2021 saw the launch of La Banque Postale Consumer Finance's Business Solution platform for the development of white label products.

La Banque Postale will collaborate with Tech startups by leveraging its innovation ecosystem, which will be developed more rapidly around the platform⁵⁸ incubator that is currently incubating 39 FinTech, AssurTech, SecurTech and RegTech startups. A €150 million innovation fund was set up in 2021 to invest in startups with a view to establishing partnerships with the Group's business lines, subsidiaries or corporate functions.

1.4.3 Profitable and sustainable growth (2025 objectives versus 2020)

La Banque Postale is aiming to achieve profitable growth, with:

- ▶ more than 3% growth in Group net banking income (CAGR in the period to 2025);
- ▶ a 10-point improvement in the Group's cost/income ratio;
- ▶ RONE of 8% in 2023.

The Group's robust capital base (with a CET1 ratio of 20.4% at year-end 2020) and controlled 3.5% growth in RWA (CAGR in the period to 2025) will ensure that this growth is sustainable⁽⁴⁾.

1.4.4 First-half 2022 highlights

In the first half of 2022, La Banque Postale continued with the integration of CNP Assurances and, as of 20 June 2022, holds all of CNP Assurances' capital further to the simplified tender offer and squeeze-out procedure. Through this transaction, the process of creating one of Europe's leading bancassurers within the major State-owned financial group will be completed, allowing CNP Assurances to pursue its development as part of a bancassurance group bringing together two major players with significant customer and policyholder bases: 20 million French customers through retail banking and 44 million CNP Assurances customers⁽⁵⁾.

In late 2021, Natixis Investment Managers (Natixis IM) announced that it had completed the acquisition of La Banque Postale's stakes in Ostrum Asset Management (45%) and AEW Europe (40%). Further to these transactions, Natixis IM holds all the capital of the management companies Ostrum AM and AEW Europe. Based on the sale agreements, Natixis IM and La Banque Postale have extended their industrial partnerships in asset management until end-2030.

La Banque Postale also unveiled its new brand platform, reflecting the Group's engagement in the community and the excellent services it provides to customers. With this new identity, La Banque Postale's ambition is to partner all customers by offering them high-performance products and services, and to embrace new ideas that give shape to its community engagement while remaining faithful to its cultural heritage as a post office bank.

(4) Excluding Basel IV.

(5) Excluding the 3.3 million customers of the La Banque Postale network and including French customers of partner networks.

La Banque Postale has stepped up its diversification in the French bancassurance sector with the launch of its subsidiary Django, which offers merchants and e-merchants split payment solutions in two, three or four instalments and deferred payment solutions of 15, 30 or 45 days for their retail customers.

The Wealth and Asset Management business line saw accelerated development of its private bank Louvre Banque Privée in the first half of 2022. This fresh expansion coincided with the creation of a private banking unit, which has brought together the customer bases of La Banque Postale customers (more than €250,000 in financial assets)⁽⁶⁾ and Louvre Banque Privée. Louvre Banque Privée makes its expertise as a local private bank available to all private banking customers. With its deepened regional presence, the private banking unit is targeting €85 billion in assets under management⁽⁷⁾ by 2025, (of which €25 billion managed by Louvre Banque Privée,) versus €70 billion at end-2021 (of which €14 billion managed by Louvre Banque Privée), i.e., an increase of 21%.

Another highlight in the first half of 2022 was La Banque Postale's launch of the 115K venture capital fund, to be injected with €150 million, which aims at supporting the early-stage growth of Fintech and InsurTech cyber-security startups, from the seed or series A⁽⁸⁾ phase, as well as companies operating in related sectors or advanced technologies such as RegTech, data, AI, blockchain and Web3. The 115K fund has already invested in four startups offering software solutions, three of which are incubated within La Banque Postale's platform58, namely: Carbo (carbon footprint measurement), Joe (BNPL⁽⁹⁾ in BtoC¹⁰), Cashbee (savings solutions) and Cosmian (deeptech cyber-security).

Lastly, in terms of community engagement, after having adopted its corporate purpose (*raison d'être*) in June 2021, La Banque Postale took another step in its transition by adopting "mission-led company" status in March 2022. This reaffirmed its "just transition" ambition of integrating several environmental and social impact objectives into its governance. La Banque Postale, through its subsidiary La Banque Postale Home Loan SFH dedicated to refinancing home loans granted by the network in France, has also successfully placed its first green covered bond issue of €750 million, thus contributing to financing the energy transition.

La Banque Postale Asset Management (LBP AM) and its subsidiary Tocqueville Finance (TFSA), asset management companies of the La Banque Postale Group, have continued to deploy a key facet of their SRI process relating to active shareholding and commitment. In the first half of 2022, LBP AM and TFSA voted at 610 shareholders' meetings held by companies in 26 countries, representing 95% of the equity portfolio. This meant expressing their positions on traditional governance issues as well as social and environment challenges. They actively exercised their voting rights and, all told, 31.4% of votes were cast against the resolutions submitted to shareholders by management.

(6) About La Banque Postale.

(7) Private banking assets under management correspond to assets managed by Louvre Banque Privée and the assets of La Banque Postale customers with financial assets in excess of €250,000 at La Banque Postale.

(8) Series A is the first round of financing that comes after the seed phase.

(9) BNPL: Buy Now, Pay Later.

(10) BtoC: Business to Consumer.

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2.1 GOVERNANCE

(Information updated in this document)

2.1.1 Supervisory Board

The Supervisory Board reviews and approves La Banque Postale's strategic decisions and policies. It is chaired by Philippe Wahl, Chairman and Chief Executive Officer of the La Poste group, and is composed of 15 members.

Membership of the Supervisory Board

Members holding positions within the La Poste group

- ▶ **Philippe Wahl**, Chairman of the Supervisory Board of La Banque Postale;
- ▶ **Yves Brassart**, Vice-Chairman of the Supervisory Board of La Banque Postale;
- ▶ **Nicolas Routier**, permanent representative of La Poste SA;
- ▶ **Sophie Renaudie**.

Members holding positions within Caisse des dépôts et consignations

- ▶ **Antoine Saintoyant**.

Independent members

- ▶ **Anik Chaumartin**, Chair of the Strategy and CSR Committee;
- ▶ **Michel Madelain**, Chairman of the Financial Statements Committee;
- ▶ **Emmanuel Rondeau**, Senior Independent Member, Chairman of the Risk Committee and the Appointments and Governance Committee;
- ▶ **Nefissa Sator**, Chair of the Remuneration Committee.

Members representing employees

- ▶ **Sandrine Fagot-Revurat**;
- ▶ **Thierry Freslon**;
- ▶ **Jean-Pierre Hakizimana**;
- ▶ **Steeve Maigne**;
- ▶ **Thierry Viarouge**.

Member representing the French State

- ▶ **Stéphanie Pétard**.

2.1.2 Executive Board

The Executive Board sets La Banque Postale's operational strategy and policies. It ensures that work carried out across the Group is consistent and coherent, and that management operates in compliance with legal and regulatory provisions. The Executive Board keeps the Supervisory Board regularly informed of La Banque Postale's results, its development plans and its evolving strategy. The Executive Board consists of three members.

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Membership of the Executive Board

- ▶ **Philippe Heim**, Chairman of the Executive Board of La Banque Postale, Executive Vice-President of the La Poste group;
- ▶ **Marion Rouso**, Managing Director of Retail Banking, and Executive Vice President of the Retail and Digital Division of the La Poste group;
- ▶ **Bertrand Cousin**, Managing Director of Corporate & Investment Banking.

2.2 REMUNERATION

(Information updated in this document)

The remuneration data provided below complies with La Banque Postale's remuneration principles and rules, as described in detail in the report of the Chairman of the Supervisory Board.

Remuneration of members of the Supervisory Board for 2020 and 2021

Remuneration awarded to the members of the Supervisory Board for their services on the Board and other remuneration received by Supervisory Board members for their directorships within La Banque Postale Group

Name of the corporate officer	Theoretical gross amounts due for 2020 (€)	Recipient	Gross amounts due for 2021 (€)	Recipient
Philippe Wahl⁽⁵⁾				
Awarded remuneration	20,000	La Poste	20,000	La Poste
Other exceptional remuneration	-		-	
Yves Brassart⁽⁵⁾				
Awarded remuneration	66,300	La Poste	68,500	La Poste
Other exceptional remuneration	-		-	
Nathalie Collin⁽¹⁾⁽⁵⁾				
Awarded remuneration	18,000	La Poste	1,500	La Poste
Other exceptional remuneration	-		-	
Sophie Renaudie⁽⁵⁾				
Awarded remuneration	56,300	La Poste	57,400	La Poste
Other exceptional remuneration	-		-	
Nicolas Routier⁽³⁾⁽⁵⁾				
Awarded remuneration	2,000	La Poste	-	La Poste
Other exceptional remuneration	-		-	
La Poste				
Awarded remuneration	18,000	La Poste	18,000	La Poste
Other exceptional remuneration	-		-	
Antoine Saintoyant⁽²⁾				
Awarded remuneration	-	Caisse des dépôts et consignations	32,500	Caisse des dépôts et consignations
Other exceptional remuneration	-		-	
Olivier Sichel⁽¹⁾				
Awarded remuneration	29,600	Caisse des dépôts et consignations	3,400	Caisse des dépôts et consignations
Other exceptional remuneration	-		-	
French State				
Awarded remuneration	78,400	French State	71,700	French State
Other exceptional remuneration	-		-	
Anik Chaumartin⁽²⁾				
Awarded remuneration	-	The person concerned	20,000	The person concerned
Other exceptional remuneration	-		-	
Sophie Lombard⁽³⁾				
Awarded remuneration	12,268.50	The person concerned	-	The person concerned
Other exceptional remuneration	-		-	
Michel Madelain				
Awarded remuneration	92,300	The person concerned	102,300	The person concerned
Other exceptional remuneration	-		-	
Emmanuel Rondeau				
Awarded remuneration	102,865.75	The person concerned	117,200	The person concerned
Other exceptional remuneration	-		-	
Nefissa Sator⁽⁴⁾				
Awarded remuneration	61,265.75	The person concerned	88,600	The person concerned
Other exceptional remuneration	-		-	
Sandrine Fagot-Revurat				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Thierry Freslon				

Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Jean-Pierre Hakizimana				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Steeve Maigne				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Thierry Viarouge				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
TOTAL REMUNERATION PAID	450,000		601,100	

(1) Member who stepped down from the Supervisory Board during 2021.

(2) Member who joined the Supervisory Board during 2021.

(3) Member who stepped down from the Supervisory Board during 2020.

(4) Member who joined the Supervisory Board during 2020.

(5) By decision of the Supervisory Board on 24 February 2021, based on the recommendation of the Remuneration Committee, the total amount paid to La Poste in respect of the remuneration awarded to members representing the La Poste group was reduced by €107,300 compared to the theoretical amount resulting from application of the determination rules, so that the total amount paid did not exceed the maximum remuneration allocated to the Supervisory Board (€450,000). Taking into account this adjustment, the total remuneration paid to the members of the Supervisory Board for 2020 amounted to €450,000, of which €73,300 was paid to La Poste.

Corporate officers have not received any stock or debt options or any performance shares; consequently, the Company has not prepared tables 4 to 10 of the AMF's guidelines relating to corporate officer remuneration disclosures.

Remuneration of employee representative members on the Supervisory Board

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

The total gross remuneration (including the variable component) paid to employee representatives on the Supervisory Board under their employment contracts amounted to €395,113 in 2021.

Remuneration of the members of the Executive Board for 2020 and 2021

Standardised tables that comply with Afep/Medef and AMF recommendations

Table 1. Summary of the gross remuneration, stock options and shares awarded to Executive Board members for 2020 and 2021

(in euros)	2020	2021
Philippe Heim (term of office began on 1 September 2020)		
Gross remuneration payable for the year (details in Table 2)	151,561	458,604
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
Total	151,561	458,604
Marion Rouso (term of office began on 1 May 2021)		
Gross remuneration payable for the year (details in Table 2)	-	333,809
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
Total	-	333,809
Bertrand Cousin (term of office began on 1 April 2021)		
Gross remuneration payable for the year (details in Table 2)	-	349,998
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
Total	-	349,998
Marc Batave (term of office ended on 31 March 2021)		
Gross remuneration payable for the year (details in Table 2)	444,416	114,496
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
Total	444,416	114,496
Tony Blanco (term of office ended on 29 October 2021)		
Gross remuneration payable for the year (details in Table 2)	434,702	360,254
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
Total	434,702	360,254
Anne-Laure Bourn (term of office ended on 24 February 2021)		
Gross remuneration payable for the year (details in Table 2)	399,158	78,308
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the year	N/A	-
Value of performance shares awarded during the year	N/A	-
Total	399,158	78,308
Philippe Bajou (term of office ended on 28 February 2021)		
Gross remuneration payable for the year (details in Table 2)	227,637	95,976
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the year	N/A	-
Value of performance shares awarded during the year	N/A	-
Total	227,637	95,976
Rémy Weber (term of office ended on 3 August 2020)		
Gross remuneration payable for the year (details in Table 2)	441,738	N/A
Value of long-term variable remuneration awarded during the year	-	N/A
Value of stock options awarded during the year	N/A	N/A
Value of performance shares awarded during the year	N/A	N/A
Total	441,738	N/A
TOTAL REMUNERATION PAID	2,099,212	1,791,445

Table 2. Summary of the gross remuneration, stock options and shares awarded to Executive Board members

(in euros)	2020		2021	
	Amounts payable for the financial year	Amounts paid during the financial year	Amounts payable for the financial year	Amounts paid during the financial year
Philippe Heim (term of office began on 1 September 2020)				
Fixed remuneration ⁽¹⁾	150,574	150,574	451,233	451,233
Of which paid by La Banque Postale	120,000	120,000	360,000	360,000
Of which paid by La Poste	30,574	30,574	91,233	91,233
Annual variable remuneration	-	-	-	-
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	987	987	7,370	7,370
Total	151,561	151,561	458,604	458,604
Marion Rouso (term of office began on 1 May 2021)				
Fixed remuneration ⁽¹⁾	-	-	317,724	317,724
Of which paid by La Banque Postale	-	-	200,000	200,000
Of which paid by La Poste	-	-	117,724	117,724
Annual variable remuneration ⁽⁴⁾	-	-	12,907	23,790
Of which paid by La Banque Postale	-	-	12,907	-
Of which paid by La Poste	-	-	-	23,790
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	-	-	3,178	3,178
Total	-	-	333,809	344,692
Bertrand Cousin (term of office began on 1 April 2021)				
Fixed remuneration ⁽¹⁾	-	-	322,500	322,500
Annual variable remuneration	-	-	14,521	-
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	-	-	12,977	12,977
Total	-	-	349,998	335,477
Marc Batave (term of office ended on 31 March 2021)⁽⁵⁾				
Fixed remuneration ⁽¹⁾	409,000	409,000	103,873	103,873
Annual variable remuneration ⁽⁴⁾	32,515	36,994	9,898	72,515
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	2,901	2,901	725	725
Total	444,416	448,895	114,496	177,113
Tony Blanco (term of office ended on 29 October 2021)⁽⁵⁾				
Fixed remuneration ⁽¹⁾	400,000	400,000	333,333	333,333
Annual variable remuneration	31,520	36,180	0	31,520
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	3,182	3,182	26,921	26,921
Total	434,702	439,362	360,254	391,774
Anne-Laure Bourn (term of office ended on 24 February 2021)⁽⁶⁾				
Fixed remuneration ⁽¹⁾	332,656	332,656	55,060	55,060
Annual variable remuneration	62,391	149,738	22,563	62,391
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	4,111	4,111	685	685
Total	399,158	486,505	78,308	118,136

Philippe Bajou (term of office ended on 28 February 2021)⁽⁶⁾				
Fixed remuneration ⁽¹⁾	156,593	156,593	61,727	61,727
Annual variable remuneration	69,375	-	33,582	69,375
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	1,669	1,669	667	667
Total	227,637	158,262	95,976	131,769
Rémy Weber (term of office ended on 3 August 2020)				
Fixed remuneration ⁽¹⁾	438,694	438,694	-	-
Of which paid by La Banque Postale	211,429	211,429	-	-
Of which paid by La Poste	227,265	227,265	-	-
Annual variable remuneration	-	-	-	-
Long-term variable remuneration	-	-	-	-
Termination benefit	-	450,000	-	-
Awarded remuneration ⁽²⁾	-	-	-	-
Benefits in kind ⁽³⁾	3,044	3,044	-	-
Total	441,738	891,738	-	-
TOTAL REMUNERATION PAID	2,099,212	2,576,323	1,791,445	1,957,565

- (1) Fixed remuneration includes: (i) for Philippe Heim, a paid leave indemnity (only in 2021), a family allowance, and a communication bonus; (ii) for Marion Rouso, a family allowance, a communication bonus, and a housing allowance; (iii) for Philippe Bajou, Anne-Laure Bourn and Rémy Weber, a paid leave indemnity and a communication bonus; (iv) for Bertrand Cousin and Tony Blanco, solely their basic salary; and (v) for Marc Batave, the balance of his paid leave accumulated in his CET (Time Savings Account).
- (2) Members of the Executive Board do not receive any remuneration for any other offices they hold in other La Banque Postale Group companies.
- (3) For Philippe Bajou, a company car provided by La Banque Postale. For Marc Batave, a company car provided by La Banque Postale. For Tony Blanco and Bertrand Cousin, a company car provided by La Banque Postale and senior executive unemployment insurance (GSC); For Anne-Laure Bourn, a company car provided by La Poste; For Philippe Bajou, a company car provided by La Poste and a free credit card; and For Rémy Weber, a company car provided by La Banque Postale.
- (4) Variable remuneration corresponds to: (i) for Marion Rouso, a welcome bonus paid by La Poste. (ii) for Marc Batave, the variable portion of his annual remuneration and a special bonus paid in 2021 in respect of his entire career at La Banque Postale.
- (5) The terms of office of Marc Batave and Tony Blanco ended on 31 March 2021 and 29 October 2021 respectively. Their remuneration has been prorated to take into account the end of their terms of office.
- (6) Anne-Laure Bourn was a member of the Executive Board from 25 May 2016 to 24 February 2021. Philippe Bajou was a member of the Executive Board from 3 August 2020 to 28 February 2021. Both of them were paid remuneration solely by La Poste. Their remuneration has been prorated to take into account the end of their terms of office.

Table 3. Employment contracts, supplementary pension plans and compensation for executive corporate officers

	Employment contract with La Banque Postale		Supplementary pension plan		Compensation payable or that may be payable for loss of office or for a change of position		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive corporate officers								
Philippe Heim Chairman of the Executive Board since 1 September 2020		X		X	X			X
Bertrand Cousin Member of the Executive Board since 1 April 2021		X		X	X			X
Marion Rouso Member of the Executive Board since 1 May 2021		X		X	X			X

Benefits for loss of office or a change in duties awarded to members of the Executive Board

No benefits were awarded to any Executive Board members for loss of office or a change of position during 2021.

Supplementary pension arrangements made for the benefit of Executive Board members

As of 31 December 2021, La Banque Postale had made no supplementary pension arrangements for Executive Board members.

Remuneration of the members of the Development Committee

In 2021, the total gross remuneration (including the variable portion) paid to the members of the Development Committee, excluding members of the Executive Board, amounted to €11,054,812.

No other remuneration was paid to the Development Committee members. Moreover, they do not receive any remuneration for any other offices they hold in other La Banque Postale Group companies.

The Development Committee members are eligible for a statutory retirement bonus.

Remuneration principles implemented within La Banque Postale

Remuneration Committee

Roles and responsibilities of the Remuneration Committee

In accordance with the provisions of the French Monetary and Financial Code (*Code monétaire et financier*) and its own internal rules, La Banque Postale's Remuneration Committee prepares the remuneration decisions to be adopted by the Supervisory Board of La Banque Postale Group.

More specifically, the main tasks of the Remuneration Committee, which operates under the responsibility of the Supervisory Board, are to:

- ▶ prepare decisions on remuneration and the remuneration principles to be adopted by the Supervisory Board, in particular with regard to the remuneration of members of the Executive Board as well as all Risk Takers of the Company;
- ▶ perform annual reviews of the remuneration, allowances and benefits of all types awarded to the members of the Company's corporate officers;
- ▶ review the amount of remuneration paid to members of the Supervisory Board for attending meetings of the Board and its committees;
- ▶ review the principles underlying the remuneration policy of La Banque Postale and the Group, particularly with regard to environmental, social and governance issues, and the principles applicable to Risk Takers;
- ▶ review the remuneration policies and practices of subsidiaries (in particular the principles applicable to Risk Takers), it being specified that for Group subsidiaries subject to industry-specific rules, this review involves assessing compliance with the Group's remuneration policy;
- ▶ ensure that a process is in place for identifying and reviewing the list of Risk Takers at Company level, and that such a process is also carried out at on a consolidated basis at Group level;
- ▶ prepare the work of the Supervisory Board with regards to its supervision of remuneration policies, practices and processes and compliance with the remuneration policy of the Company and the Group. It ensures that this policy is properly applied and is valid, and can propose changes if required;
- ▶ analyse the report issued by the Human Resources Department each year on the supervision of the principles approved by the Supervisory Board, as well as its implementation, and report to the Supervisory Board on its work;
- ▶ review the report sent by General Management to the ACPR pursuant to the government order of 3 November 2014;
- ▶ assess any external remuneration consultants that the Supervisory Board may decide to use for advice or assistance;
- ▶ review the appropriateness of information provided to shareholders on remuneration policies and practices; monitor the appropriateness of the ratio between the fixed and variable components of Risk Takers' remuneration (in particular the proposed upper limit of the ratio between fixed and variable components of remuneration);
- ▶ assess the mechanisms and systems adopted to ensure that the remuneration system takes due account of all types of risk and levels of liquidity and equity, that the overall remuneration policy is consistent and promotes sound and effective risk management, and that it is in line with the Company's business strategy, objectives, corporate culture and values and long-term interests;

- ▶ assess the achievement of financial and non-financial (including environmental, social and governance) performance objectives and the need to apply an *ex post* risk adjustment and, more particularly, to apply malus and clawback schemes;
- ▶ directly monitor and oversee the remuneration of the executives responsible for the three independent control functions, i.e., the remuneration of the Group Chief Compliance Officer, the Group Chief Risk Officer and the Head of Internal Audit. In particular, verify that said executives are eligible for variable remuneration that is not contingent on the performance of the business areas they control;
- ▶ more generally, report to the Supervisory Board and notify it of any material issues, and make any recommendations on the above matters. It also informs the Supervisory Board without delay of any difficulties encountered.

Membership and decisions of the Remuneration Committee in 2021

As of 31 December 2021, the Remuneration Committee comprised six members appointed by the Supervisory Board from among its members: one member who holds a position within the La Poste group, one member representing the French State, one member representing employees and three independent members. The Remuneration Committee met four times in 2021.

The Remuneration Committee completed all of its duties during the year, in particular assessing the performance of Executive Board members, reviewing La Banque Postale Group's remuneration policy for 2021 in light of regulatory changes introduced by Directive (EU) No 2019/878, and examining and validating the list of regulated employees within the meaning of Article L. 511-71 of the French Monetary and Financial Code on a consolidated basis for La Banque Postale Group for 2021.

Use of external consultants

La Banque Postale Group's Human Resources Department commissioned the law firm EY Legal to help it with the review of the Group's overall remuneration policy for 2021.

Fixed and variable remuneration

The fixed component of remuneration constitutes most of the remuneration of all La Banque Postale employees. It is determined in recognition of their skills, experience, qualifications, level of responsibility and engagement.

Individual variable remuneration reflects sustainable performance in line with the risk policy. It takes into account the individual's contribution to La Banque Postale Group's business and earnings growth. When variable remuneration forms part of the overall compensation package, limits are set so that the variable portion cannot exceed the fixed portion. In addition, individual employees do not systematically receive a share of the total variable remuneration budget. Each employee's variable remuneration is determined by management based on a range of criteria covering:

- ▶ their personal performance in relation to annual objectives set in advance on a basis consistent with the entity's long-term objectives, combined with the performance of their operating unit and the entity's results;
- ▶ pre-defined qualitative and behavioural criteria taken into account in the individual's performance appraisal.

In accordance with its values, La Banque Postale Group does not have any variable remuneration system based directly and exclusively on the achievement of quantified objectives. Quantitative performance objectives are systematically linked to qualitative and behavioural objectives.

In addition, the measurement of individual performance takes into account all the risks to which the La Banque Postale Group entity concerned is likely to be exposed, i.e., mainly the risks of regulatory non-compliance, failure to protect customers, conflicts of interest and social and environmental risks. These objectives help to protect customers' interests by encouraging ethical behaviours in line with the Group's code of conduct and the regulations governing La Banque Postale's businesses.

Moreover, La Banque Postale makes sure that the aggregate amount of individual variable remuneration does not hamper its ability to strengthen its equity.

Guaranteed variable remuneration

Regulated employees cannot be granted guaranteed variable remuneration beyond the first year of engagement of the regulated employee concerned, which is subject to La Banque Postale Group still being in a healthy and solid financial position.

Remuneration of employees who carry out control functions

Employees who carry out control functions are remunerated based on the achievement of objectives related to their duties, independently of the performance of the business areas they control.

In accordance with Article 511-102 of the French Monetary and Financial Code, and the EBA Guidelines, the Remuneration Committee oversees the remuneration of the executives responsible for the three independent control functions, i.e., the remuneration of the Group Chief Compliance Officer, the Group Chief Risk Officer and the Head of Internal Audit. In particular, the Committee verifies that the variable remuneration of these executives is not contingent on the performance of the business areas they control.

Scope of application of La Banque Postale Group's remuneration policy

The guiding principles of La Banque Postale Group's remuneration policy are applicable to all subsidiaries that are consolidated for prudential purposes.

The subsidiaries of La Banque Postale that are subject to specific industry provisions (CRD V, MiFID II, AIFM/UCITS V, Solvency II, IFD) are required to review their remuneration policy each year, taking into consideration any regulatory changes, and to apply the guiding principles of La Banque Postale Group's overall remuneration policy.

The principles of La Banque Postale Group's overall remuneration policy also apply to La Poste employees who offer financial services sold by a La Banque Postale Group company. The implementing agreements for the framework agreement between La Banque Postale and La Poste contain a precise description of the remuneration principles that apply to these employees who act on behalf of La Banque Postale.

Remuneration of regulated employees within the meaning of Article L. 511-71 of the French Monetary and Financial Code

Pursuant to the government order of 3 November 2014 on the internal control of banking, payment services and investment services companies overseen by France's banking supervisor (ACPR), the Remuneration Committee prepared the work of the Supervisory Board, which then decided on the remuneration policy for regulated employees proposed by the Executive Board.

The Board issued a positive opinion on La Banque Postale's remuneration policy, which establishes a comprehensive framework for the variable remuneration of Company employees whose professional activities have a material impact on its risk profile. The approved policy is designed to avoid jeopardising the Company's ability to generate equity and adversely affecting its liquidity position.

Professionals affected at La Banque Postale

Pursuant to Article L. 511-71 of the French Monetary and Financial Code, the rules relating to the remuneration policy apply to the managers of the institution concerned and to certain categories of employees, including the risk takers of the Company or of La Banque Postale Group.

Delegated Regulation (EU) No 604/2014, enacted by the European Commission on 4 March 2014, adopted technical regulatory standards regarding appropriate qualitative and quantitative criteria to identify the categories of employees whose professional activities have a significant impact on an institution's risk profile.

In application of Directive (EU) No 2013/36 (Article 92, paragraph 3), as amended by Directive (EU) No 2019/878, and as transposed into the French Monetary and Financial Code (sub-section 3 – Articles L. 511-71 *et seq.*) and Delegated Regulation (EU) No 604/2014 of the European Commission, La Banque Postale identifies the categories of employees whose professional activities have a material impact on an institution's risk profile. The assessment is based on the 15 qualitative criteria and three quantitative criteria defined in Delegated Regulation (EU) No 604/2014.

Within La Banque Postale, the professionals concerned by rules on the remuneration policy and practices of credit institutions in 2021 are:

- ▶ Professionals identified based on their position within La Banque Postale SA:
 - members of the Executive Board and Executive Committee;
 - salaried members of the Supervisory Board;
 - the executives responsible for the three control functions (Risk Management, Compliance and Internal Audit);

- the executives responsible for the corporate functions (Finance, Tax, Budget, Legal, Human Resources, Remuneration Policy, Information Systems and Economic Research);
 - employees with managerial responsibilities who report directly to the Chief Risk Officer, the Chief Compliance Officer and the Head of Internal Audit;
 - employees responsible for a committee in charge of managing an operational risk for La Banque Postale Group;
 - employees authorised to approve or veto the launch of new products as part of the Product Review Committee;
 - managers in charge of employees meeting any of the above criteria.
- ▶ Professionals identified based on their position within material business units (MBU):
- the executive corporate officers of subsidiaries identified as MBUs, or the directors of La Banque Postale business lines that are treated as MBUs;
 - employees responsible for risk management, as well as those responsible for compliance or internal audit, within subsidiaries identified as MBUs;
 - employees with managerial responsibilities who report directly to the Chairman of the Executive Board of a subsidiary identified as an MBU or to the Director of a La Banque Postale business line that is treated as an MBU;
 - managers in charge of employees meeting any of the above criteria.
- ▶ Professionals identified based on their level of delegated authority:
- employees authorised to enter into credit risk commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) and at least €5 million, or to structure such products, whose activities have a material impact on their entity's risk profile;
 - employees authorised to enter into market risk commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) or 5% of their entity's Value at Risk (VaR);
 - managers in charge of a team of employees who are not identified individually but are collectively and cumulatively authorised to enter into credit commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) and at least €5 million, or market risk commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) or 5% of their entity's Value at Risk (VaR);
 - managers in charge of employees meeting any of the above criteria.
- ▶ Professionals identified based on their level of remuneration:
- employees whose total gross remuneration for the previous year exceeded €500,000;
 - employees not meeting any of the above criteria whose total gross remuneration for the previous year placed them in their entity's top 0.3% of employees based on remuneration.

In late 2021, La Banque Postale undertook work aimed at incorporating, for 2022, the criteria defined in Delegated Regulation (EU) No 2021/923, enacted by the European Commission on 25 March 2021, for identifying employees whose professional activities have an impact on the institution's risk profile.

Taking into account the risk management policy and compliance (*ex ante* risk adjustment)

Compliance with the Group's risk management policy and with the standards set by the ACPR is an essential factor that is taken into account when assessing the performance of regulated employees and in determining their variable remuneration. This compliance is assessed:

- ▶ on a collective level, including based on a specific risk management and compliance objective;
- ▶ on an individual level: if a regulated employee fails to comply with the Group's risk management policy as defined by the department in which they work, or if they breach a compliance requirement, the employee's variable remuneration could be reduced by the Executive Board on the proposal of the Group Risk Department, the Compliance Department or the Internal Audit Department.

Annual cap on variable remuneration

The variable remuneration paid to the employees concerned during a given financial year may not exceed 100% of the fixed remuneration.

Principle of deferred, conditional payment of variable remuneration

In accordance with the rules relating to the remuneration policies and practices of credit institutions, and in order to ensure that interests are properly aligned, if the variable remuneration of regulated employees exceeds the cap defined below, it is deferred over time as follows:

- ▶ 50% of the variable remuneration is deferred over a period of:
 - five years for members of the Executive Committee and executive corporate officers of subsidiaries,
 - four years for other regulated employees;
- ▶ at least 60% of the variable remuneration is deferred over a period of at least four years for particularly high variable remuneration amounts.

This mechanism is triggered for any regulated employee who receives annual variable remuneration in excess of €50,000 or representing more than one third of their total annual remuneration.

Taking into account the risk management policy and compliance (*ex post* risk adjustment mechanism)

The payment of deferred variable remuneration to regulated employees within the meaning of Article L. 511-71 of the French Monetary and Financial Code is subject to conditions. Deferred variable remuneration can thus be reduced or fully reversed.

The acquisition and/or payment of the deferred portion of variable remuneration are never guaranteed and are subject to conditions that apply throughout the deferral period. These conditions are particularly based on criteria related to the results of the entities concerned and, in some cases, to the employee's individual performance ("malus clause"). Up to 100% of variable remuneration can be withheld under the malus system if the entity's financial situation and/or the employee's performance does not meet the required levels.

Similarly, employees may be required to reconstitute all or some of their variable remuneration if they fail to comply with their entity's rules on risk taking, particularly if their actions have resulted in significant losses for the entity, or if they breach any regulatory obligations or any "fit and proper" criteria ("restitution clause"). This restitution requirement may apply up to five years following the payment date of the variable remuneration concerned.

Opinion on the components of regulated employees' remuneration

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the General Meeting is consulted each year concerning the overall remuneration budget for all types of remuneration paid during the past financial year to the persons mentioned in Article L. 511-71 of the Code. These are mainly the persons who are effectively responsible for running the Company. The total remuneration budget for 2021 was €28,594,618 (including the portion of the remuneration paid by La Poste to Philippe Heim and Marion Rouso).

At the General Meeting of 27 April 2022, the shareholders voted in favour of the amount payable in 2021 of €28,594,618, compared to an amount of €25,938,253 in 2020.

As La Banque Postale's shares are not admitted to trading on a regulated market, it is not subject to the say-on-pay rule.

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3.1 ECONOMIC AND FINANCIAL ENVIRONMENT

A global economy affected by multiple negative headwinds

In the first half of 2022, the global economy was affected by multiple negative headwinds. The outbreak of war in Ukraine at the end of February triggered a surge in raw materials prices. At the same time, energy prices were kept high by fears of a sudden disruption of oil and gas supplies from Russia to Europe. Although they eased as supplies were maintained, the overall trend was up throughout the first half of 2022, particularly for gas in the European market. This also resulted in overheated European electricity prices, which in practice are indexed to the production cost of the last power plant to come on stream, most often a gas-fired plant. Tensions also spilled over into food prices, particularly grain prices, reflecting the fact that Russia was the world's largest wheat exporter in 2021 and Ukraine the fifth largest. Industrial raw materials prices were not spared either (Russia was the world's third largest producer of nickel, while Ukraine was the third largest exporter of iron and the fourth largest of titanium). With the added pressure from supply difficulties (leading to a fivefold increase in container shipping costs between mid-2020 and early 2022), upstream price rises gradually spread to downstream sectors (processed food products, manufactured goods, prices of certain services such as air transport).

The result was a surge in inflation not seen since the early 1980s, with annual consumer price inflation reaching 9.1% in the United Kingdom in May, 8.6% in the United States in May and 8.6% in the euro zone in June. Central banks responded by starting to tighten their monetary policies, halting their asset purchases and significantly raising their key rates. Federal Reserve members expect the Fed Funds rate to rise from zero at the beginning of 2022 to 3.4% by year-end, an almost unprecedented 12-month hike. During the first half, rising long-term rates went hand in hand with falling stock market prices, leading to significant destruction of financial wealth. In this environment, consumer confidence was severely dampened, reflecting the loss of purchasing power caused by rising prices and fears about the fallout from an economic slowdown. Lastly, in China, the government responded to the worsening health situation in the spring by re-introducing very strict travel restrictions, with a significant adverse effect on the country's economic activity. It was not until early June that restrictions were eased.

The global economy held up well in this particularly difficult environment. In the United States, although GDP contracted in first-quarter 2022, consumer spending remained buoyant in the spring as the savings rate declined and net job creation remained strong. However, economic surveys conducted in June found initial signs of a slowdown. In emerging markets, the situation was full of contrasts. Rising raw materials prices favoured exporting countries, with Saudi Arabia, for example, recording annual GDP growth of almost 10% in first-quarter 2022. But the equation was more complicated in some countries. Food raw materials exporting countries such as Brazil were hit by rising fertiliser costs, driven up by higher oil prices. In many emerging countries, central banks raised their key interest rates in a bid to curb the surge in inflation caused by higher food prices and support their currencies against the dollar. Brazil's Selic was raised to 13.25% in mid-June, following an increase in the country's annual inflation rate to over 11% in May. The tighter monetary policies acted as a brake on economic growth. Brazil's GDP grew at a modest rate in the first quarter (up 1.7%), although job creation remained fairly dynamic. For the poorest countries, the war in Ukraine sparked concerns about grain supplies and created a risk of food shortages.

In the euro zone, the ECB tightens its stance amid inflation fever

Although it lagged behind US inflation, euro zone inflation continued to increase rapidly in the first half of 2022, to reach 8.6% in June, with several countries – notably in Central and Eastern Europe – seeing rates of over 10%. While energy was initially the main drive of inflation, the upstream impact on raw materials prices soon spread to other sectors. Core inflation (excluding food and energy) reached an annual rate of 3.8% in May, a level not seen since the introduction of the euro. While wages had remained very stable until the end of 2021, the increase in the annual negotiated wage index (the benchmark indicator of labour costs in the euro zone) rose from 1.6% in fourth-quarter 2021 to 2.8% in first-quarter 2022. The European Central Bank (ECB) initially adopted a wait-and-see attitude, considering that inflation was mainly being driven by energy costs and that monetary policy was not an effective weapon against these external pressures. However, as price inflation spread to downstream sectors and the pace of wage inflation increased, the Bank adopted a much tougher stance in May-June. It discontinued the Pandemic Emergency Purchase Programme (PEPP) in April and halted its Asset Purchase Programme (APP) launched in 2015 in early July. The ECB also decided to raise its three key interest rates by 50 basis points, to 0.50% for main refinancing operations, 0.75% for the marginal lending facility and 0.00% for the deposit facility, with effect from 27 July 2022.

In most euro zone countries, economic activity had recovered to pre-COVID levels by early 2022, with the exception of Spain, which suffered from its exposure to the tourism sector, and Germany, which was hit by falling exports and an underperforming automotive industry. In the first quarter of 2022, GDP for the euro zone as a whole increased by 0.6% sequentially compared to the previous quarter. However, this included a sharp technical increase in Irish GDP, which alone accounted for about half of the overall increase. Business confidence indicators held up relatively well in the spring, only beginning to decline in June. The unemployment rate (6.7% in June) was at its lowest for the last 25 years.

In France, the ‘tariff shield’ dampens inflation

In the first quarter of 2022, French GDP contracted by 0.2% compared to the previous quarter, mainly due to a 1.5% sequential decline in consumer spending. The deteriorating health situation in January adversely affected hospitality spending, while spending on fuel declined in response to higher petrol and diesel prices. However, the 1.9% sequential fall in the purchasing power of household disposable incomes in first-quarter 2022 was also due to the high basis of comparison created by the government’s “inflation bonuses” paid in December. The household savings rate was only slightly lower in first-quarter 2022 versus the previous quarter, due to the health restrictions in the first part of the year. At 16.7%, it was still 1.4 points above its end-2019 level. While spending on goods remained subdued in April-May, business leaders reported sustained activity in the hospitality sector as from early spring, as the health situation improved.

France performed better than other euro zone countries, with annual inflation at 5.8% in June, largely thanks to the government’s “tariff shield” (including a cap on regulated gas and electricity tariffs and a petrol and diesel price rebate). According to France’s national statistics institute, INSEE, these measures reduced overall inflation by an estimated 2 points.

Business confidence surveys in June pointed to a slowdown in the manufacturing industry and some service sectors (with the notable exception of the hospitality sector). However, the labour market held up well, with some 70,000 net new jobs created in the first quarter and the unemployment rate dipping to 7.3%. In particular, young people benefited from a sharp increase in the number of apprenticeship contracts as a result of government incentives.

Sharp rebound in long-term interest rates

Central bank announcements concerning expected key interest rate trajectories combined with the surge in inflation led to a rapid increase in government bond yields in the first half of 2022. The US 10-year rate rose to above 3% in mid-June, returning to its autumn 2018 level. The recovery of long-term interest rates was even more spectacular in the euro zone. France’s 10-year OAT rate, which was still in negative territory in the autumn of 2021, rose to above 2% in June. However, the most striking rise concerned the Italian 10-year rate, which recovered from an all-time low of 0.6% in 2021 to briefly exceed 4% in mid-June.

This raised fears that euro zone financial markets would once again become fragmented due to the halting of the ECB’s net asset purchases. The ECB has since announced a possible redirection of PEPP reinvestment flows to countries under stress and the launch of a specific instrument that would allow monetary policy to be tightened without over-penalising certain countries.

Concerning interbank rates, the euro short-term rate (€STR), which tracks the deposit facility rate, remained stable in the first half (averaging -0.58% in June), while the 3-month Euribor (the rate at which major banks lend to each other for a period of three months) started to recover in response to expectations of an increase in the ECB’s key interest rates, ending the month of June at around -0.20% compared to an average of -0.58% last December.

Sharp decline in the stock markets

Low interest rates and a dramatic recovery in profits among listed companies provided a very favourable environment for the stock markets in 2021. However, the trend reversed in the first half of 2022, against a backdrop of growing uncertainty and, above all, a recovery in long-term interest rates. The S&P 500 lost 20% and the Nasdaq lost 29% in first-half 2022, while the CAC 40 closed at 5,923 points on 30 June (down 17% compared to the end of December 2021). All told, as of 30 June 2022, US indices were still above their pre-COVID level at end-2019, while the CAC 40 was close to it.

Firm US dollar

Expectations of a significantly tighter US monetary policy played in favour of the dollar, which also retained its role as a safe haven in a very uncertain economic and geopolitical environment. The euro ended June at \$1.05 compared to \$1.13

at the end of December 2021, although the ECB's announcements at the end of the first half helped to support the European single currency.

The Japanese central bank continued to set a very low 10-year interest rate target (with an upper limit of 0.25%) in light of bond market developments in recent months. This weighed on the yen, which fell to a 22-year low against the dollar.

The Chinese yuan also weakened against the dollar in first-half 2022 after appreciating in 2020 and 2021. Faced with the country's fragile economy, the Bank of China was forced to introduce various stimulus measures, in contrast to the US Federal Reserve's tighter monetary policy. At 30 June 2022, the yuan was quoted at around 6.70 to the dollar compared to 6.35 at the end of 2021.

The British pound remained fairly stable against the euro in the first half of 2022 (at £0.86). While the Bank of England was the first major central bank to raise its key interest rate, it subsequently adopted a softly softly approach, both in words and actions (raising the base rate to 1.25% in June) in the expectation that the UK's economic situation would deteriorate significantly in the latter part of 2022. At the same time, the upward revision of ECB interest rate forecasts supported the euro against the pound at the end of first-half 2022.

Emerging currencies experienced mixed fortunes in first-half 2022. While the monetary policy outlook was supportive of the dollar, the currencies of raw materials exporting countries were supported by rising commodity prices. Key interest rate hikes also played a role. The Brazilian real ended the first half of 2022 at around BRL 5.25 to the dollar, compared to BRL 5.70 at the end of 2021. Two currencies stood apart from the rest. The Turkish lira continued to depreciate against a backdrop of a very high annual inflation rate (73.5% in May). The rouble lost half its value at the start of the war in Ukraine but subsequently appreciated sharply in response to Russia's swelling trade balance.

3.2 LA BANQUE POSTALE GROUP BUSINESS ACTIVITY AND RESULTS

La Banque Postale Group business activity and results

La Banque Postale delivered solid results in first-half 2022, in a more uncertain economic environment shaped by inflationary pressures and geopolitical tensions.

Segment results

First-half 2022 net profit by business segment

(excluding the cost of equity for each segment)

(in € millions)	First-half 2022					
	Bancassurance France	International Bancassurance	Wealth and Asset Management	Corporate and Investment Banking	Corporate Centre	Total
NET BANKING INCOME (LOSS)	3,232	774	154	526	(505)	4,182
General operating expenses	(2,316)	(220)	(91)	(225)	(88)	(2,940)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(133)	(88)	(9)	(27)	(59)	(315)
GROSS OPERATING PROFIT (LOSS)	783	466	54	275	(652)	927
Cost of risk	(87)	(9)	2	5	-	(90)
OPERATING PROFIT (LOSS)	696	457	56	280	(652)	837
Share of profits of equity-accounted companies	2	12	0	-	-	14
Net gain or loss on other assets	0	(61)	62	-	29	29
Changes in the value of goodwill	-	-	-	-	-	-
PRE-TAX PROFIT (LOSS)	699	407	117	280	(623)	880
Income tax benefit (expense)	(125)	(182)	(17)	(72)	134	(263)
NET PROFIT (LOSS)	574	225	100	208	(489)	617
Non-controlling interests	86	150	6	-	(87)	155
NET PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	488	75	93	208	(402)	462

First-half 2021 net profit by business segment

(excluding the cost of equity for each segment)

(in € millions)	First-half 2021					
	Bancassurance France ^(*)	International Bancassurance	Wealth and Asset Management	Corporate and Investment Banking ^(*)	Corporate Centre	Total
NET BANKING INCOME (LOSS)	3,174	577	146	532	(454)	3,974
General operating expenses	(2,287)	(136)	(82)	(208)	(89)	(2,801)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(112)	(77)	(6)	(23)	(124)	(341)
GROSS OPERATING PROFIT (LOSS)	775	364	58	301	(666)	831
Cost of risk	(37)	(3)	0	(59)	-	(98)
OPERATING PROFIT (LOSS)	738	361	58	242	(666)	733
Share of profits of equity-accounted companies	24	1	5	-	-	30
Net gain or loss on other assets	1	0	1	-	-	2
Changes in the value of goodwill	-	-	-	-	-	-
PRE-TAX PROFIT (LOSS)	763	362	64	242	(666)	765
Income tax benefit (expense)	(211)	(137)	(18)	(69)	135	(300)
NET PROFIT (LOSS)	552	225	46	173	(532)	465
Non-controlling interests	219	153	7	-	(196)	183
NET PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	333	73	39	173	(336)	282

(*) Segment information for first-half 2021 has been adjusted to reclassify Corporate and Investment Banking commercial banking clients to Bancassurance France.

First-half 2022 consolidated income statement and business line income statement

(in € millions)	H1 2021 (reported)	H1 2022	Change	H1 2021 business lines	H1 2022 business lines	Change (reported)	Change (like-for-like)
Net banking income	3,974	4,182	+5.2%	4,428	4,686	+5.8%	+3.4%⁽¹⁾
Operating expenses	(3,143)	(3,255)	+3.6%	(2,931)	(3,108)	+6.1%	+3.3% ⁽¹⁾
Gross operating profit	831	927	+11.5%	1,498	1,578	+5.4%	+0.9%
Cost/income ratio	79.7%	78.3%	-1.4 pts	66.6%	66.7%	+0.1 pts	-0.2 pts ⁽¹⁾
Cost of risk	(98)	(90)	-8.8%	(98)	(90)	-8.8%	-9.0%
Operating profit	733	837	+14.2%	1,399	1,489	+6.4%	+1.5%
Change in goodwill (and gains and losses on other assets)	2	29	n/a	2	1	n/a	n/a
Share of profits of equity- accounted companies	30	14	n/a	30	14	n/a	n/a
Pre-tax profit	765	880	+15.2%	1,431	1,503	+5.0%	-0.4%
Income tax	(300)	(263)	-12.2%	(435)	(397)	-8.7%	-14.0%
Net profit	465	617	+32.8%	996	1,106	+11.0%	+5.6%
Non-controlling interests	(183)	(155)	-15.0%	(379)	(243)	-35.9%	+5.8%
Attributable net profit	282	462	+63.8%	618	864	+39.8%	+5.5%
Attributable net profit excluding PPA adjustments	499	765	+53.4%	-	-	-	-
Group RONE	8.2%	12.0%	+3.8 pts	-	-	-	-

Note: This business line income statement does not include items not arising in the normal course of business, such as amortisation of fair value adjustments recognised on acquisition of control of CNP Assurances, and items that cannot be allocated directly to the business lines, such as the Single Resolution Fund (SRF)/Fonds de Garantie des Dépôts et de Résolution (FGDR) contributions and management fees.

(*) Excluding registration duty on the portfolio of over 7,600 housing units acquired by CNP Assurances from CDC Habitat, at a comparable scope of consolidation and at constant exchange rates.

La Banque Postale enjoyed dynamic business activity in first-half 2022

Home loan originations totalled €7.1 billion in first-half 2022, up by a very strong 17.8% on the year-earlier period. Consumer finance⁽¹¹⁾ originations also increased, rising 7.4% to €1.3 billion. CIB originations came in at €9.7 billion, up 14.0%.

Life insurance premiums written by the Group amounted to €16.6 billion, an increase of €3.4 billion (up 25.5%) vs. first-half 2021, with unit-linked sales accounting for 49.4% of the total. Net new money invested in on- and off-balance sheet Savings products rose by a remarkable 52.8% to €5.9 billion.

For the Property & Casualty business, first-half 2022 was another period of growth with earned premiums up 22%, while the Health and Personal Risk insurance businesses experienced a slowdown. The penetration rate among La Banque Postale's customers came in at 29%, close to the 2025 target of 30%.

Business line net banking income amounted to €4,686 million, up 5.8% as reported and up 3.4% like-for-like vs. first-half 2021. The increase was attributable to strong performances in international markets and the robust commercial momentum enjoyed by both the banking and insurance underwriting businesses in France.

Based on a comparable scope of consolidation and at constant exchange rates, fees and commissions remained stable in first-half 2022 and the net interest margin⁽¹²⁾ contracted by €43 million vs. first-half 2021 following the increase in regulated savings rates from 1 February 2022 (*Livret A*, *Livret de Développement Durable* and *Livret d'Épargne Populaire*).

Business line operating expenses for first-half 2022 amounted to €3,108 million, with the like-for-like increase of 3.3%⁽¹³⁾ vs. first-half 2021 attributable to expansion of the Group's businesses.

The business lines' cost/income ratio stood at 66.7%, an improvement of 0.2 points like-for-like vs. first-half 2021.

Business line gross operating profit amounted to €1.6 billion, up 5.4%.

(11) Personal loans and revolving lines of credit.

(12) Excluding PEL/CEL home savings account provisions and General Interest Mission fee accrual.

(13) Excluding registration duty on the portfolio of over 7,600 housing units acquired by CNP Assurances from CDC Habitat.

The €90 million cost of risk was stable vs. first-half 2021 at 12 bps in what continued to be an uncertain environment, reflecting:

- ▶ low loss ratios;
- ▶ the high quality of assets in Retail and CIB banking books;
- ▶ the Group's low exposure to the sectors hardest hit by the crisis (representing just 1% of its total exposure to credit risks).

Outstanding non-performing loans remained stable at 30 June 2022 compared to 31 December 2021, at 0.6% of gross customer loans, and the coverage rate for these loans at 42% (up 0.6 percentage points).

Attributable net profit excluding PPA adjustments totalled €765 million, up 53.4% vs. €499 million in first-half 2021.

RONE⁽¹⁴⁾ stood at 12.0% in first-half 2022, up 3.8 points vs. the same period of 2021 and ahead of the 8% objective set for 2023.

(14) RONE = Attributable net profit/Average risk-weighted assets capitalised at 14%; excluding PPA adjustments.

3.3 CONSOLIDATED BALANCE SHEET AND CAPITAL STRUCTURE

Total assets at 30 June 2022 amounted to €752 billion compared with €772 billion at 31 December 2021.

Key indicators

	31 December 2021	30 June 2022	Change
BALANCE SHEET			
Total assets (€bn)	772	752	-2.6%
CAPITAL			
Total regulatory own funds (€bn)	21.6	18.8	-12.9%
Common Equity Tier 1 (CET1) ratio	19.1%	16.2%	-2.9 pts
Leverage ratio	7.2%	5.9%	-1.3 pts
Group RONE	8.2%	12.0%	+3.8 pts
LIQUIDITY			
Loan-to-deposit ratio	82%	81%	-1 pt
Liquidity coverage ratio (LCR)	186%	166%	-20 pts
Net stable funding ratio (NSFR)	143%	132%	-11 pts

The Group's financial structure is highly robust, with total regulatory capital of €18.8 billion.

At 30 June 2022, its Common Equity Tier 1 (CET1) ratio stood at 16.2% vs. 19.1% at 31 December 2021, 7.8 points above the regulatory requirement of 8.380%.

Attributable net profit (up 30 bps), net of the dividend accrual (45% payout), was sufficient to finance organic growth of risk-weighted assets (up 10 bps), contributing to the self-financing of La Banque Postale's organic growth.

The CET1 ratio declined by 330 bps, of which 290 bps stemmed from the impacts of stock market and interest rate volatility on the value of financial instruments at fair value through other comprehensive income.

The Tier 1 ratio stood at 17.8%. The total capital ratio of 20.9% (down 2.8 points from 31 December 2021).

Provided headroom of 8.1 points vs. the Group's Total Capital Requirement of 12.755%.

Risk-weighted assets (RWA) amounted to €90.2 billion (compared to €91.1 billion at 31 December 2021), a decrease of 1.0%.

The leverage ratio was 5.9%⁽¹⁵⁾, down 1.3 points versus end-2021.

The Group's liquidity structure was similarly robust, with a loan-to-deposit ratio of 81% providing ample scope to fund business growth. Liquidity ratios remained high, with the LCR at 166% and the NSFR at 132% at 30 June 2022.

During first-half 2022, La Banque Postale's credit ratings were reaffirmed by Fitch and Standard & Poor's:

- ▶ In January 2022, Fitch reaffirmed La Banque Postale's long- and short-term credit ratings of A and F1+, respectively, both with a Stable outlook;
- ▶ In February 2022, Standard & Poor's reaffirmed La Banque Postale's short- and long-term ratings of A+ and A-1, respectively, with a Stable outlook.

Since 26 July 2022, La Banque Postale's credit profile has also been rated by a third agency, Moody's, which awarded the Group initial ratings of A2 (long-term) and P1 (short-term), with a Stable outlook.

(15) Leverage ratio excluding 100% of savings centralised with Caisse des dépôts et consignations.

Ratings and outlooks

	Moody's	Standard & Poor's	Fitch
Long-term ratings	A2	A+	A
Outlook	Stable	Stable	Stable
Last updated	26 July 2022	2 February 2022	11 January 2022
Short-term ratings	P1	A-1	F1+

During first-half 2022, La Banque Postale continued its bond issuance policy in order to optimise its capital structure and increase the resources eligible for inclusion in its MREL:

- ▶ On 9 February 2022, the Group took advantage of favourable financial market conditions to carry out a €500 million Senior Non-Preferred Notes issue. The 6-year notes were placed at a final spread of 78 bps over the mid-swap rate.
- ▶ On 4 May 2022, La Banque Postale, through its subsidiary La Banque Postale Home Loan SFH, successfully carried out an inaugural green covered bond issue to help finance energy transition projects. The €750 million worth of 8-year 1.625% covered bonds were placed at a final spread of 4 bps over the mid-swap rate. A total of 85 investors participated in the transaction, the majority of whom (66%) apply ESG screens. The €3.7 billion order book (a record for La Banque Postale) represented 4.7 times the amount of the planned issue.

In addition, on 21 January 2022, CNP Assurances successfully carried out a €500 million 7-year Tier 3 subordinated debt issue at a fixed interest rate of 1.25%.

3.4 BUSINESS ACTIVITY AND RESULTS BY BUSINESS LINE

3.4.1 Bancassurance France

(in € millions)	H1 2021 (reported)	H1 2021 (pro forma) ^(*)	H1 2022	Change (reported)	Change (pro forma) ^(*)
Net banking income	3,135	3,174	3,232	+3.1%	+1.8%
Operating expenses	(2,318)	(2,399)	(2,449)	+5.6%	+2.1%
Gross operating profit	817	775	783	-4.1%	+1.1%
Cost/income ratio	74.3%	75.9%	76.0%	+1.8 pts	+0.1 pts
Cost of risk	(25)	(37)	(87)	n/a	n/a
Operating profit	791	738	696	-12.0%	-5.7%
Pre-tax profit	816	763	699	-14.4%	-8.5%
Attributable net profit	371	333	488	+31.6%	+46.7%

(*) Pro forma: professional customers included in Bancassurance France since 1 January 2022 (previously included in CIB).

During the first half of the year, La Banque Postale crossed a new milestone in the deployment of the integrated bancassurance model by becoming the sole shareholder of CNP Assurances. At the close of the simplified tender offer launched on 2 May for minority interests in CNP Assurances, La Banque Postale held 97.79% of CNP Assurances' capital, allowing implementation of a squeeze-out procedure. CNP Assurances' shares were delisted on 20 June 2022.

Business performance

Business activity in the first-half was buoyant, with outstanding loans up 5.5% and stable savings deposits

Retail Banking outstanding loans totalled €71.6 billion (up 5.5%), including €65.7 billion in home loans (up 5.5%) and €5.5 billion in consumer finance (up 4.0%).

Regulated savings deposits (*Livret A*, *Livret d'épargne populaire* and *Livret de développement durable et solidaire*) amounted to €76.8 billion (up 0.2%) with *Livret A* deposits stable compared with 30 June 2021 at €61.5 billion.

Demand deposits were 2.6% higher, at €76.1 billion.

Overall, on-balance sheet savings deposits increased to €191.7 billion at 30 June 2022 (up 1.0% vs. 30 June 2021).

The housing market remained buoyant in the first half, helping to drive 21.2% growth in home loan originations to €6.6 billion. Consumer finance originations rose by 7.4% to €1.3 billion, with revolving credit originations up by a very strong 23.9%.

In March 2022, CNP Assurances acquired 85% of Lamartine from CDC Habitat, which holds the other 15%. Lamartine is a residential property fund that owns a portfolio of 7,600 affordable housing units of high environmental quality worth €2.4 billion.

Life insurance

Business activity slowed slightly in the first half of the year, with technical reserves down 1.5% at €279.8 billion and premium income down 2.3%. The trend was mainly due to the decline in value of unit-linked funds and the lower volume of new money invested in traditional savings/pensions products.

The La Banque Postale distribution network's contribution⁽¹⁶⁾ to Life insurance premium income was stable compared to last year at €3.6 billion. The quality of new money was good, with unit-linked sales representing 32.9% of the total, an increase of 3.8 percentage points⁽¹⁷⁾.

(16) Products developed by CNP Assurances and other partners distributed by La Banque Postale networks.

(17) Bancassurance France including Louvre Banque Privée.

Other insurance subsidiaries (P&C, Death/Disability and Health)

Property & Casualty written premiums increased by 5%, led by comprehensive home-owner insurance (up 7%) and motor insurance (up 4%), while Personal Risk and Health insurance premiums declined in the first half.

The non-life insurance book was stable, at 4.6 million policies as of 30 June 2022.

La Banque Postale's insurance subsidiaries continued to deliver robust underwriting results, reporting a 4.6-point improvement in the combined ratio net of reinsurance to 82.1%.

La Banque Postale has supported all of its customers in withstanding the current inflationary pressures, with a range of practical measures to shore up their purchasing power. As France's leading provider of banking services for vulnerable customers, the Group launched several practical initiatives during the first half of the year:

- ▶ Fees for instant money transfers in France and Europe have been waived for its 20 million retail customers in France.
- ▶ La Banque Postale and CNP Assurances have gone above and beyond the requirements of the Lemoine law by freezing premium rates for standard term creditor insurance cover and abolishing premium surcharges for borrowers representing a level 2 aggravated health risk as defined in the AERAS⁽¹⁸⁾ convention. These measures have been applicable since 1 June 2022 for new contracts sold by the La Banque Postale network.

La Banque Postale's Customer Board set up to respond as closely as possible to customers' expectations held its first meeting in May. This unique consultation initiative represents a first in the French banking industry. The 10-member Board will meet three times a year to discuss customers' views on the Bank's structural projects aimed at improving product offerings, service quality or the customer experience.

Lastly, recognising that young people need support to make their social and professional lives a success, particularly in times of crisis, La Banque Postale has launched a new, innovative and socially responsible offer: the Youth Pass digital platform comprising 10 free non-banking services for 18- to 29-year olds. The offer has been an immediate success, with more than 137,000 young people won over in just two months.

In line with its strategic plan, La Banque Postale stepped up its diversification in the consumer finance market with the launch of Django deferred and split payment solutions for purchases of up to €6,000. A wholly-owned subsidiary of LBP Consumer Finance, Django signed up over 70 partner merchants and e-tailers in less than four months.

Financial results (vs. *pro forma* first-half 2021)

The business line's contribution to net banking income rose by 1.8% despite the impact of higher regulated savings rates, with growth led by home loan originations (up 21.2%) and consumer finance originations (up 7.4%), as well as by the 6% increase in non-life insurance earned premiums.

Growth in administrative expenses was limited to 2.1%. The increase was primarily due to the acquisition of the Allianz France savings business by CNP Assurances and to the registration duty payable on CNP Assurances' acquisition of a portfolio of 7,600 housing units from CDC Habitat.

In the absence of any identified deterioration of loss ratios, cost of risk amounted to €87 million.

The business line's contribution to attributable net profit was up by a strong 46.7%.

(18) Signed by the government authorities, the banking, financial services, insurance and mutual insurance industry federations and by non-profits representing patients' and consumers' interests, the AERAS Convention (*S'Assurer et Emprunter avec un Risque Aggravé de Santé*) aims to facilitate access to insurance and credit for people who have or have had a serious health problem. Level 2 corresponds to a framework for pooling aggravated risks not covered under standard term creditor insurance contracts.

3.4.2 International Bancassurance

<i>(in € millions)</i>	H1 2021	H1 2022	<i>Change (reported)</i>	<i>Change (like-for-like)</i>
Net banking income	577	774	+34.3%	+10.1%
Operating expenses	(213)	(308)	+44.9%	+12.7%
Gross operating profit	364	466	+28.1%	+8.5%
<i>Cost/income ratio</i>	36.9%	39.8%	+2.9 pts	+0.9 pts
Cost of risk	(3)	(9)	n/a	n/a
Operating profit	361	457	+26.5%	+7.0%
Pre-tax profit	362	407	+12.5%	-8.1%
Attributable net profit	73	75	+3.1%	-51.3%

Outside France, CNP Assurances delivered a very good business performance and reported increased earnings, led by Brazil and Italy.

CNP Assurances streamlined its European operations with the sale of CNP Partners to Mediterráneo Vida, an insurance company operating in the traditional savings market in Spain and Italy.

On 27 July 2022, CNP Assurances signed a memorandum of understanding with UniCredit concerning:

- ▶ the acquisition of UniCredit's 49% interest in CNP Vita Assicura S.p.A., lifting CNP Assurances' interest in this company to 100%;
- ▶ the sale of 6.5% of CNP UniCredit Vita S.p.A. (CUV) to UniCredit, with CNP Assurances continuing to be CUV's majority shareholder with 51%.

The aim of these transactions for CNP Assurances is to rationalise the organisation of its Italian operations as it continues to grow its business in this country.

Business performance

In Europe, premium income rose by €3 billion to €5.6 billion (up 111.4%). Savings/Pensions premium income came to €5 billion (vs. €2.2 billion in first-half 2021), an increase of €2.9 billion (up 132.1%) that corresponded mainly to the contribution of the new Italian subsidiary, CNP Vita Assicurazione, which was consolidated for the first time during the period. Unit-linked sales by CNP UniCredit Vita represented a high 74.3% of total Savings/Pensions premiums.

Personal Risk/Protection premium income grew 21.6%, with premiums at CNP UniCredit Vita boosted by the success of the new personal risk range launched in the second half of 2021.

In Latin America, premium income totalled €3.9 billion, up 27.7%. Savings/Pensions premium income came to €3.2 billion (up 30.2%), with growth driven by the high volume of Pensions new money in Brazil.

Personal Risk/Protection premium income was up 16.3% in first-half 2022 at €0.7 billion.

Financial results *(vs. first-half 2021 as reported)*

The business line's contribution to net banking income increased by €198 million to €774 million, reflecting:

- ▶ the first-time consolidation of the Italian subsidiary CNP Vita Assicurazione;
- ▶ the favourable currency effect in Brazil;
- ▶ strong sales momentum in Italy and Brazil.

Operating expenses increased by 45%, mainly due to the first-time consolidation of the new Italian subsidiary and the currency effect in Brazil. The like-for-like increase was 12.7%.

Cost of risk was low at €9 million

and the business line's contribution to attributable net profit was up 3% vs. first-half 2021 at €75 million.

3.4.3 Corporate and Investment Banking

(in € millions)	H1 2021 (reported)	H1 2021 (pro forma) ^(*)	H1 2022 (reported)	Change (reported)	Change (pro forma) ^(*)
Net banking income	571	532	526	-8%	-1%
Operating expenses	(312)	(231)	(251)	-19%	+9%
Gross operating profit	259	301	275	+6%	-9%
Cost/income ratio	56.3%	44.9%	49.1%	-7.2 pts	+4.2 pts
Cost of risk	(71)	(59)	5	n/a	n/a
Operating profit	189	242	280	+48%	+16%
Pre-tax profit	189	242	280	+48%	+16%
Attributable net loss	135	173	208	+54%	+20%

(*) Pro forma: professional customers included in Bancassurance France since 1 January 2022.

Highlights of first-half 2022 in terms of business activity included a strong increase in financing for green and social projects and dynamic performances in asset and project finance including:

- ▶ Bilateral green loan originations, 67% of which concerned local authorities, rose by a strong 43.3% to €403 million.
- ▶ 80% of asset and project finance originations⁽¹⁹⁾ earmarked for green and social projects.
- ▶ Participation in the financing of France's first floating wind turbine.

Business performance

Total outstanding loans amounted to €41.8 billion, up 3.3% from 30 June 2021. Outstanding financing for French local public services⁽²⁰⁾ stood at €20.2 billion, up 5.9%, while outstanding loans to SMEs and mid-caps came to €10.0 billion, up 5.5%.

Demand deposits, including *Livret* passbooks⁽²¹⁾, totalled €15.8 billion at 30 June 2022, up 10.1%.

Asset and Project Finance originations were sharply higher, rising by €229 million (up 43.0%), while factoring originations (purchased receivables) were up by a strong 31.7% at €10 billion.

The Debt Capital Markets business performed well, participating in 53 bond issues during first-half 2022. The business won 32% of the market⁽²²⁾ for the arrangement and placement of private issues for French local public sector borrowers, (ranking first in the League table for French local authorities' private placements in euros⁽²³⁾). In addition, CIB arranged and placed €270 million worth of green or social bond issues with investors along with La Banque Postale Home Loan SFH's €750 million inaugural green covered bond issue.

Financial results (vs. pro forma first-half 2021)

The business line's contribution to net banking income dipped 1% compared with first-half 2021. This was mainly due to a base effect primarily related to the disposal of a portfolio, partly offset by growth in corporate banking activities (up 7%), a sharp rise in fund flow and account management activities (up 28%) and the development of corporate capital markets activities.

Expenses increased by 9%, in line with business growth.

Cost of risk was a positive €5 million, reflecting net provision reversals, notably following certain changes of method. There was no significant deterioration in risk.

The business line's contribution to attributable net profit amounted to €208 million, an increase of 20% vs. first-half 2021.

(19) Estimated data.

(20) Local authorities, healthcare establishments, public-private partnerships and social landlords.

(21) Including *Livret A*, *Compte sur Livret* and *Livret B* deposits.

(22) Source: Bloomberg – 30 June 2022.

(23) Ranking of arrangers for French local public sector private placements (under €150 million).

3.4.4 Wealth and Asset Management

<i>(in € millions)</i>	H1 2021	H1 2022	Change
Net banking income	146	154	+5.4%
Operating expenses	(88)	(100)	+13.4%
Gross operating profit	58	54	-6.8%
<i>Cost/income ratio</i>	60.6%	65.1%	+4.5 pts
Cost of risk	-	2	n/a
Operating profit	58	56	-4.5%
Pre-tax profit	64	117	+83.9%
Attributable net profit	39	93	+136.7%

Louvre Banque Privée

Highlights

La Banque Postale pursued its diversification in the first half of 2022, with the organisation of its wealth management business around BPE, renamed Louvre Banque Privée. The aim of this operation was to leverage the Group's recognised private banking expertise and uniquely deep regional network. Since 1 July 2022, this new model has been supporting the deployment of a range of products and services tailored to the needs of all of La Banque Postale Group's wealth management customers, both at Louvre Banque Privée and in the La Banque Postale network. With €70 billion in assets under management at the end of December 2021, Louvre Banque Privée plans to open 100 new service desks and increase its assets under management to €85 billion by 2025, of which 50% invested in unit-linked funds, while maintaining the discretionary asset management business's exclusive focus on SRI funds.

After the Silver Trophy received in 2021, Louvre Banque Privée won the Gold Positive Finance Trophy at the fourth edition of the Sommet du Patrimoine et de la Performance awards organised on 14 June 2022 by the Leaders League Group, Décideurs Magazine.

Dynamic and profitable commercial activity

Louvre Banque Privée's total assets under management amounted to €14.0 billion at 30 June 2022, up 6.3% vs. 30 June 2021.

The business continued to enjoy robust growth, illustrated by the dynamic flow of new money and the increased sales of unit-linked life insurance contracts, with linked liabilities lifted to €6.5 billion at 30 June 2022 (up nearly 7% vs. 30 June 2021) Life insurance technical reserves were up 9.9% at €9.9 billion, reflecting PACTE transfers, the increase in the CAC 40 index and healthy inflows of new money.

Assets under discretionary management rose by 4.8% to €7.6 billion at 30 June 2022. High margin business continued to grow, with new money of €547 million invested in funds under discretionary management.

Outstanding home loans increased by 8.6% to €4.3 billion.

During the period, seven new wealth management service desks were opened in post offices. Including these desks, as of 30 June 2022, Louvre Banque Privée products were distributed in 64 post offices and 28 private banking centres. Louvre Banque Privée's real estate subsidiary (LBP IC) continued to grow, with the number of units sold through a countrywide network of more than 50 partners rising by 17.6%.

Asset Management

On 13 May 2022, La Banque Postale sold its 40% stake in AEW Europe and La Banque Postale Asset Management sold its 45% stake in Ostrum AM to Natixis Investment Managers (Natixis IM), a subsidiary of the BPCE group. At the same time, the industrial asset management partnerships between LBP Asset Management and Natixis IM were extended until the end of 2030.

During the period, La Banque Postale increased its stake in La Banque Postale Asset Management by acquiring the 5% interest held by Malakoff Humanis, which remains one of the Group's preferred partners.

True to its DNA as an SRI conviction manager and as part of its Net Zero Asset Management Initiative (NZAMI) commitments, La Banque Postale Asset Management has announced its ambitions in terms of carbon neutral portfolios. It is aiming for 80% alignment of its total assets with a low-carbon target compatible with the objectives of the Paris Agreement by 2030, and 100% alignment by 2040.

La Banque Postale Asset Management expanded its range of socially responsible products by adding:

- ▶ a solidarity-based fund and four sharing funds, three of which were newly created. La Banque Postale Asset Management now offers La Banque Postale's retail customers the opportunity to support the development of a more socially responsible and sharing society through their investment choices;
- ▶ its first physical infrastructure fund "LBPAM infrastructure September 2030", developed for La Banque Postale and CNP Assurances.

Tocqueville Finance was rewarded for its ability to generate alpha through its management of equity portfolios, rising to second place on the podium of the 2022 Alpha League Table after ranking 17th in 2021.

Business activity affected by financial market conditions

La Banque Postale Asset Management's assets under management amounted to €54.8 billion, including positive net new money for the period of €1.6 billion. However, the total was down 9.1% vs. 31 December 2021 due to unfavourable financial market trends (affecting equities, diversified assets and absolute performance funds), which had an impact of €7.1 billion.

Financial results

The business line's contribution to net banking income grew by 5.4%, reflecting:

- ▶ the increase in fees and commissions, particularly for off-balance sheet savings products and life insurance;
- ▶ healthy discretionary asset management volumes and dynamic growth in savings diversification revenues (life insurance sales, real estate consulting fees);
- ▶ growth in the real estate business;
- ▶ €1.6 billion growth in the net inflow of new money into managed funds.

Expenses were up 13.4% due to the €1.8 million one-off cost of launching Louvre Banque Privée.

The business line's contribution to attributable net profit was €93 million, an increase of 136% that was partly attributable to the positive €54 million impact of the Ostrum AM and AEW Europe disposals.

3.4.5 Corporate Centre

The Corporate Centre is used to record income and expenses that cannot be allocated directly to the business lines, such as the Single Resolution Fund (SRF)/Fonds de Garantie des Dépôts et de Résolution (FGDR) contributions and management fees. Income and expenses resulting from the application of the accounting standard on business combinations, which do not arise in the normal course of business, are also allocated to the Corporate Centre. They include amortisation of the fair value adjustments to CNP Assurances' net assets on the date control was acquired, which is allocated to the Corporate Centre to avoid distorting the presentation of the Bancassurance France and International Bancassurance business lines' results.

<i>(in € millions)</i>	H1 2021 (reported)	H1 2022 (reported)
Net banking loss	(454)	(505)
Operating expenses	(212)	(147)
Gross operating loss	(666)	(652)
Operating loss	(666)	(652)
Pre-tax loss	(666)	(623)
Attributable net loss	(336)	(402)

Financial results

Corporate Centre results reflect:

- ▶ PPA⁽²⁴⁾ adjustments with a negative impact on attributable net profit of €217 million in first-half 2021 and €303 million in first-half 2022 (including the €19 million positive impact of CNP Assurances' sale of CNP Partners at the level of La Banque Postale);
- ▶ Single Resolution Fund (SRF)/Fonds de Garantie des Dépôts et de Résolution (FGDR) contributions of €89 million (stable vs. first-half 2021) included in operating expenses;
- ▶ Net banking income: Management fees of €9 million in first-half 2021 and €12 million in first-half 2022, deducted from net banking income;
- ▶ €18 million gain on the HTC portfolio in first-half 2022.

(24) Purchase price allocation.

3.5 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet total stood at €752.4 billion at 30 June 2022, down €19.9 billion from 31 December 2021.

The main asset items in the balance sheet comprised:

- ▶ financial assets at fair value through profit or loss (€215.5 billion at 30 June 2022 vs. €231.5 billion at 31 December 2021). These include government paper and equivalents, bonds and other fixed-income securities and UCITS in the amount of €165.2 billion;
- ▶ financial assets at fair value through other comprehensive income (€206.3 billion at 30 June 2022 vs. €228.5 billion at 31 December 2021). These primarily include government paper and equivalents for €108.3 billion and bonds and other fixed-income securities for €97.6 billion;
- ▶ loans and advances to customers at amortised cost (€129.7 billion at 30 June 2022 vs. €123.2 billion at 31 December 2021). This item mainly includes outstanding home loans, consumer loans and business loans (to companies, professionals and the local public sector);
- ▶ loans and advances to credit institutions at amortised cost (€67.1 billion at 30 June 2022 vs. €67.8 billion at 31 December 2021). This item consists for the most part of regulated savings account deposits centralised with Caisse des dépôts for €63.6 billion.

The main liability items in the balance sheet, apart from equity of €24.4 billion, are:

- ▶ insurance company technical provisions and deferred participation for €386.3 billion at 30 June 2022 (vs. €414.4 billion at 31 December 2021), corresponding mainly to life insurance liabilities of €264.8 billion (of which life mathematical reserves for €249.9 billion) and financial liabilities with a discretionary participation feature of €104.2 billion (of which mathematical reserves for €94.2 billion);
- ▶ customer deposits of €241.2 billion at 30 June 2022 (vs. €235.0 billion at 31 December 2021). This item comprises demand deposits for €88.3 billion and regulated savings account deposits for €123.1 billion;
- ▶ liabilities due to credit institutions for €32.7 billion at 30 June 2022 (vs. €30.4 billion at 31 December 2021). This item mainly includes securities and other assets sold under collateralised repurchase agreements for €20.8 billion;
- ▶ debt securities for €20.5 billion at 30 June 2022 (vs. €21.7 billion at 31 December 2021).

La Banque Postale's ROA⁽²⁵⁾ was 0.06% at 30 June 2022.

(25) Return on assets (attributable net profit/total assets).

3.6 POST-BALANCE SHEET EVENTS

CNP Assurances pursues its international growth strategy and signs an agreement with UniCredit to rationalise the organisation of CNP Assurances' Italian operations

Following its acquisition of Aviva's life insurance businesses in Italy last year, CNP Assurances is pressing ahead with its international growth strategy by signing an agreement with UniCredit, its historical partner, including the following components:

- ▶ acquisition by CNP Assurances of UniCredit's 49% stake in CNP Vita Assicura S.p.A. for €500 million, enabling CNP Assurances to increase its stake in CNP Vita Assicura S.p.A to 100%;
- ▶ sale of 6.5% of CNP UniCredit Vita S.p.A. to UniCredit for €70 million, with CNP Assurances keeping a controlling stake of 51% in CNP UniCredit Vita S.p.A.

This transaction allows CNP Assurances to rationalise the organisation of its Italian operations and pursue its development in the country.

The acquisition price for 49% of CNP Vita Assicura S.p.A will be financed by CNP Assurances using its own resources.

Completion of the transaction is subject to obtaining the requisite approvals from the competent authorities.

CNP Assurances acquires Swiss Life's minority stake in Assuristance, a holding company of Filassistance International

In accordance with the provisions of the shareholders' agreement, CNP Assurances is to acquire Swiss Life France's 34% equity stake in Assuristance, the holding company of Filassistance International.

Subject to obtaining the requisite regulatory approvals, CNP Assurances, which already held 66% of Assuristance's share capital, will become the sole shareholder by autumn 2022.

The acquisition includes a commitment to continue the partnership between Swiss Life France and Filassistance International.

La Banque Postale Group has not identified any other events occurring after the reporting date.

3.7 ALTERNATIVE PERFORMANCE MEASURES (APM) – ARTICLE 223-1 OF THE AMF GENERAL REGULATION

APM	DEFINITION/CALCULATION METHOD
Operating expenses	Sum of general operating expenses, net depreciation and amortisation, and impairment of property, plant and equipment and intangible assets
Cost of risk (<i>in basis points</i>)	Average cost of commercial banking credit risk for the quarter divided by outstanding loans at the beginning of each quarter
Cost/income ratio	Operating expenses divided by net banking income, adjusted for doubtful interest

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4.1 SUMMARY OF RISKS

The objective of this chapter is to present the main risks to which La Banque Postale is exposed in the context of its business activities and to provide information on its risk management and capital.

Its purpose is to meet:

- ▶ the reporting obligations of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation), as amended by Regulation (EU) No 2019/876 (CRR II);
- ▶ EBA guidelines on disclosure requirements under Part Eight of the CRR (EBA/GL/2016/11) to improve and enhance the comparability of credit institution disclosures under the third pillar of the Basel Committee agreement on market discipline;
- ▶ Implementing Regulation (EU) No 2021/637 which provides uniform formats, templates and tables for required disclosures and repeals earlier implementing regulations;
- ▶ Directive No 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), as amended by Directive (EU) No 2019/878 (CRD V);
- ▶ Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or for their admission to trading on a regulated market (Prospectus 3);
- ▶ ESMA guidelines on the new format for risk factors which issuers must disclose in Prospectus 3 (ESMA31-62-800).

4.1.1 Key figures

Key metrics (EU KM1)

(in € millions)	June 2022	March 2022	Dec. 2021	Sept. 2021	June 2021
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	14,583	16,299	17,367	17,745	17,777
Tier 1 capital	16,071	17,787	18,855	19,233	18,521
Total capital	18,817	20,532	21,599	21,975	21,262
Risk-weighted exposure amounts					
Total risk exposure amount	90,177	92,444	91,098	87,163	87,987
Capital ratios (as a percentage of risk-weighted exposure)					
Common Equity Tier 1 (CET1) ratio (%)	16.2%	17.6%	19.1%	20.4%	20.2%
Tier 1 ratio (%)	17.8%	19.2%	20.7%	22.1%	21.0%
Total capital ratio (%)	20.9%	22.2%	23.7%	25.2%	24.2%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	5.6%	5.6%	5.6%	5.6%	5.6%
of which: to be made up of CET1 capital (percentage points)					
of which: to be made up of Tier 1 capital (percentage points)					
Total SREP own funds requirements (%)	10.0%	10.0%	10.0%	10.0%	10.0%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Institution-specific countercyclical capital buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Other Systemically Important Institution buffer (%)	0.3%	0.2%	0.3%	0.3%	0.2%
Combined buffer requirement (%)	2.8%	2.8%	2.8%	2.8%	2.8%
Overall capital requirements (%)	12.8%	12.8%	12.8%	12.8%	12.8%
CET1 available after meeting the total SREP own funds requirements (%)					
Leverage ratio					
Total leverage ratio exposure measure	270,417	279,466	263,617	272,386	274,814
Leverage ratio (%)	5.9%	6.4%	7.2%	7.1%	6.7%
Additional own funds requirements to address risks of excessive leverage (as a percentage of total leverage ratio exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	3.0%	3.0%	3.0%	3.0%	3.0%
of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	0.0%	0.0%
Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Overall leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Total high-quality liquid assets (HQLA) (Weighted value-average)	57,805	58,895	56,841	53,704	49,057
Cash outflows – Total weighted value	39,092	37,392	35,323	34,027	32,742
Cash inflows – Total weighted value	7,324	7,364	7,454	7,657	7,844
Total net cash outflows (adjusted value)	31,768	30,028	27,869	26,370	24,898
Liquidity Coverage Ratio (%)	182.0%	196.1%	204.0%	203.7%	197.0%
Net Stable Funding Ratio (NSFR)					
Total available stable funding	167,893	169,720	171,210	171,237	170,507
Total required stable funding	127,576	126,600	120,744	114,869	116,839
NSFR ratio (%)	131.6%	134.1%	141.8%	149.1%	145.9%

4.1.2 Principal structural risk factors

La Banque Postale is a credit institution and the parent company of a financial conglomerate operating in the bank, insurance and investment services sectors and, notably, in portfolio management for third parties.

The risks presented in the "Risk factors" section have been identified as being significant and specific to La Banque Postale and of a nature, should they materialise, to negatively impact its business activity, its financial position and its access to various sources of financing.

The risks have been classified in four categories which list the most significant risks on a net basis within each:

- ▶ risks related to the macro-economic environment;
- ▶ risks related to the legal and regulatory framework;
- ▶ risks related to La Banque Postale's operations;
- ▶ La Banque Postale's business risks.

This section complies with the provisions of Article 16 of Regulation "Prospectus 3" No 2017/1129 of 14 June 2017 applicable to risk factors as of 21 July 2019.

4.1.2.1 Risks related to the macro-economic environment

During the first half of 2022, the macro-economic conditions in which La Banque Postale Group operates changed considerably compared to the environment at the end of 2021. While economists had predicted that the waning of the COVID-19 pandemic would be followed by several years of sustained economic recovery (accompanied by accommodative monetary policies and promotion of the environmental transition) the outbreak of armed conflict in Europe between Ukraine and Russia in first-quarter 2022 has plunged the global economy back into uncertainty.

The invasion of Ukrainian territory on 24 February 2022 immediately led to significant pressure on agricultural raw materials and energy prices. Straight away, investors became more risk averse and began to question the robustness of the global recovery. The situation exacerbated the inflationary pressures that were already present in the post-pandemic environment, due to the recovery in economic activity accompanied by a digital revolution, pent-up demand following periods of forced saving during successive lockdowns, and severe supply chain problems.

The main central banks responded to this inflationary environment by taking measure to increase interest rates, calibrated in each case with their local macro-economic and budgetary situation.

These developments prompted La Banque Postale to revisit its risk assessments during the first half of the year. This in turn led to a change in the order in which its risk factors are presented in this document, based on their significance.

As a preliminary comment, users should note that as of the date of this document La Banque Postale is closely monitoring the events in Ukraine and Russia, and the potential consequences of the crisis on the Group as a whole.

A system coordinated at several levels (the La Poste group and La Banque Postale Group) is in place to constantly monitor the evolving situation and regularly assess the potential consequences on the loanbook and assets under management in terms of market risk and operational risk (cyber threat). All the monitoring measures made necessary by the crisis for natural or legal entities involved in the conflict were also implemented by the Group Compliance Department.

La Banque Postale's loanbook has no exposure to Ukraine and Russia. Its subsidiary CNP Assurances has marginal exposure, which is presented in section 2.1 "Risk Factors" of its 2021 Universal Registration Document.

The main area of concern for the Group is:

- ▶ first, the indirect consequences of the situation on French corporate customers financed by La Banque Postale who do a significant portion of their business with Russia, in particular, and
- ▶ in addition, the impact that a lasting conflict could have (uncertainty, slower growth, exacerbated inflationary environment, etc.) on the macro-economy as a whole. This could then have repercussions for the Group's earnings (originations, expenses, cost of risk).

1. Unfavourable economic and financial conditions have had in the past, and could once again have in the future, an impact on La Banque Postale Group and the markets in which it operates

La Banque Postale Group's banking activities are concentrated in France. Its insurance business – which is primarily conducted through CNP Assurances – exposes the Group internationally, especially in Brazil and Italy. La Banque Postale Group is therefore exposed to trends and developments in the financial markets and, more generally, changes in the economic situation in France, the rest of Europe and the rest of the world.

In France in particular, a worsening economic environment would impact:

- ▶ the Group's business plan, leading to lower credit production;
- ▶ the deterioration of borrower solvency, including both retail and business customers.

If the economic environment were to worsen, the Group's operations could be affected and its business, results and financial position could suffer a significant adverse impact.

While the integration of CNP Assurances has had a favourable impact on La Banque Postale's solvency, it is now more sensitive to the financial markets, particularly due to CNP Assurances' assets at fair value through equity, for which changes in fair value are recognised in other comprehensive income (OCI). OCI is included in the calculation of La Banque Postale Group's regulatory own funds. This key component, combined with La Banque Postale's positions recognised at fair value through equity, increases the sensitivity of La Banque Postale Group's solvency ratio to changes in the financial markets. Consequently, a further financial market shock could adversely affect the Group's solvency ratio.

As of the date of this document, the main risk factor for the Group following the outbreak of armed conflict between Russia and Ukraine concerns a possible deterioration in economic and financial market conditions. The conflict immediately led to a surge in agricultural raw materials and energy prices, which in turn triggered abrupt interest rate hikes by the central banks to address the inevitable inflationary pressure.

The latest central scenario published by the European Central Bank (ECB), dated June 2022, is based on eurozone growth of around 2.8%, representing a 1.4-point downgrade compared to the scenarios published at the end of 2021. The scenario assumes that the armed conflict will continue until the end of 2022 without escalating, and that average eurozone inflation will be in the region of 6.8%⁽²⁶⁾. The ECB expects inflationary pressures to remain exceptionally severe in the short term, due to high oil and gas prices and spiralling prices for agricultural raw materials as a direct result of the war in Ukraine, combined with the effects of the economic revival and global supply shortages. Inflation is not expected to ease until next year, with the rate predicted to average 3.5% in 2023 and 2.1% in 2024.

The potential impacts of a sudden deterioration in the macro-economic environment can be summed up as follows:

- ▶ **Corporate customers:** increase in business failures among the most fragile customers. The size of companies and their business sector are two of the main factors used for assessing this risk. To address these factors, La Banque Postale continued to adopt a prudent approach to determining provisions at 30 June 2022. All the existing measures concerning industry risk provisions were maintained in the most sensitive sectors, comprising the Private Passenger Transport – with a particular focus on Airlines –, Automotive, Hospitality, Retail and Commercial Property industries, with provision rates reflecting the fact that some of these sectors are potentially even more at risk in the current environment. In addition, a new industry risk provision was booked for the agricultural industry, to anticipate possible raw materials shortages following the outbreak of the Russia-Ukraine conflict.
- ▶ **Retail customers:** job stability and the stability of savings and disposable incomes net of inflation represent structural factors taken into account to assess the credit risk represented by Retail customers who have obtained loans from the Bank. Government support packages, price freezes and the French unemployment system all help to delay or even offset the occurrence of this risk, but La Banque Postale's customers with low incomes are nonetheless expected to experience difficulties, as they are particularly vulnerable to sharp price increases on basic and everyday consumer products. For this reason, at 30 June 2022, La Banque Postale also set aside provisions covering part of the inflation risk affecting vulnerable customers with consumer or social home ownership loans (*Prêts à l'Accession Sociale*).
- ▶ **Commercial impact:** as well as the impact on customers' ability to fulfil their repayment obligations and the related credit risk, the crisis has also affected La Banque Postale's ability to meet its commercial targets, particularly in Retail Banking. Consequently, over and above its impact on the cost of risk, the economic crisis could negatively impact La Banque Postale's revenue and therefore its profitability.
- ▶ **Valuation of financial instruments carried at fair value through other comprehensive income:** the financial crisis has had an "instant" impact on the valuation of instruments that are not measured at amortised cost. This effect has been recognised in the financial statements, as well as in La Banque Postale's consolidated solvency ratio. If the crisis were to deepen, this could have a more significant impact on the Group's solvency ratio.

In this regard, the situation in the financial markets, deteriorated considerably in the first half of 2022, after an exceptional year in 2021 when the CAC 40 delivered its best performance since 1999, gaining 29% to end the year at 7153 points. The CAC 40 went on to lose 21% in first-half 2022, closing at 5922 points on 30 June 2022, while the Eurostoxx index closed at 3454 points, a fall of almost 25%.

⁽²⁶⁾ Under a more pessimistic scenario, the average inflation rate would rise to 8% in the event of serious disruption of energy supplies in Western Europe, leading to a further surge in energy prices and cuts in production output.

At the same time, central banks around the world gradually raised their key interest rates in response to the abrupt surge in inflation. The Federal Reserve raised its benchmark rate three times during the period, to 1.75% as of the date of this document, and the European Central Bank decided to increase each of its three key interest rates by 50 basis points, to 0.50% for main refinancing operations, 0.75% for the marginal lending facility and 0.00% for the deposit facility, with effect from 27 July 2022.

Against this backdrop of rising central bank rates and general uncertainty, there was a surge in interest rates on both sovereign and corporate debt. After standing at less than 0% since mid-2019, France's 10-year OAT rate rose sharply in the first half of 2022 to over 2% as of 30 June.

The €90 million cost of risk was stable vs. first-half 2021 at 12 bps in what continued to be an uncertain environment, reflecting:

- ▶ low loss ratios;
- ▶ the high quality of assets in Retail and CIB banking books;
- ▶ the Group's low exposure to the sectors hardest hit by the crisis (representing just 1% of its total exposure to credit risks).

Outstanding non-performing loans remained stable at 30 June 2022 compared to 31 December 2021, at 0.6% of gross customer loans, and the coverage rate for these loans was also stable, at 41.8% (up 0.6 points).

2. The COVID-19 crisis and its impact on the global economy and markets may have an impact on La Banque Postale's results and financial position

Like all credit institutions throughout the world, La Banque Postale has been dealing with the economic and operational consequences of the COVID-19 pandemic since the beginning of 2020.

During an initial phase in 2020 and early 2021, a particularly virulent strain of the virus spread rapidly, causing considerable disruption to the global economy, placing health systems under extreme pressure and forcing governments to introduce restrictive measures followed by numerous public policy initiatives to support national economies. Since then, the pandemic seems to have entered a second phase. The health situation has gradually returned to normal, albeit with new waves of COVID-19 infections occurring from time to time. The variants observed during this new phase (in particular "Omicron" and its derivatives) are significantly less dangerous and cause considerably less disruption to the economy thanks to the deployment of mass vaccination strategies on a global scale over the last two years.

The World Health Organisation (WHO) is still very cautious when it comes to predicting the end of the pandemic. Consequently, a real but currently less severe risk remains of renewed economic uncertainty linked to a possible resurgence of the epidemic. The risk is particularly significant in certain parts of the world where vaccination coverage and effectiveness are lower than in the West (for example, China has experienced a new surge in infections), or in certain economic sectors that have not yet returned to their pre-crisis growth rates.

In France, the measures in place since 2020, such as government-backed loan ("PGE") schemes, reductions in personnel costs for companies (through furlough schemes, exemptions from social security contributions, etc.) and various stimulus packages have been instrumental in helping to stabilise the economy and their gradual withdrawal as the pandemic subsides should not result in a wave of bankruptcies.

A resurgence of the epidemic would, however, add to the potential difficulties identified in the previous risk factor.

On a strictly operational level, La Banque Postale has demonstrated its ability to adapt to a possible strong resurgence of the epidemic and ensure continuity of service. Following the first lockdown in France, La Banque Postale activated its business continuity plan and accelerated large-scale deployment of home working for the vast majority of its employees, including those working in the La Poste Network and the Financial Centres. This enabled the Group to significantly limit the impacts of the crisis on its operational capacity, both in terms of managing requests and customer relations. These measures were reactivated in the second half of 2020 and the first half of 2021 during the second and third waves of COVID-19 infections.

3. Several political and geopolitical uncertainties could negatively affect La Banque Postale's business activity, profitability and financial position

The Group is exposed to other political and geopolitical risk factors, in addition to the economic and financial impacts of the armed conflict between Russia and Ukraine and the COVID-19 health crisis. Likely difficulties relating to UK-EU post-Brexit trade agreements, escalating trade wars, notably between the United States and China, and tension between these two global powers over Taiwan, are sources of uncertainty which may have an impact on international trade. This in turn could affect demand for credit among European borrowers – including La Banque Postale's corporate customers – and their ability to fulfil their repayment obligations.

The integration of CNP Assurances also gives La Banque Postale Group a higher level of international exposure. In 2021, CNP Assurances expanded its business outside France by:

- ▶ renewing its exclusive long-term partnership with Caixa Econômica Federal in Brazil for the distribution of *consórcio* products;
- ▶ acquiring Aviva's life insurance business in Italy.

In first-half 2022, the contribution of international operations to net banking income increased to 17% (compared to 14% in 2021). Within the scope of its 2021-2030 strategic plan, La Banque Postale Group intends to develop its business outside France and has set the aim of generating 20% of net banking income in international markets by 2025.

Since La Banque Postale Group has operations in many countries in Europe and Latin America, the development and profitability of its businesses depends in part on these countries' economic health and political stability.

4. An ongoing low-interest environment could adversely impact the profitability and the financial position of La Banque Postale Group

For a bancassurer such as La Banque Postale Group, persistently low interest rates give rise to a major risk of severe margin erosion.

During such periods of low interest rates, spreads may have a negative effect on La Banque Postale's net interest margin, which constitutes a significant portion of its revenue from its banking activities.

In this environment, the interest rates on regulated savings accounts – i.e., the *Livret A*, *Livret de développement durable et solidaire* (LDDS) and *Livret d'épargne populaire* (LEP) – would offer interest rates (and therefore represent costs for La Banque Postale) that are higher than market rates (i.e., the refinancing cost that La Banque Postale could obtain if it were to seek financing on the markets). However, these products, of which La Banque Postale is a long-term distributor, in particular in the Bancassurance France segment (with customer deposits of €76.8 billion at 30 June 2022), and notably of the *Livret A* (€61.5 billion in outstanding customer deposits at 30 June 2022), generate exposure for La Banque Postale and its ability to lower the cost of its customers' deposits is limited. In addition, given the current economic uncertainty and health crisis, these savings products are considered to be "safe" and have therefore become more popular despite the very low interest rates that customers receive on them. In July 2022, France's Minister of the Economy, Finance and Industrial and Digital Sovereignty announced that the *Livret A* rate would be increased to 2%, after an initial increase to 1% in February 2022, and that the LEP rate would be raised to 4.6% as from 1 August 2022, as recommended by the Governor of the Banque de France on 14 July 2022. In the wake of the *Livret A* rate increase, interest rates on the LDDS and the *Livret Jeunes* (whose minimum rate is aligned with that of the *Livret A*) will also be increased to 2%. The higher interest rates on these regulated savings accounts may have an adverse effect on La Banque Postale's business, results and financial position.

An environment in which interest rates remain very low for an extended period of time could result in another wave (following the wave in 2017-2018) of early repayments and refinancing of fixed-rate loans (mortgages and other types of loans) granted to both retail and corporate customers by La Banque Postale. Given that outstanding home loans totalled €65.7 billion at 30 June 2022 on total outstanding loans to retail customers of €71.6 billion⁽²⁷⁾, these items have the potential to significantly impact the revenue and profitability of La Banque Postale over the long term.

Lastly, low interest rates could affect the profitability and solvency of the insurance business within the meaning of Solvency II Regulations. By impacting the investment returns of the Group's insurance subsidiaries, a low interest rate environment could lead to higher numbers of policy surrenders and a decrease in subscriptions, which in turn could have an adverse effect on La Banque Postale's net banking income. Further information on this issue is provided below in the section on risks related to the Group's insurance business. This business, which includes CNP Assurances – France's leading life insurer and a 100%-owned subsidiary of La Banque Postale – was a significant contributor to La Banque Postale Group's net banking income in first-half 2022.

At 30 June 2022, considering the geopolitical and macro-economic environment discussed in detail in the preliminary comments and in the first risk factors described in this section, the risk of persistently low interest rates is considered as no longer representing a major risk factor, now or in the foreseeable future.

(27) Outstanding home loans and total outstanding loans for the Bancassurance France scope.

4.1.2.2 Risks related to the legal and regulatory framework

5. La Banque Postale is subject to a resolution standards framework which could impact its business activity, results and financial position

Directive No 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) was transposed into French law by Order No 2015-1024 of 20 August 2015.

In addition, the Single Resolution Mechanism (SRM), the second pillar of the Banking Union, was defined in 2014 in Regulation No 806/2014 which establishes uniform rules and procedures for the resolution of credit institutions and of certain investment firms within the framework of a single resolution mechanism and a single resolution fund. The SRM organises the sharing of competences between the Single Resolution Board (SRB) and the national resolution authorities (the ACPR in France).

This European bank crisis resolution framework introduced a bank crisis prevention and resolution system which provided the SRB with significant powers to take all measures required for the resolution of a credit institution.

The SRB can, if it considers that an institution is failing or likely to fail, initiate a resolution procedure in order to ensure the continuity of the institution's critical functions, avoid significant negative effects on financial stability, and protect government resources and the funds and assets of customers. The resolution tools consist of the separation of assets, the creation of a bridge institution, the sale of the business and the "bail-in", an internal debt cancellation mechanism.

The internal debt cancellation process requires the following parties to bear the losses in priority order of the debt within the scope of ordinary insolvency proceedings: shareholders, Common Equity Tier 1 capital securities holders, holders of Additional Tier 1 capital securities issued before 28 December 2020 and of Additional Tier 1 capital securities issued after 28 December 2020, insofar as they are defined as such in full or in part, holders of Additional Tier 2 capital securities issued before 28 December 2020 and of Additional Tier 2 capital securities issued after 28 December 2020, insofar as they are defined as such in full or in part, holders of other subordinated debt other than capital securities, holders of senior non-preferred notes and lastly holders of senior preferred notes.

Implementation of the internal debt cancellation process can lead to the total or partial impairment of the debt securities or their conversion to capital securities. This would involve a risk of capital loss for the holders of the securities.

The implementation of the other resolution measures could also impact the value of the instruments issued by La Banque Postale and subscribed by its investors. At 30 June 2022, the amount of Additional Tier 1 (AT1) capital was €1,488 million. The amount of Tier 2 capital with maturity of over one year was €2,745 million, while that of senior non-preferred debt with maturity of over one year was €4,059 million.

6. The remaining legislative measures included in the banking package adopted by the European Parliament in April 2019 and not implemented at 30 June 2022 may have a limited impact on La Banque Postale's business, results and financial position

This standards package consists of two regulations and two directives (CRR II, CRD V, BRRD II, SRMR II) which are intended to ensure the conformity of prudential banking requirements with the prudential standards of the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB).

With respect to CRR II, the main measures concern the leverage ratio (notably, exemption by nature – and no longer based on an authorisation – for all exposures related to centralised savings), a new standardised approach for measuring counterparty risk (SA-CCR), large exposures, the stable funding requirement (Net Stable Funding Ratio – NSFR), the minimum requirement in terms of total loss-absorbing capacity (TLAC) and various changes to the calculation of the capital requirement for credit risk (effect of new support factors, weighting of investments in UCITS). Most of the measures were applied as of 30 June 2021.

These laws are part of the European Commission's project to implement the Banking Union and the Capital Markets Union and they meet the goal of international bodies to reduce risks in the banking sector. The following matters are addressed:

- ▶ Application of the leverage ratio as a Pillar I requirement: this ratio, which is included in Regulation No 575/2013 (CRR) and is currently applicable, is designed to prevent banks becoming over-leveraged during an economic recovery. Compliance with the ratio is compulsory, in the same way as the solvency ratio, with a minimum requirement of 3% of Tier 1 capital.

It compares Tier 1 capital to an exposure (the denominator) composed of balance sheet items and off-balance sheet items, without any weighting for risk.

However, these changes have a limited impact on La Banque Postale in view of its good leverage ratio. In addition, the method used to calculate this ratio already changed in a way that was favourable to La Banque Postale in 2021, as it was allowed to exclude 100% of centralised savings.

- ▶ The introduction in CRR II of new credit and counterparty risk measurement methods: this is the replacement of the current credit and counterparty risk measurement method for exposure in the event of default (CEM or Current Exposure Method: valuation method at market price) with a new standardised calculation method for the value exposed to derivative instrument risk (SA-CCR: standardised approach to counterparty credit risk). La Banque Postale will apply the SA-CCR method with its related impacts.
- ▶ The application of the stable funding ratio as a requirement of Pillar I: the NSFR (Net Stable Funding Ratio) is a long-term liquidity ratio which La Banque Postale must calculate and meet at a minimum level of 100%.
The NSFR corresponds to the amount of stable financing available (commitments and reliable capital at one year) compared to the stable funding requirement (off-balance sheet assets and exposures – liquidity and residual maturity at one year). In order to monitor long-term liquidity, La Banque Postale has implemented a management system which enables it to offset its exposures with stable sources of financing (see Section 4.5.1.3 “Liquidity risk”).
- ▶ The review of the large exposures calculations: the requirements for large exposures for systemically important financial institutions (SIFI) have been strengthened. As a domestic systemically important institution (SII), La Banque Postale will use Tier 1 instead of eligible capital as the basis for its limit calculations⁽²⁸⁾.

The current regulatory framework and the entry into effect of the reforms described above can impact the level of capital, the cost of financing of La Banque Postale and/or certain activities and, by extension the way in which La Banque Postale Group organises its business lines.

At 30 June 2021, it had been estimated that application of all of the provisions of CRR II applicable at that date had a negative impact of approximately 0.3 bps on La Banque Postale’s CET1 ratio. This impact was mainly due to the use of the mandate-based approach to weighting La Banque Postale’s portfolios.

The potentially most significant residual impacts for La Banque Postale relate to the implementation of the new method of calculating the capital requirement for market risk. Given the nature of La Banque Postale’s market positions to date, the latter will need to be changed. At 30 June 2022, market RWA accounted for 0.4% of La Banque Postale Group’s total RWA, i.e., €348 million for total RWA of €90,177 million.

7. The legal risks to which La Banque Postale is exposed could have an unfavourable impact on its financial position, results and reputation

La Banque Postale has been involved in legal, arbitration and administrative procedures in the past and could be again in the future. The majority of the procedures have been related to the ongoing business of La Banque Postale and its subsidiaries. These legal risks are heightened by the complexity of the applicable laws and regulations, the constantly increasing intensity of the controls implemented by the competent authorities, and the resulting increase in the amounts of fines and sanctions that may be levied.

In addition, private disputes against financial institutions have increased substantially over the past years (the risk has increased for La Banque Postale Group as a result of the extent of its distribution network).

When their outcome goes against La Banque Postale, the procedures can result in the payment of significant damages, fines, and penalties which can negatively impact La Banque Postale’s business activities, its financial position and its operating profit.

When preparing its financial statements, La Banque Postale estimates the financial consequences of the current legal, arbitration and administrative procedures in which it is involved. It creates a provision when losses related to the procedures appear to be likely and can be reasonably estimated. The nature of litigation and procedures makes it difficult to predict their outcome and the amounts involved. If the estimates are wrong or if the provisions created by La Banque Postale are insufficient to cover the risks related to the procedures, they could have a significant negative impact on the financial position and results of La Banque Postale.

As of 30 June 2022, the main litigation concerned:

- ▶ In late November 2020, Brazil’s federal police disclosed details of accusations made in connection with a criminal investigation. The investigation concerns alleged misappropriations of funds at WIZ, a company that is 25%-owned by CNP Seguros Holding Brasil, which may also have been a victim of fraud. The investigation is still in progress. In December 2020, CNP Seguros Holding Brasil’s Board of Directors set up a Special Investigation Committee that is independent from the Company’s management to conduct its own investigation in the CNP Seguros Holding Brasil companies. This committee is being assisted in its work by a law firm that has set up a multidisciplinary forensic team. No conclusive elements were identified during these investigations. The allegations concern facts and amounts that are not material at the level of CNP Seguros Holding Brasil and even less so at that of CNP Assurances and La

⁽²⁸⁾ At 30 June 2022, in line with Article 403 of the Capital Requirements Regulation (CRR), as amended by CRR II, and following publication in the Official Journal of the European Union on 30 March 2022 of ECB Regulation No 2022/504 amending ECB Regulation No 2016/455 concerning the exercise of options and discretionary powers, home loans backed by a Crédit Logement guarantee are not taken into account for determination of Large Exposures limited to 25% of Tier 1 capital.

Banque Postale Group, and no items have been identified that could call into question the reliability of the financial statements of CNP Assurances' Brazilian subsidiaries.

- ▶ In the EIC case initiated in 2005, the Paris Court of Appeal ruled on 2 December 2021 that the agreement signed between the banks on cheque imaging exchange had no anti-competitive purpose or effect. As a result, the €32.8 million previously paid by La Banque Postale was reimbursed to it. The Competition Authority lodged an appeal on 31 December 2021 but this is without suspensive effect. La Banque Postale has therefore set aside a provision to cover this risk, for the same amount of €32.8 million.

At 30 June 2022, the amount of the provision for legal risk⁽²⁹⁾ was €38.9 million for La Banque Postale SA.

For more information, see Section 4.8.1 "Legal and tax risks" below.

4.1.2.3 Risks related to La Banque Postale's operations

La Banque Postale is exposed to different types of risks: customer insolvency risks, financial risks (market volatility, refinancing risk, liquidity risk), operational risks and compliance risks.

8. As a credit institution, La Banque Postale is exposed to credit and counterparty risk

As is the case for all lending institutions, credit risk constitutes one of the main risks to which La Banque Postale is exposed. This risk has become more significant and probable due to the economic crisis currently affecting certain sectors of the economy (Airlines, Hospitality and Leisure) as a result of the health crisis.

Credit risk is the risk that a counterparty will not meet their commitments, notably their repayment commitments to La Banque Postale.

La Banque Postale is exposed to the risk of insolvency of its customers and counterparties. It could suffer losses if a counterparty were unable to meet its repayment obligations, or it could be exposed to a replacement cost for its market transactions (derivatives) or securities transactions (lending/borrowing, repo/reverse repo, placement or investment).

Although La Banque Postale actively works to reduce its exposure to credit and counterparty risk by using credit risk mitigation techniques (or CRM), they could be insufficient given the losses incurred.

Strong, uncontrolled growth of the credit portfolio could result in a deterioration of the quality of La Banque Postale's portfolios. This deterioration could affect the quality of the loan portfolios and therefore impact the Group's profitability and financial results.

Until late 2019, La Banque Postale's risk level was very low given the height of the economic cycle and the level of interest rates which considerably improved customer solvency. However, a rapid deterioration in economic conditions in certain sectors, such as that observed following the health crisis, could significantly increase the likelihood of this risk occurring. If the risk were to occur La Banque Postale's financial position could be adversely affected. At 31 December 2021, La Banque Postale (excluding CNP Assurances) was exposed to credit risk in the amount of €90.3 billion for retail customers, €74.8 billion for governments (sovereign category), €31.5 billion for companies, €26.9 billion for the local public sector (in particular local authorities and hospitals) and €16.8 billion for banks, mostly through short-term and collateralised transactions.

Non-performing loans outstanding remained stable compared to end-2021 at 0.6% of gross customer loans, and the coverage rate for these loans was also stable at 41.8% at 30 June 2022 (up 0.6 points).

9. The volatility of financial markets could have a negative impact on La Banque Postale's investment activities

Market risk is the risk that financial instruments held in portfolio may lose value as a result of an adverse change in financial market conditions. The volatility of financial markets could negatively affect La Banque Postale's market activities, particularly the debt markets (premium applicable to bond issues). It could impact the valuation of assets revalued at fair value and have a direct impact on the earnings, capital and solvency ratio of La Banque Postale.

La Banque Postale uses a VaR (Value at Risk) model to quantify its potential exposure. This model is rounded out by stress tests to capture severe but plausible shocks outside the VaR range. Changes in La Banque Postale's VaR are set out in Section 4.5.2.8 "Change in the main risk indicators for the trading desks in first-half 2022".

The size of La Banque Postale's trading book as defined by prudential regulations was €3,999 million at 30 June 2022.

Financial market volatility could have an adverse effect on the cost of La Banque Postale's refinancing operations or its access to the market (in the event of reduced investor take-up of new bond issues).

(29) Concerning customers and excluding the EIC case.

10. La Banque Postale is exposed to liquidity risk. A future inability of La Banque Postale to access its sources of financing, for reasons beyond its control, could have a negative impact on its financial position

Liquidity risk is defined by the government order of 3 November 2014 as the risk that a company cannot meet its commitments or cannot unwind or cover a position either because of the market situation (systemic risk) or idiosyncratic factors (own risks), within a specific period or at a reasonable cost.

La Banque Postale's unfunded financing consists of deposits collected, long-term debt issues and short- and medium-term negotiable debt securities. In addition to these sources of funding, La Banque Postale also issues *via* La Banque Postale Home Loan SFH and has secured financing, notably via the signature of repo agreements. In first-half 2022, La Banque Postale Home Loan SFH issued €1.75 billion worth of covered bonds, of which €1 billion worth were retained and recorded in the Group's balance sheet. If La Banque Postale were unable to access the secured and/or unsecured debt market under acceptable conditions or if it experienced an unforeseen cash or collateral outflow, including a significant drop in customer deposits, its liquidity could be negatively impacted.

La Banque Postale manages its loan-to-deposit ratio and its liquidity buffer so as to mitigate its liquidity risk. La Banque Postale's loan-to-deposit ratio at 30 June 2022 was 80.9%. The need to turn to the interbank market is, therefore, limited for La Banque Postale.

At 30 June 2022, La Banque Postale's LCR was 166% and its NSFR was 132%.

11. La Banque Postale must maintain high credit ratings to ensure that it does not compromise its refinancing costs, its results or its financial position

Credit ratings have a significant impact on La Banque Postale's refinancing costs.

The ratings of Fitch and Standard & Poor's (the two agencies that rate La Banque Postale) are based on a detailed analysis of several major components of La Banque Postale (governance, strategy, quality and diversity of the business model, composition of results, balance sheet structure and risk management policy).

Any deterioration of these components would increase the cost of refinancing, limit La Banque Postale's access to capital markets and reduce its ability to be involved with certain types of transactions or categories of customers. La Banque Postale believes that its exposure to the risk of a rating downgrade is limited to its short- and medium-term ratings.

During first-half 2022, La Banque Postale's credit ratings were reaffirmed by Fitch and Standard & Poor's:

- ▶ In January 2022, Fitch reaffirmed La Banque Postale's long- and short-term credit ratings of A and F1+, respectively, both with a Stable outlook.
- ▶ In February 2022, Standard & Poor's reaffirmed La Banque Postale's short- and long-term ratings of A+ and A-1, respectively, with a Stable outlook.

Since 26 July 2022, La Banque Postale's credit profile has also been rated by a third agency, Moody's, which awarded the Group initial ratings of A2 (long-term) and P1 (short-term), with a Stable outlook.

12. La Banque Postale's insurance business risks and additional supervision of the conglomerate

As a parent company and head of a conglomerate, La Banque Postale is exposed to risks related to its insurance business in France and internationally. During first-half 2022, the Bancassurance France and International Bancassurance business lines contributed 69% and 17% of business line net banking income, respectively.

Life insurance: a deterioration in the market situation and, notably, a very significant change in interest rates (upward or downward) could have a significant impact on La Banque Postale's life insurance business as well as its results and financial position. A sharp rise in interest rates, such as that seen in the first half of 2022, could make life insurance products invested in traditional savings funds less attractive than other savings vehicles and encourage customers to transfer significant amounts to other funds. A sudden drop in interest rates could affect La Banque Postale's ability to provide an attractive return to its customers and to pay the guaranteed yield offered on life insurance policies.

Concerning CNP Assurances, the rapid increase in interest rates in response to rising inflation should boost yields on its bond portfolios and consolidate its already strong solvency ratio in the short term. Persistent inflation, a probable economic slowdown and wider credit spreads in the eurozone would need to be closely monitored, but should not significantly affect CNP Assurances' risk profile.

Life insurance premiums written by the Group amounted to €16.6 billion, an increase of €3.4 billion (up 25.5%) vs. first-half 2021, with unit-linked sales accounting for 49.4% of the total. Net new money invested in on- and off-balance sheet Savings products rose by a remarkable 52.8% to €5.9 billion.

Non-life insurance: the main risk to which the Group's non-life insurance subsidiaries are exposed is underwriting risk, defined as the risk the insurer takes by providing insurance policies to natural persons and legal entities. An increase in the number of claims and/or a mismatch between the claims anticipated by the insurance subsidiary and the amounts actually paid out to the insured could have a negative impact on the results of La Banque Postale Group whose materiality would be contained given the weight of non-life insurance at the level of La Banque Postale Group.

Property & Casualty written premiums increased by 5%, led by comprehensive home-owner insurance and motor insurance, while Personal Risk and Health insurance premiums declined in the first half. The non-life insurance book was stable, at 4.6 million policies as of 30 June 2022.

La Banque Postale's insurance subsidiaries continued to deliver robust underwriting results, reporting a 4.6-point improvement in the combined ratio net of reinsurance to 82.1%.

As the head of a conglomerate subject to additional supervision, to support integrated management of its businesses, La Banque Postale Group has updated its risk map to take into account the change in its consolidation scope and risk profile.

For more information, see Section 4.7 "Insurance risks and additional supervision of conglomerates".

13. An operational failure could result in losses and damage La Banque Postale's reputation

In accordance with Regulation (EU) No 575/2013 dated 26 June 2013 (Capital Requirements Regulation), as amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council dated 20 May 2019 (CRR II), and the government order of 3 November 2014 dealing, inter alia, with the internal control of banks, as amended most recently by the government order of 25 February 2021, the definition of operational risk adopted by La Banque Postale encompasses the *"risk of losses resulting from the unsuitability or failure of internal procedures, personnel or systems, or from external events. Operational risk notably includes risks linked to events with a low probability of occurrence but a high impact, internal and external fraud risks, legal risks, compliance risks (including reputational damage), and model risks, but excludes strategic risks"*.

The incidence of cyber attacks has been increasing steadily in recent years. These attacks exploit the vulnerabilities inherent in an organisation's digital transformation and the intrinsic complexity of its legacy information systems. Cyber criminals are becoming more professional; their attacks are more sophisticated and stealthy, but also simpler to execute. Structuring their activities around increasingly lucrative business models, as well as encrypting data and paralysing networks, cyber criminals use multiple blackmail techniques to increase the pressure on their victims and force them to pay a ransom.

La Banque Postale has responded to this situation by drawing up a Strategic Cybersecurity Plan, approved by its Executive Board. In addition, the cyber insurance policy was renewed for 2022, in a period of rising market insurance rates, consistent with the modelling techniques used in 2020.

The risk of external fraud remains a major focus of attention for La Banque Postale in 2022. The incidence of losses from electronic payments and online bank transfers has increased, mainly due to fraudulent enrolment in the system and despite the Bank's strong authentication system. In response to the growing threats – which are faced by the entire French banking

sector and have been accentuated by the COVID-19 pandemic – La Banque Postale has significantly strengthened its system for managing this risk, and additional action plans are being deployed.

Generally, any interruption in or failure of La Banque Postale's information systems could potentially result in significant losses of customer information and therefore create a reputational risk for the Group, leading to financial losses. To protect against this risk, La Banque Postale has back-up information systems with instant data synchronisation. Regularly tested data back-up and recovery plans, as well as business recovery plans, round out the Group's risk management system, enabling it to ensure that its risk prevention measures are effective.

Poor management of outsourcing could therefore result in a concentration risk and loss of control over the business activities in question. The Group's internal control system also covers outsourced activities in accordance with the applicable regulations (government order of 3 November 2014 referred to above and EBA guidelines on outsourcing published in February 2019). The outsourcing policy applicable across the entire La Banque Postale Group is used to effectively manage and oversee outsourced services. It is supported by a permanent control system that complies with the applicable regulatory requirements. Particular attention is paid to cloud-based outsourcing solutions in order to ensure that the data and processing concerned are carefully controlled.

Lastly, the occurrence of unforeseen events or disasters, such as natural catastrophes (e.g., a potential earthquake in the Auvergne region of France) or flooding (e.g., if the Seine breaks its banks), a major health crisis, or large-scale strikes, could create economic and financial disturbances and negatively affect La Banque Postale Group's ability to conduct its business. La Banque Postale has set up robust business continuity plans that would enable it to continue to carry out its critical operations, at a minimum level where necessary, and therefore guarantee continued services for its customers. These plans were tried and tested – and strengthened – during the COVID-19 pandemic by increasing remote working capacity and process digitisation.

At 30 June 2022, operational RWA were limited, amounting to just €8,939 million or 9.9% of La Banque Postale's total RWA.

14. Risks related to a failure in governance or of the overall internal control system could have a negative impact on the bank's business activities, results and financial position

The Group's governance system ensures top-down compliance with the applicable laws and regulations from the highest to the lowest levels of the organisation. It also provides a guarantee of sound and independent management of all of the Group's risk exposures.

The two-tier governance structure guarantees an appropriate separation of powers, with the Executive Board responsible for achieving the objectives agreed with the Supervisory Board and for the day-to-day management of the Group, and the Supervisory Board⁽³⁰⁾ responsible for overseeing the Executive Board's actions.

The Executive Board sets the fundamental principles related to risk management (strategic guidelines, values, risk appetite, governance, internal control framework). These principles are then approved by the Supervisory Board and are used as a basis by each business line for setting its priority actions and the associated risk management system under the supervision of the Group Risk Department and the Compliance Department. The internal control system is aligned with the nature and volume of La Banque Postale's operations and its risk exposures. It covers all existing or potential risks of La Banque Postale Group entities, defined in the Group risk appetite framework.

The risk management system is based on three lines of defence that constitute the internal control framework, in compliance with the French government order of 3 November 2014 (as amended) on internal control. The regulator could increase the minimum CET1 capital holding requirement based on the four pillars of the annual SREP exercise (business model, governance and risk management, capital risk [ICAAP] and liquidity and financing risk [LAAP]), whose requirement level has increased.

For more information, see Section 4.3.1 "Governance".

La Banque Postale submits a recovery and resolution plan to the ECB every year, in accordance with regulations in force. It describes the recovery measures to restore the solvency of La Banque Postale to the minimum level required, if necessary. In addition, La Banque Postale ensures that it is systematically compliant with regulatory solvency limits (taking into account the additional requirements related to buffers for systemic risk) and short-term liquidity limits (LCR).

La Banque Postale closely tracks changes in its solvency ratios, including its LCR (166% at 30 June 2022), its leverage ratio (5.9% at 30 June 2022), its total capital ratio (20.9% at 30 June 2022) and its NSFR (132% at 30 June 2022).

⁽³⁰⁾ The Capital Requirements Directive (CRD V) and the legislation transposing it into French law stipulate that an institution shall be governed by a management body, consisting of the effective managers, and a supervisory body. The supervisory body may not be chaired by or composed of members with executive responsibilities within the institution.

Generally speaking, weaknesses in governance and in the overall internal control environment could have a negative impact on the businesses of La Banque Postale Group and its subsidiaries. For more information see Section 3.6.10 "Other legal information" in the 2021 Universal Registration Document.

15. La Banque Postale's business activity exposes it to compliance risk

La Banque Postale is exposed to compliance risk, defined by the above-mentioned government order of 3 November 2014 as "*the risk of legal, regulatory or reputational sanctions due to failure to comply with provisions relating to banking and financial activities, regardless of whether these provisions are legal or regulatory, directly applicable national or European provisions, professional or ethical standards or instructions from company managers given in accordance with the guidelines of the supervisory bodies.*"

La Banque Postale must therefore ensure compliance with the rules on combating money laundering and the financing of terrorism (AML-CFT), asset freezes and international sanctions, customer protection, investment services, the prevention of fraud, bribery and corruption, and ethical and professional standards.

Compliance risk is assessed taking into account the diversity of La Banque Postale's businesses and its national distribution network, Groupe La Poste's Consumer and Digital Division (the "La Poste Network").

Failure to comply with these rules could also damage La Banque Postale's reputation, with an adverse effect on the Group's profitability and business outlook.

The Group Compliance Department oversees the compliance risk system for La Banque Postale SA and for the banking, insurance, investment services and asset management subsidiaries. To identify and control compliance risk, the Group Compliance Department is organised around seven pillars:

- ▶ Regulatory oversight: the Group Compliance Department relies on the Legal Department's regulatory oversight processes (see Section 4.8.2.9 "Regulatory oversight");
- ▶ Compliance risk assessments: the Group Compliance Department has set up a specific project organisation to improve the methodology for assessing the compliance risks to which La Banque Postale is exposed. This methodology is based on the work carried out by the *Wolfsberg* Group, using both qualitative and quantitative questions in order to limit reliance on expert judgement as far as possible. The assessment is then incorporated into the Group's risk map;
- ▶ Compliance standards: continuous efforts are made to develop compliance procedures that ensure operational teams understand the checks they have to implement in the course of their work;
- ▶ Training and awareness-raising: this subject is discussed in Section 4.8.2.8 "Training";
- ▶ Compliance advice and opinions: the Group Compliance Department has positioned its team of compliance officers as close as possible to the departments, the network and the subsidiaries in order to respond pragmatically and quickly to operational problems;
- ▶ Control: in 2021, the Compliance Department signed a service contract with the Permanent Control Department to strengthen their existing partnership;
- ▶ Reporting: compliance issues are periodically presented to the Executive Board, the Group Risk Management Committee (GRMC) and the Supervisory Board Risk Committee.

The Group Compliance Department is organised around business line Compliance Departments (CIB, Retail Banking, Head Office departments and subsidiaries, with the subsidiaries' Compliance Managers reporting to the Group Compliance Department). The business line Compliance Departments are supported by Compliance units organised by topic (financial security, financial services, banking services, anti-corruption/ethics, fraud). All of these units report to the Group's Chief Compliance Officer.

Failure to respect compliance regulations could have an adverse effect on La Banque Postale Group's business, financial situation, and reputation. For example, on 21 December 2018, the ACPR Sanctions Committee issued a reprimand against La Banque Postale backed by a €50 million fine, following a report on its anti-money laundering and financing of terrorism system (AML-CFT). The report found that the control system was deficient with respect to national mandates issued by non-customers of La Banque Postale. This activity was terminated as of 31 December 2017. This decision was confirmed by the Council of State (*Conseil d'Etat*). Since then, the deficiencies described in this decision have been resolved.

For more information on compliance risks, see Section 4.8.2 "Compliance risks".

4.1.2.4 La Banque Postale's business risks

16. Risks related to the implementation of La Banque Postale's strategy

La Banque Postale presented its 2030 strategic plan in March 2021 with the objective of becoming France's favourite bank. The plan is organised around three priorities: (i) to become one of the leaders in customer satisfaction by joining the top 3 remote service providers by 2023, (ii) to position La Banque Postale as the bank of the just transition with the launch of a series of community commitments, and (iii) to place the employee experience at the centre of the strategic plan and make its employees La Banque Postale's foremost ambassadors.

Three main levers will drive the development project: (i) to consolidate the Retail Banking base, (ii) to increase the pace of business model diversification and (iii) to prepare the future by developing an innovative, international partnership model.

It defines the key avenues for commercial development and cooperation between La Banque Postale Group's business activities. The strategic plan also defines a number of financial and non-financial objectives.

The success of this strategic plan depends on a number of assumptions and initiatives (the scope of which can vary significantly). Should these assumptions or initiatives not materialise or should any unexpected changes impacting the environment occur, this could have a negative impact on La Banque Postale Group's business activities, its results and its financial position, as well as on its ability to achieve the objectives set in the strategic plan.

The digital strategy developed by La Banque Postale is intended to strengthen its retail customer positioning and solidify that with professionals, companies and institutional players. The strategic plan includes plans to continue investing heavily in digital processes – from a human, technological and financial perspective – in order to offer customers the best possible service quality and enable La Banque Postale to represent best-in-class market practices. La Banque Postale's digital transformation assumes approaches and initiatives which may not occur or meet the objectives set. These elements could have a negative impact on La Banque Postale's commercial activity and, therefore, on its financial position.

Placing the employee experience at the centre of the strategic project is one of the three priorities identified in the 2030 strategic plan. Discussions and action plans are in progress on the transformation of professions, the development of skills, the employer brand, the development of talent, integration and career paths, the improvement of collective performance and management methods. These levers imply approaches and initiatives that may not be implemented or may not achieve their objectives, particularly as concerns the ability to attract and retain skilled employees or strategic talent, and the ability to secure employee buy-in to the transformation. These elements could have a negative impact on La Banque Postale's commercial activity and, therefore, on its financial position.

Since it was formed, La Banque Postale has forged an identity rooted in community banking. Today, through its strategic plan, it is reaffirming its ambition to shape a just transition to an economy and a society capable of responding to environmental, social, regional and digital challenges. This ambition is based on commitments to its three main stakeholders: customers, communities and society as a whole, and employees. Various objectives have been announced in relation to this ambition, including a net-zero emissions target to be met by 2040 across all of La Banque Postale's businesses. Another objective is to develop an Impact Weighting Factor, a proprietary financial indicator measuring the overall environmental, social and regional impact of each lending and investment decision, in addition to measuring financial risk and return. These commitments primarily give rise to reputational risks, which could have an adverse effect on the Group's business and possibly lead to a legal risk. The commitments also involve investment, risk-taking and the implementation of approaches that may be abandoned prematurely or fail to achieve their objectives. These elements could have a negative impact on La Banque Postale's commercial activity and, therefore, on its financial position.

For more information, see Section 1.4 "2030 strategic plan".

17. Risks related to the integration of new business activities and/or entities in La Banque Postale Group (notably the inclusion of CNP Assurances within the consolidation scope)

The project to create a major state-owned financial group was carried out in a number of concomitant steps on 4 March 2020:

- ▶ The French State and Caisse des dépôts contributed to La Poste their respective interests of 1.1% and 40.9% in the capital of CNP Assurances, in exchange for La Poste shares issued in consideration for the contributions.
- ▶ La Poste contributed all the CNP Assurances shares received from the French State and Caisse des dépôts to La Banque Postale, in exchange for newly issued La Banque Postale shares.
- ▶ Caisse des dépôts then acquired additional La Poste shares from the French State for close to €1 billion.

The above transactions were carried out based on a valuation of La Poste's pre-transaction capital amounting to €7 billion. Since the completion of the transaction, La Poste has been majority held by Caisse des dépôts (66%), with the rest held by the French State (34%). As CNP Assurances' main shareholder, La Banque Postale has reaffirmed the insurance group's multi-partner model.

In December 2021, La Banque Postale bought out Groupe BPCE's 16.1% interest in CNP Assurances for €2.4 billion ⁽³¹⁾.

During the first half of 2022, La Banque Postale pursued the integration of CNP Assurances. Following the simplified tender offer and squeeze-out procedure, since 20 June 2022, CNP Assurances has been a 100%-owned subsidiary of the Group. This transaction has completed the construction of a leading bancassurer in Europe within the major French state-owned financial group. It will enable CNP Assurances to continue to grow as a member of a bancassurance group combining two major players with significant banking and insurance franchises, with 20 million Retail Banking customers in France and 44 million CNP Assurances policyholders ⁽³²⁾.

All external growth operations carry the risk of poor execution of strategic decisions related to the inclusion of new business activities and/or entities in the internal control system. Generally speaking, poor execution of operational integration processes may negatively impact estimated synergies from acquisitions.

For significant or strategic operations, such as the integration of CNP Assurances, this risk is managed by implementing a dedicated post-acquisition integration project overseen by La Banque Postale Group's Executive Board in coordination with CNP Assurances' general management team. This ensures that the overall strategies and objectives of all of the Group's operating entities are shared and aligned.

Several major projects have been carried out since the first stage of the CNP Assurances merger was completed on 4 March 2020, despite the constraints related to the health and economic crisis: setting up a new governance structure, pursuing the integration work for regulatory functions (finance, risks, compliance, controls), and continuing with the overall business project, focusing particularly on the product and service offering, distribution, customer experience and information systems sub-projects.

After major work on making certain key processes more fluid, the industrialisation and automation phase of the CNP Assurances integration project is currently in progress. Given the size and organisational complexity of CNP Assurances' business, the risk of integrating its activities in La Banque Postale is material, despite the above-described risk management system.

(31) €21.90 per CNP Assurances share (including the dividend), raising La Banque Postale's stake in CNP Assurances to 78.9% post-acquisition.
(32) Excluding the 3.3 million customers of the La Banque Postale network and including French customers of partner networks

18. Environmental, social and governance (ESG) risks related to La Banque Postale's business

ESG risks correspond to the effects that climate and environmental events, social and societal developments or governance failures may have on La Banque Postale's internal operations or its businesses. Controls over ESG risks are based on a national and European regulatory framework that is gradually being developed. The framework includes the Climate Risk Management Principles published by the ECB in November 2020 to provide guidance on managing these risks and to harmonise requirements for the institutions under its supervision. Numerous reference frameworks also exist, including the European Banking Authority's ESG risk management and supervision guidelines published in June 2021, the European Taxonomy for Sustainable Activities of June 2020, French regulations on business ethics (duty of care, Sapin II law, etc.) and the Corporate Governance Code for Listed Companies published in 2020 by *Association française des entreprises privées* (Afepe). ESG risks present unprecedented challenges and issues for all financial sector players, in terms of strategic and operational implementation and also from a regulatory and prudential viewpoint.

La Banque Postale is strongly committed to the just transition and controlling ESG risks is an important part of living up to its commitments and strategic ambitions. As a financial institution, La Banque Postale is exposed to climate and environmental risk in its lending and investment activities through, for example, its property portfolios, which may be affected by physical risks such as flooding, or its corporate loan portfolios, which may be sensitive to transition risk.

Implementation of a relevant system involves a major transformation of a large number of practices and processes, as well as the development of dedicated metrics based on external or internal quality data. And last but not least, it depends on complete employee buy-in so as to make this dimension a permanent part of La Banque Postale Group's management approach. Within La Banque Postale, this transformation is part of a multi-year roadmap that includes a climate risk framework for the activities and risk types that are likely to be the most directly concerned and offer considerable scope for transformation.

ESG issues have been included as one of the major pillars of the Group's 2030 strategic plan. The recently formed Community Engagement Department, which reports directly to the Chairman of the Executive Board, is responsible for overseeing implementation of the community dimension of the current strategic plan. This dimension is formally recognised in the governance structure and is intended to be fully taken on board by La Banque Postale's existing governance bodies, with monthly monitoring by the Executive Committee and the GRMC. La Banque Postale has also finalised its approach to becoming a "Company with a Mission", further strengthening the integration of environmental and social issues in its governance.

Climate and other ESG risks are gradually being integrated and taken into account in existing risk topics, supported by dedicated risk management systems:

- ▶ **Strategic risk:** ESG factors have been clearly identified as a major issue for La Banque Postale and have been incorporated directly in its current strategic plan (in the community dimension). In addition, ESG risk has been isolated from La Banque Postale's other risk families in the risk map to highlight its priority nature.
- ▶ **Operational risk:** La Banque Postale has identified the strong link between ESG risks and operational risks. The Group's ESG risk mapping relies heavily on the existing operational risk system, particularly for the management of physical risk (exposure of La Banque Postale's buildings to the risk of flooding under a once-in-a-hundred-years flood scenario). ESG risk mapping is also based on the systems in place for managing compliance and reputational risk, as well as on the new product approval process.
- ▶ **Credit and market risk:** Work is in progress to quantify the Group's exposure to physical and transitional risks and various methodologies are being developed to measure the impact on credit and market risks. In addition, La Banque Postale participates in national and international working groups set up to design reliable metrics and methodologies. Their work will make a significant contribution to promoting transparency and comparability between institutions concerning these issues and the way they are dealt with for prudential purposes. Finally, La Banque Postale participates in climate stress tests conducted in France by the ACPR and at European level by the ECB .
- ▶ **Liquidity risk:** At this stage, La Banque Postale's liquidity profile and the Internal Liquidity Adequacy Assessment Process (ILAAP) put in place to control this risk should enable it to deal with various liquidity stress scenarios directly or indirectly linked to climate risk (such as damage to assets, the sudden occurrence of defaults linked to physical risk, immediately or gradually stranded assets, and mass depositor withdrawals linked to reputational issues). La Banque Postale considers that its economic liquidity buffer is correctly calibrated to absorb climate risk, given the severity of the scenarios used for modelling purposes.

A plan is being rolled out to raise awareness of environmental and social issues among all the Group's employees, including within the management body, and a specific training plan has been developed for the sales teams. In July 2022, the subsidiary La Banque Postale Asset Management (LBP AM) stepped up its trajectory to carbon neutrality by 2050, with an ambitious objective: to align 80% of its total portfolio with a decarbonisation target compatible with the objectives of the Paris Agreement by 2030.

In view of all these factors and the current quality of its portfolio, La Banque Postale considers that its system (which is in the process of being improved) is aligned with its strategic ambitions and with current general thinking in the banking sector on the subject of ESG risks. For these reasons, the Group's exposure to ESG risk is currently considered as moderate.

4.2 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

4.2.1 Scope of application

The scope of application of the Capital Requirement Regulation – Regulation (EU) No 575/2013 (CRR), as amended by Regulation (EU) No 2019/876 (CRR II) – is different from the scope of consolidation defined in IFRS.

In accordance with the regulations, for the supervision of capital ratios on a consolidated basis, the following methods are applied to entities included in the prudential consolidation scope:

- ▶ the equity method for (i) insurance entities and (ii) entities accounted for under the equity method for IFRS reporting purposes, if necessary;
- ▶ the full consolidation method for all other entities that are fully consolidated for IFRS reporting purposes.

Outline of the differences in the scopes of consolidation (entity by entity) (EU LI3)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation			Description of the entity
		Full consolidation	Proportional consolidation	Equity method	
AEP3 SCI	Full consolidation			AEP3 SCI	Bancassurance France
AEP4 SCI	Full consolidation			AEP4 SCI	Bancassurance France
Assurbail Patrimoine	Full consolidation			Assurbail Patrimoine	Bancassurance France
Assurimmeuble	Full consolidation			Assurimmeuble	Bancassurance France
CIMO	Full consolidation			CIMO	Bancassurance France
CNP Assur Trésorerie Plus	Full consolidation			CNP Assur Trésorerie Plus	Bancassurance France
CNP Assurances	Full consolidation			CNP Assurances	Bancassurance France
CNP Caution	Full consolidation			CNP Caution	Bancassurance France
CNP Immobilier	Full consolidation			CNP Immobilier	Bancassurance France
CNP OSTRUM ISR OBLI 12 MOIS	Full consolidation			CNP OSTRUM ISR OBLI 12 MOIS	Bancassurance France
Coentreprise de Transport d'Electricité	FVTPL			Coentreprise de Transport d'Electricité	Bancassurance France
Ecureuil Profil 90	Full consolidation			Ecureuil Profil 90	Bancassurance France
Infra-Invest France	Full consolidation			Infra-Invest France	Bancassurance France
Infra-Invest Holding	Full consolidation			Infra-Invest Holding	Bancassurance France
Issy Cœur de Ville (ICV)	Full consolidation			Issy Cœur de Ville (ICV)	Bancassurance France
La Banque Postale Assurance Santé	Full consolidation			La Banque Postale Assurance Santé	Bancassurance France
La Banque Postale Assurances IARD	Full consolidation			La Banque Postale Assurances IARD	Bancassurance France
La Banque Postale Prévoyance	Full consolidation			La Banque Postale Prévoyance	Bancassurance France
LBP Actifs Immo	Full consolidation			LBP Actifs Immo	Bancassurance France
MFPrévoyance SA	Full consolidation			MFPrévoyance SA	Bancassurance France
Montparvie V	Full consolidation			Montparvie V	Bancassurance France
OPCI AEP247	Full consolidation			OPCI AEP247	Bancassurance France
OPCI AEW Imcom 1	Full consolidation			OPCI AEW Imcom 1	Bancassurance France
OPCI MTP Invest	Full consolidation			OPCI MTP Invest	Bancassurance France
OPCI Raspail	Full consolidation			OPCI Raspail	Bancassurance France
Outlet Invest	Full consolidation			Outlet Invest	Bancassurance France

SAS Allera y	Full consolidation	SAS Allera y	Bancassurance France
SCI Lamartine	Full consolidation	SCI Lamartine	Bancassurance France
SCP Lamartine Euros	Full consolidation	SCP Lamartine Euros	Bancassurance France
SCP Lamartine Monitoring Holding	Full consolidation	SCP Lamartine Monitoring Holding	Bancassurance France
SICAC	Full consolidation	SICAC	Bancassurance France
Sogestop K	Full consolidation	Sogestop K	Bancassurance France
Univers CNP 1 FCP	Full consolidation	Univers CNP 1 FCP	Bancassurance France
Vivaccio ISR Actions	Full consolidation	Vivaccio ISR Actions	Bancassurance France
Caixa Seguradora Especializada em Saúde SA	Full consolidation	Caixa Seguradora Especializada em Saúde SA	International Bancassurance
Caixa Seguradora SA	Full consolidation	Caixa Seguradora SA	International Bancassurance
Caixa Vida e Previdência	Full consolidation	Caixa Vida e Previdência	International Bancassurance
CNP Asfalistiki	Full consolidation	CNP Asfalistiki	International Bancassurance
CNP Assurances Companhia de Seguros	Full consolidation	CNP Assurances Companhia de Seguros	International Bancassurance
CNP Assurances Latam Holding Ltda	Full consolidation	CNP Assurances Latam Holding Ltda	International Bancassurance
CNP Assurances Participações Ltda	Full consolidation	CNP Assurances Participações Ltda	International Bancassurance
CNP Capitalização SA	Full consolidation	CNP Capitalização SA	International Bancassurance
CNP Consórcio SA Administradora de Consórcios	Full consolidation	CNP Consórcio SA Administradora de Consórcios	International Bancassurance
CNP Cyprialife	Full consolidation	CNP Cyprialife	International Bancassurance
CNP Cyprus Insurance Holdings	Full consolidation	CNP Cyprus Insurance Holdings	International Bancassurance
CNP Cyprus Properties	Full consolidation	CNP Cyprus Properties	International Bancassurance
CNP Cyprus Tower Ltd	Full consolidation	CNP Cyprus Tower Ltd	International Bancassurance
CNP Europe Life	Full consolidation	CNP Europe Life	International Bancassurance
CNP Luxembourg	Full consolidation	CNP Luxembourg	International Bancassurance
CNP Participações Securitárias Brasil Ltda	Full consolidation	CNP Participações Securitárias Brasil Ltda	International Bancassurance
CNP Partners	Full consolidation	CNP Partners	International Bancassurance
CNP Praktoriaki	Full consolidation	CNP Praktoriaki	International Bancassurance
CNP SA de Capitalización y Ahorro p/finés determinados	Full consolidation	CNP SA de Capitalización y Ahorro p/finés determinados	International Bancassurance

CNP Santander Insurance Europe Ltd	Full consolidation	CNP Santander Insurance Europe Ltd	International Bancassurance
CNP Santander Insurance Life Ltd	Full consolidation	CNP Santander Insurance Life Ltd	International Bancassurance
CNP Santander Insurance Services Ireland Ltd	Full consolidation	CNP Santander Insurance Services Ireland Ltd	International Bancassurance
CNP Seguros Holding Brasil SA	Full consolidation	CNP Seguros Holding Brasil SA	International Bancassurance
CNP Seguros Participações em Saúde Ltda	Full consolidation	CNP Seguros Participações em Saúde Ltda	International Bancassurance
CNP UniCredit Vita	Full consolidation	CNP UniCredit Vita	International Bancassurance
CNP Vita Assicura	Full consolidation	CNP Vita Assicura	International Bancassurance
CNP Vita Assicurazione	Full consolidation	CNP Vita Assicurazione	International Bancassurance
CNP Zois	Full consolidation	CNP Zois	International Bancassurance
Companhia de Seguros Previdencia Do Sul-Previsul	Full consolidation	Companhia de Seguros Previdencia Do Sul-Previsul	International Bancassurance
Fundo De Investimento Imobiliario Renda Corporativa Angico – FII	Full consolidation	Fundo De Investimento Imobiliario Renda Corporativa Angico – FII	International Bancassurance
Holding XS 1 SA	Full consolidation	Holding XS 1 SA	International Bancassurance
Infra-Invest	Full consolidation	Infra-Invest	International Bancassurance
Odonto Empresas Convênios Dentários Ltda	Full consolidation	Odonto Empresas Convênios Dentários Ltda	International Bancassurance
OPCVM Caixa Seguradora SA	Full consolidation	OPCVM Caixa Seguradora SA	International Bancassurance
OPCVM Caixa Vida e Previdência	Full consolidation	OPCVM Caixa Vida e Previdência	International Bancassurance
OPCVM CNP Capitalização SA	Full consolidation	OPCVM CNP Capitalização SA	International Bancassurance
OPCVM CNP Consórcio SA	Full consolidation	OPCVM CNP Consórcio SA	International Bancassurance
OPCVM Holding Caixa Seguros Holding SA	Full consolidation	OPCVM Holding Caixa Seguros Holding SA	International Bancassurance
XS2 Vida e Previdência SA	Full consolidation	XS2 Vida e Previdência SA	International Bancassurance
Youse Tecnologia e Assistencia EM Seguros Ltda	Full consolidation	Youse Tecnologia e Assistencia EM Seguros Ltda	International Bancassurance

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (EU LI1)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to capital deductions
(in € millions)							
Assets							
Cash, central banks	46,596	46,596	46,596	-	-	-	-
Financial assets at fair value through profit or loss	215,488	3,999	1,101	646	-	910	-
Hedging derivatives	807	645	-	46	-	-	-
Financial assets at fair value through OCI	206,272	13,182	11,931	-	1,208	-	-
Securities at amortised cost	25,071	24,969	24,920	-	-	-	-
Loans and advances to credit institutions at amortised cost	67,073	64,963	64,678	291	-	-	-
Loans and advances to customers at amortised cost	129,661	129,746	128,401	1,003	-	-	647
Revaluation differences on portfolios hedged against interest rate risks	210	210	210	-	-	-	-
Current tax assets	577	205	205	-	-	-	-
Deferred tax assets	1,868	473	250	-	-	-	224
Accruals and other assets	40,019	3,966	3,267	880	-	-	-
Non-current assets held for sale	2,054	-	-	-	-	-	-
Deferred participation	2,734	-	-	-	-	-	-
Investments in equity-accounted companies	987	15,645	15,645	-	-	-	-
Investment properties	5,638	-	-	-	-	-	-
Property, plant and equipment	1,366	755	756	-	-	-	-
Intangible assets	5,821	721	236	-	-	-	486
Goodwill	157	156	-	-	-	-	-
Total assets	752,398	306,230	298,195	2,867	1,208	910	1,356
Liabilities and equity							
Central banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	5,886	3,570	-	-	-	-	-
Hedging derivatives	1,201	1,201	-	-	-	-	-
Debt securities	20,482	19,987	-	-	-	-	-
Liabilities due to credit institutions	32,685	31,212	-	-	-	-	-
Customer deposits	241,228	224,459	-	-	-	-	-
Revaluation differences on portfolios hedged against interest rate risks	150	150	-	-	-	-	-
Current tax liabilities	99	16	-	-	-	-	-
Deferred tax liabilities	845	108	-	-	-	-	-
Accruals and other liabilities	25,484	4,720	-	-	-	-	-
Non-current assets held for sale	1,983	-	-	-	-	-	-
Insurance company technical provisions and shadow accounting reserves	386,341	-	-	-	-	-	-
Provisions	1,091	447	-	-	-	-	-
Subordinated debt	10,479	2,598	-	-	-	-	-
Non-controlling interests	6,788	106	-	-	-	-	-
Equity attributable to owners of the parent	17,657	17,657	-	-	-	-	-
Total liabilities and equity	752,398	306,230	-	-	-	-	-

Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2)

	Items subject to				
	Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	303,085	298,195	1,208	2,867	816
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-	-	-	-	-
Total net amount under the regulatory scope of consolidation	-	-	-	-	-
Off-balance sheet amounts	31,474	31,270	-	109	95
Differences in valuations	(8,736)	-	-	(8,736)	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	(1,464)	(1,459)	-	(5)	-
Differences due to the use of credit risk mitigation techniques (CRMs)	(2,702)	(1,341)	-	(1,362)	-
Differences due to credit conversion factors	(15,478)	(15,398)	-	(80)	-
Differences due to securitisations with risk transfer	-	-	-	-	-
Other differences	(1,024)	(1,024)	-	-	-
Exposure amounts considered for regulatory purposes	305,155	310,244	1,208	(7,207)	910

Loans and advances to credit institutions include exposures on savings centralised with Caisse des dépôts et consignations (CDC).

CDC and Banque de France exposures are classified within "Loans and advances to credit institutions at amortised cost". This segmentation differs from that applied for the determination of credit risk-weighted assets (for which these exposures are classified as "sovereign").

Explanation of the differences between accounting and regulatory exposure amounts (EU LIA)

The regulatory exposure amounts include several items not reflected in the accounting amounts including:

- ▶ valuation differences for a negative €9 billion, including the impact of the SA-CCR calculation on derivatives and differences related to the valuation of repos;
- ▶ loss allowances for a negative €1.5 billion;
- ▶ the impact of applying credit risk mitigation techniques for a negative €2.7 billion;
- ▶ the impact of credit conversion factors on off-balance sheet items for a negative €15.5 billion.

Other qualitative information on the scope of application (EU LIB)

Impediment to the prompt transfer of own funds or to the repayment of liabilities within the Group	The Articles of Association of La Banque Postale and its subsidiaries do not contain any clauses that could prevent the transfer of own funds or the repayment of liabilities by La Banque Postale. To the best of the Group's knowledge, there are no applicable laws or regulations, provisions in the subsidiaries' Articles of Association, shareholder agreements or other legally binding agreements containing provisions that could significantly impede the transfer of own funds or the repayment of liabilities by La Banque Postale.
Subsidiaries not included in the consolidation with actual own funds less than required	No subsidiary not included in the consolidation and subject to solvency requirements has own funds that are less than required.
Use of the derogation referred to in Article 7 of the CRR or the individual consolidation method laid down in Article 9 of the CRR	Pursuant to Article 7 of Regulation No 575/2013 (CRR), as banking entities subject to the supervision of the ACPR, the subsidiaries La Banque Postale Leasing & Factoring, La Banque Postale Consumer Finance, Louvre Banque Privée, Ma French Bank and La Banque Postale Home Loan SFH benefit from the derogation to the application of prudential requirements on an individual basis. La Banque Postale, as the consolidating entity, also benefits from the derogation to the application of prudential requirements on an individual basis.
Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation	None.

4.2.2 Breakdown of regulatory own funds

La Banque Postale's **Common Equity Tier 1 (CET1) capital** includes Group share book equity (capital, issue premiums, reserves and annual profits), less the following items:

- ▶ the proposed dividend (45% of Group share of net income);
- ▶ regulatory adjustments that apply:
 - deductions of goodwill and intangible assets (net of related tax liabilities and excluding conservatively valued software assets),
 - prudential filters (fair value reserves related to gains or losses on cash flow hedges, Additional Valuation Adjustments, etc.).

Additional Tier 1 capital includes the perpetual bonds callable after 7 years issued in November 2019, and the perpetual bonds callable after 7.5 years issued in September 2021.

Tier 2 capital includes the subordinated notes issued in November 2015, June and October 2016, January 2017 and October 2020 as well as the issue in January 2021 and the subsequent tap issue in April 2021.

Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2)

(in € thousands)	30 June 2022	31 Dec. 2021
Attributable own funds (regulatory)	16,168,590	20,083,360
Planned dividend distribution	(207,811)	(1,541,936)
Deduction of goodwill and other intangible assets	(866,186)	(781,404)
Transition and other applicable adjustments to CET1 capital	(511,163)	(393,138)
Common Equity Tier 1 (CET1)	14,583,431	17,366,882
Eligible AT1 capital instruments	1,488,000	1,488,000
Additional Tier 1 capital	1,488,000	1,488,000
Tier 1 capital	16,071,431	18,854,882
Capital instruments and subordinated liabilities	2,745,326	2,744,444
Other add-backs	0	-
Tier 2 capital	2,745,326	2,744,444
Total own funds	18,816,757	21,599,326

The decrease in Common Equity Tier 1 (CET1) during the first half of 2022 was due primarily to significant changes in OCI reserves (market) due to stock market and interest rate volatility. The decrease was partially offset by the inclusion of net profit for the year, net of the dividend accrual (45% payout), and the accretive impact of the buyout of non-controlling interests in CNP Assurances and the sale of interests in AEW Europe and Ostrum AM.

Composition of regulatory own funds (EU CC1)

(in € millions)	(a)	(b)
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and related share premium accounts	6,831	
<i>of which: instrument type 1</i>	6,831	
<i>of which: instrument type 2</i>		
<i>of which: instrument type 3</i>		
Retained earnings	172	
Accumulated other comprehensive income (and other reserves)	8,703	
Funds for general banking risks	-	
Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
Minority interests (amount allowed in consolidated CET1)	-	
Independently reviewed interim profits net of any foreseeable charge or dividend	254	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	15,961	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	(302)	
Intangible assets (net of related tax liability) (negative amount)	(643)	
<i>Not applicable</i>	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(224)	
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(77)	
Negative amounts resulting from the calculation of expected loss amounts	-	
Any increase in equity that results from securitised assets (negative amount)	-	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
Defined benefit pension fund assets (negative amount)	-	
Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
<i>Not applicable</i>	-	
Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-	
<i>of which: qualifying holdings outside the financial sector (negative amount)</i>	-	
<i>of which: securitisation positions (negative amount)</i>	-	
<i>of which: free deliveries (negative amount)</i>	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
Amount exceeding the 17.65% threshold (negative amount)	-	
<i>of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>	-	
<i>Not applicable</i>	-	
<i>of which: deferred tax assets arising from temporary differences</i>	-	
Losses for the current financial year (negative amount)	-	
Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
<i>Not applicable</i>	-	
Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
Other regulatory adjustments	(132)	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1,075)	
Common Equity Tier 1 (CET1)	14,583	
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and related share premium accounts	1,488	
<i>of which classified as equity under applicable accounting standards</i>	1,488	
<i>of which classified as liabilities under applicable accounting standards</i>	-	
Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
Amount of qualifying items referred to in Article 494a (1) CRR subject to phase out from AT1	-	
Amount of qualifying items referred to in Article 494b (1) CRR subject to phase out from AT1	-	

Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
Additional Tier 1 (AT1) capital before regulatory adjustments	1,488
Additional Tier 1 (AT1) capital: regulatory adjustments	
Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
<i>Not applicable</i>	-
Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-
Other regulatory adjustments to AT1 capital	-
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
Additional Tier 1 (AT1) capital	1,488
Tier 1 capital (T1 = CET1 + AT1)	16,071
Tier 2 (T2) capital: instruments	
Capital instruments and related share premium accounts	2,745
Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 in accordance with Article 486 (4) CRR	-
Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-
Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
Credit risk adjustments	-
Additional Tier 2 (T2) capital before regulatory adjustments	2,745
Tier 2 (T2) capital: regulatory adjustments	
Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
<i>Not applicable</i>	-
Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
<i>Not applicable</i>	-
Qualifying deductions for eligible liabilities that exceed the total eligible liabilities of the institution (negative amount)	-
Other regulatory adjustments to T2 capital	-
Total regulatory adjustments to Tier 2 (T2) capital	-
Tier 2 (T2) capital	2,745
Total capital (TC = T1 + T2)	18,817
Total risk exposure amount	90,177
Capital ratios and requirements including buffers	
Common Equity Tier 1 (CET1)	16.17%
Tier 1 capital	17.82%
Total capital	20.87%
Institution CET1 overall capital requirements	8.38%
<i>of which: capital conservation buffer requirement</i>	2.50%
<i>of which: countercyclical buffer requirement</i>	0.00%
<i>of which: systemic risk buffer requirement</i>	0.00%
<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement</i>	0.25%
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	15.89%
National minima (if different from Basel III)	
<i>Not applicable</i>	
<i>Not applicable</i>	
<i>Not applicable</i>	

Amounts below the thresholds for deduction (before risk weighting)

Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	440
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	76
<i>Not applicable</i>	-
Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	250

Applicable caps on the inclusion of provisions in Tier 2

Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to application of the cap)	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,008
Credit risk adjustments included in T2 in respect of exposures subject to the internal ratings-based approach (prior to application of the cap)	-
Cap for inclusion of credit risk adjustments in T2 under the internal-ratings based approach	-

Capital instruments subject to phase out arrangements (only applicable between 1 January 2014 and 1 January 2022)

Current cap on CET1 instruments subject to phase out arrangements	-
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
Current cap on AT1 instruments subject to phase out arrangements	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
Current cap on T2 instruments subject to phase out arrangements	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

La Banque Postale does not apply the transitional provisions relating to IFRS 9 or to equivalent expected credit losses, as its capital and capital and leverage ratios also reflect the full impact of IFRS 9 or equivalent expected credit losses.

La Banque Postale does not apply the temporary treatment described in Article 468 of the CRR, as its capital and capital and leverage ratios already reflect the full impact of the unrealised capital gains and losses measured at fair value through other comprehensive income.

Main features of regulatory own funds instruments and eligible liabilities instruments (EU CCA)

Issuer	La Banque Postale		
	FR0011855865	FR0013054913	FR0013181898
ISIN	FR0011855865	FR0013054913	FR0013181898
Governing law(s) of the instrument	French law	French law	French law
REGULATORY TREATMENT			
Current treatment taking into account, where applicable, transitional CRR rules	T2 capital	T2 capital	T2 capital
Post-transitional CRR rules	T2 capital	T2 capital	T2 capital
Level	Consolidated	Consolidated	Consolidated
Instrument type	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)
Amount recognised in regulatory own funds (in € thousands)	750,000	750,000	500,000
Nominal amount of instrument (in %)	100	100	100
Issue price (in %)	99.705	99.623	99.97
Redemption price (in %)	100	100	100
Accounting classification	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost
Original date of issuance	23.04.2014	19.11.2015	09.06.2016
Perpetual or dated	Dated	Dated	Dated
Original maturity date	23.04.2026	19.11.2027	09.06.2028
Issuer call subject to prior supervisory approval	Yes	Yes	No
Optional call date, contingent call dates and redemption amount	23.04.2021	19.11.2022	-
Subsequent call dates	-	-	-
COUPONS/DIVIDENDS			
Fixed or floating coupon/dividend	Fixed	Fixed	Fixed
Coupon rate	2.75%	2.75%	3.00%
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory (<i>in terms of timing</i>)	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (<i>in terms of amount</i>)	Mandatory	Mandatory	Mandatory
Existence of a step-up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	No	No	No
Convertible or non-convertible	No	No	No
If convertible, conversion trigger(s)	-	-	-
If convertible, fully or partially	-	-	-
If convertible, conversion rate	-	-	-
If convertible, mandatory or optional conversion	-	-	-
If convertible, instrument type convertible into	-	-	-
If convertible, issuer of instrument it converts to	-	-	-
Capital reduction features	-	-	-
Non-compliant transitioned features	No	No	-

Issuer	La Banque Postale			
ISIN	FR0013207354	FR0013181898	FR0013461795	FR00140009W6
Governing law(s) of the instrument	French law	French law	French law	French law
REGULATORY TREATMENT				
Current treatment taking into account, where applicable, transitional CRR rules	T2 capital	T2 capital	Additional Tier 1 capital	T2 capital
Post-transitional CRR rules	T2 capital	T2 capital	Additional Tier 1 capital	T2 capital
Level	Consolidated	Consolidated	Consolidated	Consolidated
Instrument type	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)	Tier 1 deeply subordinated securities (Art. 52)	Tier 2 subordinated securities (Art. 63)
Amount recognised in regulatory own funds (in € thousands)	100,000	150,000	750,000	500,000
Nominal amount of instrument (in %)	100	100	100	100
Issue price (in %)	99.593	101.510	100.000	99.868
Redemption price (in %)	100	100	100	-
Accounting classification	Liabilities at amortised cost	Liabilities at amortised cost	Equity instruments issued	Liabilities at amortised cost
Original date of issuance	05.10.2016	16.01.2017	20.11.2019	26.10.2020
Perpetual or dated	Dated	Dated	Perpetual	Dated
Original maturity date	05.10.2028	09.06.2028	No fixed maturity	26.01.2031
Issuer call subject to prior supervisory approval	No	No	No	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	26.10.2025
Subsequent call dates	-	-	-	Until 26.01.2026 (inclusive)
COUPONS/DIVIDENDS				
Fixed or floating coupon/dividend	Fixed	Fixed	Fixed	Adjustable
Coupon rate	2.25%	3.00%	3.875%	0.875%
Existence of a dividend stopper	No	No	Yes	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Fully discretionary	Mandatory
Existence of a step-up or other incentive to redeem	No	No	No	No
Non-cumulative or cumulative	No	No	No	No
Convertible or non-convertible	No	No	No	No
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, instrument type convertible into	-	-	-	-
If convertible, issuer of instrument it converts to	-	-	-	-
Capital reduction features	-	-	-	-
Non-compliant transitioned features	No	No	No	No

4.2.3 Risk-weighted assets

Current methodology used to calculate capital requirements

The standardised approach is used to quantify the capital requirements under Pillar I for:

- ▶ credit risk;
- ▶ market risk;
- ▶ operational risks.

The general approach is employed along with regulatory settings to apply risk reduction techniques.

Risk-weighted assets (RWA) amounted to €90.2 billion at 30 June 2022 (compared to €91.1 billion at 31 December 2021), a decrease of 1.0%.

Credit risk-weighted assets (including exposures in respect of counterparty risk) represented €80.9 billion at 30 June 2022, down 0.6% compared to 31 December 2021.

Market risk-weighted assets were down by €0.5 billion (or -57.2%) compared to 31 December 2021, amounting to €0.3 billion at 30 June 2022. Operational risk-weighted assets were stable at €8.9 billion at 30 June 2022.

Overview of risk-weighted exposure amounts (RWEA) (EU OV1)

(in € thousands)	Total risk-weighted exposure amounts (TRWEA)		Total own fund requirements
	06.2022	12.2021	06.2022
Credit risk (excluding CCR)	79,590,366	79,362,675	6,367,229
Of which standardised approach	79,590,366	79,362,675	6,367,229
Of which foundation IRB (F-IRB) approach	-	-	-
Of which slotting approach	-	-	-
Of which equities under the simple risk weighted approach	-	-	-
Counterparty credit risk – CCR	1,098,917	1,806,931	87,913
Of which standardised approach	283,908	550,697	22,713
Of which internal model method (IMM)	-	-	-
Of which exposures to a CCP	17,556	15,152	1,404
Of which credit valuation adjustment (CVA)	218,386	302,801	17,471
Of which other CCR	579,067	938,281	46,325
Not applicable	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the non-trading book (after the cap)	200,584	176,322	16,047
Of which SEC-IRBA approach	-	-	-
Of which SEC-ERBA (including IAA)	200,584	176,322	16,047
Of which SEC-SA approach	-	-	-
Of which 1,250%/deduction	-	-	-
Position, foreign exchange and raw materials risks (Market Risk)	347,967	813,467	27,837
Of which standardised approach	347,967	813,467	27,837
Of which IMA	-	-	-
Large exposures	-	-	-
Operational risk	8,938,864	8,938,864	715,109
Of which basic indicator approach	-	-	-
Of which standardised approach	8,938,864	8,938,864	715,109
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	624,351	792,929	49,948
Total	90,176,698	91,098,258	7,214

The data presented in the table above include the effects of the Basel substitution in the classification of exposures. As a result, the assets guaranteed by banking and corporate sector bodies are included in the latter categories.

Insurance participations (EU INS1)

(in € millions)	Exposure value
Own funds instruments held in insurance or reinsurance undertakings or insurance holding company not deducted from own funds	15,645
Total RWA	15,645

La Banque Postale does not deduct its significant investments in insurance sector entities in accordance with Article 49 of Regulation (EU) No 575/2013 and weights them in compliance with Article 133.

4.2.4 Regulatory framework for capital requirements

The regulatory framework defining prudential requirements for banks has been developed and strengthened since the last financial crisis in 2008 by gradually introducing new solvency, leverage and liquidity requirements, and by defining a European framework for managing bank crises including a plan for the recovery and restitution of banking establishments.

As a result, from 1 January 2014, La Banque Postale is subject to the prudential regulations inspired by the Basel III agreements defined in Directive No 2013/36/EU (CRD IV) and Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR), subsequently amended by Directive (EU) No 2019/878 (CRD V) and Regulation (EU) No 2019/876 (CRR II). The effective dates of certain provisions set out in CRR II were brought forward following the adoption of Delegated Regulation (EU) No 2020/2176 (known as the "CRR Quick Fix").

In terms of solvency, three levels of own funds are defined:

- ▶ Common Equity Tier 1 (CET1) capital;
- ▶ Tier 1 capital comprising Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital;
- ▶ total capital comprising Tier 1 capital and Tier 2 capital (T2).

In total, three levels of solvency ratio are calculated:

- ▶ the Common Equity Tier 1 (CET1) ratio;
- ▶ the Tier 1 capital ratio or T1 ratio;
- ▶ the total capital ratio.

4.2.4.1 Regulatory own funds

Following the Supervisory Review and Evaluation Process (SREP) carried out by the ECB, the ECB notified La Banque Postale of its total SREP capital requirement (TSCR) applicable on a consolidated basis since 1 March 2022. This SREP capital requirement amounts to 10%, of which:

- ▶ Pillar I requirements (minimum CET1 of 4.5%, minimum Tier 1 of 6%, minimum total capital of 8%);
- ▶ Pillar II requirement (additional own funds of 2%). La Banque Postale meets this requirement in the proportions set out in Article 104a(4) of the Capital Requirements Directive (CRD V) (1.125% of CET1 capital and 1.5% of Tier 1 capital).

In addition to these requirements, the SREP letter reminds La Banque Postale of its obligation to meet the overall capital requirement (OCR), which includes, in addition to the total SREP capital requirements, the combined buffer requirements. As a reminder, for La Banque Postale these total capital buffer requirements consist of:

- ▶ 2.50% for a capital conservation buffer (CCB);
- ▶ 0.25% for the buffer for other systemically important institutions;
- ▶ 0.005% for the countercyclical buffer.

The countercyclical buffer requirement takes into account the decision to set the countercyclical buffer applicable to relevant exposures located in France at zero as from 2 April 2020. While the buffer requirement was set at zero by most relevant authorities, it remains applicable in several jurisdictions, namely Bulgaria, Luxembourg, Norway, the Czech Republic, Slovakia and Hong Kong. La Banque Postale's specific countercyclical buffer rate was 0.005% at 31 December 2021.

This requirement does not include the recommendation for additional own funds under Pillar II (P2G).

Based on this notification, the overall capital requirement (OCR) is 12.755% (10% plus 2.755% for the combined buffer requirements).

Breakdown of CET1 capital requirement

	31 Dec. 2021	31 Dec. 2020
Pillar I requirement	4.50%	4.50%
Pillar II requirement (P2R)	1.125%	1.125%
Capital conservation buffer (CCB) requirement	2.500%	2.500%
Other systemically important institutions buffer requirement	0.250%	0.250%
Countercyclical buffer (CCyB) requirement	0.005%	0.004%
Minimum CET1 ratio requirement	8.380%	8.379%

The overall capital requirement amounts to 12.755%, including 1.875% that La Banque Postale can cover by AT1 instruments (1.5% for Pillar I and 0.375% for Pillar II) and 2.5% by Tier 2 instruments (2% for Pillar I and 0.5% for Pillar II).

Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1)

	General credit exposures					Own funds requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Relevant credit exposures – Market risk		Total exposure value			Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for the standardised approach	Value of trading book exposures for internal models	Securitisation exposures Exposure value for the non-trading portfolio	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total		
(in € millions)												
Breakdown by country:												
ANDORRA	0	-	-	-	-	0	0	-	-	0	0	-
UNITED ARAB EMIRATES	3	-	-	-	-	3	0	-	-	0	1	-
ARGENTINA	0	-	-	-	-	0	0	-	-	0	0	-
AUSTRIA	2	-	-	-	37	40	0	-	0	0	5	0.01%
AUSTRALIA	229	-	-	-	-	229	5	-	-	5	65	0.10%
BANGLADESH	0	-	-	-	-	0	0	-	-	0	0	-
BELGIUM	178	-	-	-	-	178	10	-	-	10	131	0.21%
BURKINA FASO	0	-	-	-	-	0	0	-	-	0	0	-
BULGARIA	2	-	-	-	-	2	0	-	-	0	1	0.50%
BENIN	0	-	-	-	-	0	0	-	-	0	0	-
BRAZIL	8	-	-	-	-	8	0	-	-	0	4	0.01%
BAHAMAS	0	-	-	-	-	0	0	-	-	0	0	-
BHUTAN	0	-	-	-	-	0	0	-	-	0	0	-
BELIZE	0	-	-	-	-	0	0	-	-	0	0	-
CANADA	949	-	-	-	-	949	9	-	-	9	114	0.18%
DEMOCRATIC REPUBLIC OF THE CONGO	0	-	-	-	-	0	0	-	-	0	0	-
CENTRAL AFRICA	0	-	-	-	-	0	0	-	-	0	1	-
CONGO	2	-	-	-	-	2	0	-	-	0	3	-

SWITZERLAND	63	-	-	-	-	63	4	-	-	4	49	0.08%	-
COTE D'IVOIRE	0	-	-	-	-	0	0	-	-	0	0	-	-
CHILE	0	-	-	-	-	0	0	-	-	0	0	-	-
CAMEROON	1	-	-	-	-	1	0	-	-	0	0	-	-
CHINA	4	-	-	-	-	4	0	-	-	0	2	-	-
COLOMBIA	0	-	-	-	-	0	0	-	-	0	0	-	-
CYPRUS	0	-	-	-	-	0	0	-	-	0	0	-	-
CZECH REPUBLIC	1	-	-	-	-	1	0	-	-	0	1	-	0.50%
GERMANY	453	-	-	-	88	541	31	-	2	33	418	0.68%	-
DJIBOUTI	0	-	-	-	-	0	0	-	-	0	0	-	-
DENMARK	1	-	-	-	-	1	0	-	-	0	1	-	-
DOMINICAN REPUBLIC	0	-	-	-	-	0	0	-	-	0	0	-	-
ALGERIA	0	-	-	-	-	0	0	-	-	0	0	-	-
ESTONIA	0	-	-	-	-	0	0	-	-	0	0	-	-
SPAIN	258	-	-	-	267	526	13	-	4	16	206	0.33%	-
FINLAND	26	-	-	-	35	61	2	-	0	2	24	0.04%	-
FRANCE	91,311	-	-	-	477	91,788	4,528	-	5	4,533	56,666	91.55%	-
GABON	0	-	-	-	-	0	0	-	-	0	0	-	-
UNITED KINGDOM	1,675	-	-	-	57	1,733	87	-	1	88	1,094	1.77%	-
FRENCH GUIANA	0	-	-	-	-	0	0	-	-	0	0	-	-
GAMBIA	0	-	-	-	-	0	0	-	-	0	0	-	-
GADELOUPE	1	-	-	-	-	1	0	-	-	0	1	-	-
GREECE	3	-	-	-	-	3	0	-	-	0	2	-	-
GUINEA-BISSAU	0	-	-	-	-	0	0	-	-	0	0	-	-
GUYANA	0	-	-	-	-	0	0	-	-	0	0	-	-
HONG KONG	4	-	-	-	-	4	0	-	-	0	1	-	1.00%
CROATIA	1	-	-	-	-	1	0	-	-	0	1	-	-
HAITI	0	-	-	-	-	0	0	-	-	0	0	-	-
HUNGARY	1	-	-	-	-	1	0	-	-	0	1	-	-
INDONESIA	2	-	-	-	-	2	0	-	-	0	1	-	-
IRELAND	100	-	-	-	28	128	10	-	0	10	127	0.21%	-
ISRAEL	3	-	-	-	-	3	0	-	-	0	2	-	-
INDIA	2	-	-	-	-	2	0	-	-	0	1	-	-
ICELAND	0	-	-	-	-	0	0	-	-	0	0	-	-
ITALY	345	-	-	-	-	345	25	-	-	25	309	0.50%	-
JERSEY	0	-	-	-	-	0	0	-	-	0	0	-	-
JAPAN	361	-	-	-	-	361	22	-	-	22	276	0.45%	-
KENYA	1	-	-	-	-	1	0	-	-	0	0	-	-
COMOROS	0	-	-	-	-	0	0	-	-	0	0	-	-



REPUBLIC OF KOREA	150	-	-	-	-	150	1	-	-	1	15	0.02%	-
KUWAIT	0	-	-	-	-	0	0	-	-	0	0	-	-
KAZAKHSTAN	0	-	-	-	-	0	0	-	-	0	0	-	-
LEBANON	0	-	-	-	-	0	0	-	-	0	0	-	-
LIECHTENSTEIN	0	-	-	-	-	0	0	-	-	0	0	-	-
SRI LANKA	0	-	-	-	-	0	0	-	-	0	0	-	-
LITHUANIA	1	-	-	-	-	1	0	-	-	0	1	-	-
LUXEMBOURG	410	-	-	-	39	449	38	-	1	39	489	0.79%	0.50%
LATVIA	0	-	-	-	-	0	0	-	-	0	0	-	-
MOROCCO	7	-	-	-	-	7	0	-	-	0	5	0.01%	-
MONACO	16	-	-	-	-	16	1	-	-	1	13	0.02%	-
MOLDOVA	0	-	-	-	-	0	0	-	-	0	0	-	-
MONTENEGRO	0	-	-	-	-	0	0	-	-	0	0	-	-
MADAGASCAR	0	-	-	-	-	0	0	-	-	0	0	-	-
MALI	0	-	-	-	-	0	0	-	-	0	0	-	-
MACAO	0	-	-	-	-	0	0	-	-	0	0	-	-
MARTINIQUE	0	-	-	-	-	0	0	-	-	0	0	-	-
MONTSERRAT	0	-	-	-	-	0	0	-	-	0	0	-	-
MALTA	0	-	-	-	-	0	0	-	-	0	0	-	-
MAURITIUS	0	-	-	-	-	0	0	-	-	0	0	-	-
MALAYSIA	0	-	-	-	-	0	0	-	-	0	0	-	-
NAMIBIA	1	-	-	-	-	1	0	-	-	0	1	-	-
NIGER	0	-	-	-	-	0	0	-	-	0	0	-	-
NETHERLANDS	2,861	-	-	-	169	3,030	90	-	2	92	1,152	1.86%	-
NORWAY	140	-	-	-	-	140	2	-	-	2	19	0.03%	1.50%
NEW ZEALAND	0	-	-	-	-	0	0	-	-	0	0	-	-
OMAN	0	-	-	-	-	0	0	-	-	0	0	-	-
PERU	0	-	-	-	-	0	0	-	-	0	0	-	-
PHILIPPINES	0	-	-	-	-	0	0	-	-	0	0	-	-
POLAND	9	-	-	-	-	9	1	-	-	1	7	0.01%	-
SAINT-PIERRE-ET-MIQUELON	0	-	-	-	-	0	0	-	-	0	0	-	-
PORTUGAL	54	-	-	-	11	65	5	-	0	5	63	0.10%	-
PARAGUAY	0	-	-	-	-	0	0	-	-	0	0	-	-
QATAR	0	-	-	-	-	0	0	-	-	0	0	-	-
REUNION	1	-	-	-	-	1	0	-	-	0	1	-	-
ROMANIA	3	-	-	-	-	3	0	-	-	0	3	-	-
SERBIA	1	-	-	-	-	1	0	-	-	0	0	-	-
RUSSIA	0	-	-	-	-	0	0	-	-	0	0	-	-
RWANDA	0	-	-	-	-	0	0	-	-	0	0	-	-

SAUDI ARABIA	0	-	-	-	-	0	0	-	-	0	0	-	-
SWEDEN	106	-	-	-	-	106	5	-	-	5	63	0.10%	-
SINGAPORE	8	-	-	-	-	8	0	-	-	0	4	0.01%	-
SLOVENIA	1	-	-	-	-	1	0	-	-	0	1	-	-
SLOVAKIA	1	-	-	-	-	1	0	-	-	0	1	-	1.00%
SAINT MARIN	0	-	-	-	-	0	0	-	-	0	0	-	-
SENEGAL	1	-	-	-	-	1	0	-	-	0	0	-	-
EL SALVADOR	11	-	-	-	-	11	1	-	-	1	8	0.01%	-
SYRIA	0	-	-	-	-	0	0	-	-	0	0	-	-
CHAD	0	-	-	-	-	0	0	-	-	0	0	-	-
FRENCH SOUTHERN TERRITORIES	0	-	-	-	-	0	0	-	-	0	0	-	-
TOGO	0	-	-	-	-	0	0	-	-	0	0	-	-
THAILAND	0	-	-	-	-	0	0	-	-	0	0	-	-
TUNISIA	7	-	-	-	-	7	0	-	-	0	5	0.01%	-
TURKEY	1	-	-	-	-	1	0	-	-	0	0	-	-
TRINIDAD AND TOBAGO	0	-	-	-	-	0	0	-	-	0	0	-	-
TAIWAN	0	-	-	-	-	0	0	-	-	0	0	-	-
UKRAINE	0	-	-	-	-	0	0	-	-	0	0	-	-
UGANDA	0	-	-	-	-	0	0	-	-	0	0	-	-
UNITED STATES OF AMERICA	354	-	-	-	-	354	27	-	-	27	336	0.54%	-
URUGUAY	0	-	-	-	-	0	0	-	-	0	0	-	-
U.S. VIRGIN ISLANDS	0	-	-	-	-	0	0	-	-	0	0	-	-
VIETNAM	0	-	-	-	-	0	0	-	-	0	0	-	-
MAYOTTE	0	-	-	-	-	0	0	-	-	0	0	-	-
SOUTH AFRICA	2	-	-	-	-	2	0	-	-	0	1	-	-
OTHER COUNTRIES	108	-	231	-	-	339	9	7	-	16	195	0.31%	-
Total	100,248	-	231	-	1,208	101,688	4,928	7	16	4,952	61,894	-	5.00%

Institution-specific countercyclical capital buffer (EU CCyB2)

Total risk exposure amount	90,177
Institution-specific countercyclical capital buffer rate	0.004%
Institution-specific countercyclical capital buffer requirement	4

4.2.4.2 Solvency ratios

At 30 June 2022, La Banque Postale's Common Equity Tier 1 (CET1) ratio stood at 16.2% vs. 19.1% at 31 December 2021, 7.8 points above the regulatory requirement of 8.380%.

Attributable net profit (up 30 bps), net of the dividend accrual (45% payout), was sufficient to finance organic growth of risk-weighted assets (up 10 bps), contributing to the self-financing of La Banque Postale's organic growth.

The CET1 ratio declined by 330 bps, of which 290 bps stemmed from the impacts of stock market and interest rate volatility on the value of financial instruments at fair value through other comprehensive income.

The Tier 1 ratio stood at 17.8%. The total capital ratio of 20.9% (down 2.8 points from 31 December 2021)

Provided headroom of 8.1 points vs. the Group's Total Capital Requirement of 12.755%.

(%)	30 June 2022	31 Dec. 2021
Common Equity Tier 1 (CET1) ratio	16.2%	19.1%
Tier 1 capital ratio	17.8%	20.7%
Solvency ratio	20.9%	23.7%

4.2.4.3 Leverage ratio

The leverage ratio compares Tier 1 capital (the numerator) to a risk exposure measure or sum of risk exposure measures (the denominator) composed of balance sheet and off-balance sheet items, with no risk weighting applied. The leverage ratio is designed to prevent banks taking on excessive levels of debt.

This ratio, which was previously calculated for information purposes only, has become a regulatory requirement as from 30 June 2021 in application of Regulation (EU) No 2019/876 (CRR II). The minimum requirement is 3% of Tier 1 capital.

Under Article 429a of CRR II, the total amount of centralised savings is excluded from the total exposure measure, due to the nature of these assets (previously, only 50% of these assets was excluded, pursuant to an authorisation issued by the ECB).

At 30 June 2022, the leverage ratio was 5.9%.

Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1)

(in € millions)	Applicable amount
Total assets as per published financial statements	752,398
<i>Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation</i>	(446,168)
<i>(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)</i>	-
<i>(Adjustment for temporary exemption of exposures to central banks (if applicable))</i>	-
<i>(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total leverage ratio exposure measurement in accordance with Article 429a (1)(i) CRR)</i>	-
<i>Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting</i>	-
<i>Adjustment for eligible cash pooling transactions</i>	-
<i>Adjustment for derivative financial instruments</i>	(5,294)
<i>Adjustment for securities financing transactions (SFTs)</i>	2,916
<i>Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)</i>	15,568
<i>(Adjustment for prudent valuation adjustments and general credit risk adjustments which have reduced Tier 1 capital)</i>	(302)
<i>(Adjustment for exposures excluded from the total leverage ratio exposure measure in accordance with Article 429a (1)(c) CRR)</i>	-
<i>(Adjustment for exposures excluded from the total leverage ratio exposure measure in accordance with Article 429a (1)(j) CRR)</i>	(63,535)
<i>Other adjustments</i>	14,835
Total leverage ratio exposure measure	270,417

Leverage ratio common disclosure (EU LR2)

	CRR leverage ratio exposures	
(in € millions)	30 June 2022	30 June 2021
On-balance sheet exposures		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	305,395	307,336
Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	317	101
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(507)	(174)
(Asset amounts deducted in determining Tier 1 capital)	(1,246)	(1,113)
Total on-balance sheet exposures (excluding derivatives and SFTs)	303,960	306,151
Replacement cost associated with SA-CCR derivatives transactions (i.e., net of eligible cash variation margin)	401	639
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	667	633
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
Exposure determined under original exposure method	-	-
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
Adjusted effective notional amount of written credit derivatives	639	358
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(639)	(358)
Total derivatives exposures	1,068	1,271
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	11,646	13,673
(Netted amounts of cash payables and cash receivables of gross SFT assets)	(221)	(2,394)
Counterparty credit risk exposure for SFT assets	1,489	1,647
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e (5) and 222 CRR	-	-
Agent transaction exposures	-	-
(Exempted CCP leg of client-cleared SFT exposure)	-	-
Total securities financing transaction exposures	12,914	12,927
Off-balance sheet exposures at gross notional amount	100,803	105,889
(Adjustments for conversion to credit equivalent amounts)	85,234	90,431
(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
Total off-balance sheet exposures	15,568	15,457
(Exposures excluded from the total leverage ratio exposure measure in accordance with point (c) of Article 429a (1) CRR)	-	-
(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	(63,535)	(65,779)
(Excluded exposures of public development banks – Public sector investments)	-	-
(Excluded promotional loans of public development banks (or units): – Promotional loans	-	-
(Excluded passing-through promotional loan exposures by non-public development banks (or units):	-	-
(Excluded guaranteed parts of exposures arising from export credits)	-	-
(Excluded excess collateral deposited at triparty agents)	-	-
(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a (1) CRR)	-	-
(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a (1) CRR)	-	-
(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
(Total exempted exposures)	(63,535)	(65,779)
Tier 1 capital	16,071	18,521
Total leverage ratio exposure measure	269,975	270,027
Leverage ratio (%)	6.0%	6.9%
Leverage ratio (without the adjustment due to excluded exposures of public development banks – Public sector investments and promotional loans) (%)	6.0%	6.9%

Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.0%	6.9%
Regulatory minimum leverage ratio requirement (%)	-	-
Additional own funds requirements to address the risk of excessive leverage (%)	-	-
of which: to be provided from CET1 capital	-	-
Leverage ratio buffer requirement (%)	-	-
Overall leverage ratio requirement (%)	N/A	N/A
Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	19,281	25,555
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	11,868	16,067
Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	277,831	284,303
Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	277,831	284,303
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0	0
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0	0

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU LR3)

(in € millions)	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	241,670
Trading book exposures	1,171
Banking book exposures, including:	240,499
<i>Covered bonds</i>	1,577
<i>Exposures treated as sovereign</i>	73,997
<i>Exposure to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereign borrowers</i>	6,312
<i>Institutions</i>	6,599
<i>Exposures secured by mortgages on immovable property</i>	29,306
<i>Retail exposures</i>	56,783
<i>Corporate</i>	40,527
<i>Exposures in default</i>	971
<i>Other exposures (particularly shares, securitisations and other non-credit obligation assets)</i>	24,426

4.2.5 Capital steering and internal capital adequacy

Objectives

La Banque Postale has implemented a planning system for its capital at the level of the Group, in order to ensure that the following objectives are met:

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

La Banque Postale also has a process for assessing the adequacy of its internal capital (Internal Capital Adequacy Assessment Process (ICAAP)), which is based on the following:

- ▶ medium-term planning of regulatory capital requirements, with a focus on the Group's growth objective and future regulatory changes. This planning exercise, performed once a year, tends to evaluate the Group's financial strength in both a central economic (capital planning) and stressed scenario (annual financial strength stress test);
- ▶ assessing internal capital requirements induced by the principal risks of the Group, based on La Banque Postale's internal methods.

The Finance Department is in charge of the ICAAP process, but it is also a cross-process between the Risk and Financial functions. The ICAAP is updated half-yearly and transferred to the Capital Management Committee for approval by the Executive Board before being reported to the Supervisory Board and its Risk Committee.

Governance

The planning process is implemented by the Finance Department with the support of the Balance Sheet Management Committee, which meets five to six times per year under the chairmanship of the Chairman of the Executive Board. The Committee is responsible for:

- ▶ defining capital management objectives;
- ▶ examining the trajectory of capital and defining the measures required to achieve the capital objectives set by the management bodies (security issuance, capital increase requests, arbitrages/business line orientation, etc.);
- ▶ validating the preventive actions linked to La Banque Postale's financial strength, based on the results of internal stress tests and those carried out at the request of regulators;
- ▶ examining the recommendations of regulatory and supervisory authorities and their impact on La Banque Postale's capital position and the methods used.

Information on the internal capital adequacy assessment process (EU OVC)

Approach to assessing the adequacy of the internal capital

La Banque Postale Group assesses the adequacy of its internal capital to meet regulatory requirements by examining its solvency position and trajectory using the standardised approach and the economic approach, as well as in relation to its risk appetite.

It also examines medium-term changes in its solvency position using the standardised approach, under a central scenario and adverse scenarios. These scenarios incorporate various assumptions about changes in the business scope and prudential regulations.

The internal capital requirement generated by the Group's main risks is assessed using proprietary methods.

Result of the internal capital adequacy assessment process

La Banque Postale Group has not received any demand from the relevant competent authority to disclose the result of the internal capital adequacy assessment process.

4

Description of the processes used to manage the risk of excessive leverage

The risk of excessive leverage may lead to corrective measures being taken that were not planned in the financial and capital business plan, in particular the sale of assets.

The leverage ratio forms part of the risk management system with the introduction of an internal threshold in the Risk Appetite Statement (RAS). It is monitored by the Group Risk Management Committee and the Capital Management Committee.

For outstanding loans financed by retail deposits, the risk of excessive leverage is controlled by La Banque Postale and monitored as part of the Internal Capital Adequacy Assessment Process (ICAAP) in accordance with the objectives and governance process described above. This includes preparing leverage ratio projections during the strategic planning process covering the Group's businesses and balance sheet.

4.2.6 Indicators of global systemic importance

In accordance with the recommendations of the national supervisor, La Banque Postale sets out below its 10 indicators relating to financial institutions of systemic importance to the global economy. These data were established according to the Basel Committee's specific instructions on banking control and cannot be directly compared to other information published by La Banque Postale.

(in € millions)		30 June 2022	31 Dec. 2021
Size	Total assets	306,230	303,611
Importance (including substitutability/ financial system infrastructure)	Value of domestic payment transactions	107,373	180,902
	Private sector deposits from depositors in the EU	207,089	202,595
	Private sector loans to recipients in the EU	106,342	102,222
Complexity/cross-border activity	Value of OTC derivatives (notional)	170,704	147,650
	Cross-jurisdictional liabilities	12,931	7,483
	Cross-jurisdictional claims	24,580	24,062
Interconnectedness	Intra financial system liabilities	38,374	36,304
	Intra financial system assets	27,194	23,310
	Debt securities outstanding	24,335	26,027

4.3 GOVERNANCE AND RISK MANAGEMENT SYSTEM

4.3.1 Governance

The Group's governance system ensures top-down compliance with the applicable laws and regulations from the highest to the lowest levels of the organisation. It also provides a guarantee of sound and independent management of all of the Group's risk exposures.

The two-tier governance structure guarantees an appropriate separation of powers, with the Executive Board responsible for achieving the objectives agreed with the Supervisory Board and for the day-to-day management of the Group, and the Supervisory Board⁽³³⁾ responsible for overseeing the Executive Board's actions.

The Executive Board sets the fundamental principles related to risk management (strategic guidelines, values, risk appetite, governance, internal control framework). These principles are then approved by the Supervisory Board and are used as a basis by each business line for setting its priority actions and the associated risk management system under the supervision of the Group Risk Department and the Compliance Department.

4.3.1.1 Internal control framework

The aim of internal control is to provide assurance concerning the effective management of the risks associated with all the systems implemented within La Banque Postale Group for the purpose of providing reasonable assurance as to the achievement of business, reporting and compliance objectives.

The internal control system is aligned with the nature and volume of La Banque Postale's operations. It covers all existing or potential risks of La Banque Postale Group entities, as defined in the Group risk appetite framework. The Group's internal control system covers:

- ▶ all the entities comprising the financial conglomerate within the Group's scope of consolidation, in accordance with the applicable national and industry-specific laws and regulations;
- ▶ all activities conducted by La Banque Postale's business lines, its fully and jointly controlled subsidiaries, its equity-accounted associates and joint ventures and the Consumer and Digital Division entities working in the name and on behalf of La Banque Postale;
- ▶ all the products distributed by the Group;
- ▶ all outsourced critical and important services;
- ▶ all cross-functional units carrying out operational production activities (i.e., for risk monitoring, or for the production of regulatory reports for the banking and insurance supervisor and/or statutory financial reports).

The risk management system and its structure are based on three lines of defence that constitute the internal control framework. It complies with the government order of 3 November 2014 (as amended) on internal control, as described in La Banque Postale Group's Internal Control Charter. This charter defines the organisation, responsibilities and scope of intervention of the various actors in charge of implementing the internal control system and ensuring its application.

La Banque Postale Group uses the concept of lines of defence to represent its organisation in terms of risk management and best practices.

Permanent control

In accordance with the government order of 3 November 2014 (as amended) on internal control, the first and second lines of defence constitute the permanent control system.

First line of defence

Each Group entity has primary responsibility for managing the risks associated with its operations. The entities' senior executives are responsible for implementing a system that provides assurance concerning compliance with the applicable internal and external risk management requirements. This risk management system is part of the framework defined by La Banque Postale Group's Risk Department and Compliance Department.

Risks are accepted, managed and monitored and warnings are issued in accordance with the rules set by the Group.

⁽³³⁾ The Capital Requirements Directive (CRD V) and the legislation transposing it into French law stipulate that an institution shall be governed by a management body, consisting of the effective managers, and a supervisory body. The supervisory body may not be chaired by or composed of members with executive responsibilities within the institution.

Each employee provides assurance that risks are properly managed at their level through their knowledge, experience, judgement and compliance with their entity's rules.

This means that the operational, corporate and support functions all contribute to the first line of defence.

Second line of defence

The second line of defence consists of the La Banque Postale Group's Risk Department and the Compliance Department. These departments are in charge of permanent controls, in accordance with the provisions of (i) the French government order of 3 November 2014 on internal control, and (ii) the Solvency II directive (risk management, compliance and actuarial key functions). They are also responsible for ensuring that there is an appropriate, uniform framework in place for defining and improving risk management procedures.

The functions constituting the second line of defence, acting on behalf of the Executive Board, are responsible for the organisation and efficient operation of the risk management system in a number of areas defined in their respective charters (Risk Management Department Charter and Group Compliance Department Charter) and for the system's compliance with the applicable laws and regulations.

Organisation of permanent control is based on the following charters, which are part of La Banque Postale Group's Internal Control Charter:

- ▶ **The Risk Organisation Charter** established by the Group Risk Department describes the role, responsibilities, organisation, governance and resources of the Risk Organisation put in place by the Group to ensure compliance with its risk appetite framework.

The charter, which was approved by the Executive Board in May 2022 and is aligned with the Caisse des dépôts Group's Risk Management Charter, takes into account all changes in the regulations applicable to the Group, as well as all organisational and governance changes.

The Charter notably describes the organisational structures and processes set up within the Group to provide assurance to the Executive Board and Supervisory Board that:

- the risk management framework they defined in the Risk Appetite Statement (RAS) is complied with and effective;
- they are informed of the level of risk assumed by the Group, the emergence of any new risks or the occurrence of major incidents.

- ▶ **The Group Compliance Department Charter:** describes the Department's role, responsibilities and organisation, and the resources deployed to ensure La Banque Postale Group's compliance with the regulations covering financial security (measures to combat money laundering and the financing of terrorism, compliance with international asset freezes and sanctions), customer protection, ethics (including the prevention of fraud, bribery and corruption) and the provision of investment services.

The Group Risk Department and Group Compliance Department each have dedicated organisations:

- ▶ **The Risk Organisation:** defines the systems and procedures constituting the Group's risk management framework and submits the framework to the Executive Board and Supervisory Board for their approval. It ensures that the framework is properly implemented and effective.

It covers La Banque Postale Group's risk exposures. The Risk Organisation covers all the entities comprising the financial conglomerate within the Group's scope of consolidation, in accordance with the applicable national and industry-specific laws and regulations.

The risk organisation's roles and responsibilities include the following, which are carried out by the Group Risk Department on behalf of La Banque Postale:

- define and manage the risk management framework;
- define and manage the permanent control framework;
- produce risk reports for external stakeholders;
- warn the Group's governance bodies of any instances of non-compliance with the risk appetite or any identified weaknesses in the risk monitoring system.

These main roles and responsibilities are described in detail in La Banque Postale Group's Risk Organisation Charter.

The Risk Organisation is built around the Group Risk Department's central functions and the decentralised functions within the Group entities or the Consumer and Digital Division entities working in the name and on behalf of La Banque Postale.

- ▶ **The Compliance Organisation:** created by decision of the Executive Board on 9 December 2019, the Compliance Organisation responds to the need for a Groupwide system that is scalable to all the activities of La Banque Postale and its subsidiaries. In particular, the organisation is capable of responding efficiently and without delay to the operational compliance issues encountered within La Banque Postale SA's business lines, La Poste's Consumer and Digital Division, and the subsidiaries.

The Compliance Organisation's responsibilities are fulfilled by:

- identifying and assessing compliance and reputational risks, and implementing the appropriate risk management system (procedures, checks, training, etc.);
- drafting a formal set of compliance procedures at La Banque Postale Group level, rolled out to each business and subsidiary where appropriate: Code of Ethics, Anti-corruption Code, Compliance section of the Internal Rules, Policies and Procedures;
- coordinating the whistleblowing system;
- expressing opinions and giving advice on compliance issues;
- training employees and raising their awareness of compliance issues;
- monitoring compliance controls in coordination with the Permanent Control Department;
- ensuring that Compliance procedures and projects take account of the latest regulatory developments.

The organisation is led by the Group Compliance Department in accordance with ACPR guidelines published in April 2020. The Department covers AML-CFT procedures and application of international sanctions, as well as Ethics issues such as the prevention of bribery, corruption and fraud, customer protection and compliance with regulations governing the provision of investment services. It is also close to the business, with teams in the CIB and Retail Banking business lines, the Head Office functions and the subsidiaries.

Third line of defence

The Internal Audit Department provides the third line of defence by performing periodic internal audits of all of La Banque Postale Group's departments and entities within the meaning of the government order of 3 November 2014 (as amended) on internal control.

The Internal Audit Department's activities form part of the framework created by the standards and regulations referred to above. They comply with the auditing profession's practice guidelines as presented in:

- ▶ The International Professional Practices Framework (IPPF);
- ▶ The professional internal auditing practices framework drawn up by the French chapter of the Institute of Internal Auditors (*Institut Français de l'Audit et du Contrôle Interne*).

The Internal Audit Department's purpose is to provide the Executive Board and Supervisory Board with reasonable assurance concerning the effectiveness of risk management within the Group.

It acts independently, objectively, without any restrictions or exceptions, for the audit of all processes and activities of:

- ▶ La Banque Postale;
- ▶ its majority or jointly controlled subsidiaries, by decision of the Supervisory Board of La Banque Postale on 19 February 2014⁽³⁴⁾ with the exception of the insurance subsidiaries;
- ▶ financial services entities dedicated to or working for and on behalf of La Banque Postale⁽³⁵⁾;
- ▶ important and critical services within the meaning of Article 10r of the government order of 3 November 2014 (as amended) on internal control, Article 49 of the Solvency II Directive of 25 November 2009 and the AMF General Regulation (RGAMF), also fall within the scope of the Internal Audit Department's activities.

Concerning the insurance subsidiaries, and in agreement with France's banking and insurance supervisor (ACPR) for the implementation of the Solvency II Directive, the internal audit key function is delegated⁽³⁶⁾ by the subsidiary's Chief Executive Officer through the subsidiary's internal audit policy to the Insurance Division's internal audit function.

This responsibility is exercised by an employee who reports directly to the Head of Internal Audit and on a dotted-line basis to the Director of the Insurance Division.

The system is described in the Group's Periodic Control Charter which sets out the basic principles governing the Internal Audit function within La Banque Postale Group and the La Poste units that carry out transactions in the name and on behalf of La Banque Postale. It describes the role and responsibilities of the Internal Audit function, its position in the internal control structure and its auditing methods. The Charter was approved by the Group Risk Committee of the Supervisory Board in April 2020. The Head of Internal Audit reports to the Chairman of the Executive Board and has a direct line of communication with the Supervisory Board's Risk Committee to report any matters of concern.

(34) The Internal Audit Department "is responsible for performing periodic audits of all La Banque Postale Group companies in accordance with Article 20 of the government order of 3 November 2014".

(35) Source: Article 2 of Appendix 1 to the Framework Agreement "Conditions under which La Banque Postale monitors and audits La Poste's activities carried out in the name and on behalf of La Banque Postale pursuant to the Framework Agreement and the Agreements for its Application".

(36) This delegation is also included in the internal control reports submitted to the banking and insurance supervisor.

4.3.1.2 The Group's governance bodies and steering of the Group's risks

Governance and oversight of the Group's risks are the responsibility of a group of committees, to ensure top-down compliance with the applicable laws and regulations, from the highest to the lowest level in the organisation.

To fulfil their responsibilities, La Banque Postale's two governance bodies are supported by the following committees:

- ▶ **for the Supervisory Board:** the Supervisory Board's Risk Committee, which meets at least once every two months (for more information about the Committee, see Section 2.1.2.1.4 "Work of the committees of the Supervisory Board" in La Banque Postale's 2021 Universal Registration Document);
- ▶ **for the Executive Board:**
 - Group Risk Management Committee (GRMC): the executive body dedicated to overseeing the Group's risks. This Committee meets on a monthly basis,
 - Conglomerate Committee: the committee of the Executive Board set up in compliance with La Banque Postale's regulatory obligations as the head of a financial conglomerate,
 - Insurance Strategy Committee: this committee has been set up in response to the regulatory requirement for additional supervision of the financial conglomerate, in order to strengthen La Banque Postale Group's overall governance and risk management system. It is a committee of La Banque Postale's Executive Board, whose strategic oversight of matters subject to additional supervision is carried out by the Conglomerate Committee,
 - Group Cyber Strategy Committee: this committee enables the Executive Board to validate La Banque Postale Group's cyber-security strategy, monitor its implementation and note its results. It meets twice a year.

To ensure that the Group's risks are overseen as effectively as possible, representatives of the Risk Organisation are members of the following Executive Board committees:

- Balance Sheet Management Committee (BSMC) which includes the ALM and Treasury Committee. This committee is led by the Balance Sheet Management Director and chaired by the Chairman of the Executive Board,
- Information Systems and Major Projects Strategy Committee (ISMPSC), which is led by the Chief Information Officer and chaired by the Chairman of the Executive Board.

One Executive Board meeting every two months is devoted to discussing internal control issues.

Lastly, the Risk Organisation has set up a number of operational committees tasked with overseeing the Group's risks. The Group Risk Department may also attend meetings of the subsidiaries' Internal Audit and Risk committees but is not a member of these committees.

The main committees of the centralised risk function (some of which are sub-committees of the GRMC) are presented below.

For credit risks:

- Group Retail Loans Committee: this Committee, which is part of the Risk Organisation, examines retail loans originated by La Banque Postale and loans originated by the Louvre Banque Privée and SOFIAP subsidiaries in accordance with approved delegations of authority;
- Group Executive Board Commitments Committee: this committee is the ultimate decision-making body for CIB and Louvre Banque Privée corporate customers, covering both lending and investment decisions. It meets once a week to make decisions on (i) lending commitments in excess of €100 million (total commitment to the business group), (ii) loans that do not comply with the Group Risk Management Policy or are on non-standard terms, and (iii) loans for which the commitments committee at the highest level of delegated authority was unable to reach an agreement;
- Credit and Investment Risk Committee (CIRC): depending on the matter, this committee is the decision-making body or the body responsible for making recommendations to the Executive Board's Commitments Committee concerning investment activities.

The CIRC decides on all limits that fall within the framework of the Group Risk Management Policy for Credit Risks on Investment Activities, Securities and Derivatives, within GRMC-approved limits for Investment Activities;

- Insurance Investment and Acceptance Committee: this committee examines and issues an advisory opinion on significant CNP Assurances matters (limits on bonds and investment transactions);
- Syndication Monitoring Committee: the purpose of this committee is to monitor the risks associated with La Banque Postale's syndication activities, which are defined in and governed by the Syndication Risk Management Policy document;
- Large Exposures Committee: this GRMC sub-committee meets at quarterly intervals to discuss changes in the credit portfolio and related risk metrics presented by the Corporate, Public Sector and Institutions Credit Risk Department (CPSICRD). It also reviews summaries of the lending decisions made during the period under review and status reports on actual commitments versus Commercial Banking lending limits;

- Watchlist Committee: this Risk Organisation committee meets at least once a quarter and as often as necessary at the request of the Special Cases management team. Its tasks consist of examining new cases considered for inclusion on the Watch List, deciding whether cases should be taken over by the Special Cases management team and deciding whether cases should be classified as in default, whether a provision should be booked and whether cases classified as in default should be reclassified as healthy;
- Credit Loss Provision Approval Committee: this Risk Organisation committee meets once a month to approve the amount of the Group's provisions for Expected Credit Losses (provision levels B1, B2 and B3);
- Home Loan Disputes Committee and Post Office Cheque Account Disputes Committee: these Risk Organisation committees meet once a month and are responsible for collection procedures and for decisions to write off retail loans and overdrafts.

For financial risks:

- Market Risks Committee: this GRMC sub-committee meets once a month and is tasked with overseeing the operational system for managing market and valuation risks. In particular, it examines the results and risks associated with capital markets activities, including for the insurance business, the results of controls over independent price verifications, the amounts of reserves and fair value adjustments.

The committee validates La Banque Postale's level 3 limits, in line with the risk appetite framework, proposed changes to the risk measurement methodology, and the systems for managing market risk and valuation risk.

For insurance risks:

- Insurance Risk Committee: this Risk Organisation Committee – whose remit includes La Banque Postale's Insurance Division entities – is responsible for ensuring that the Group has a uniform risk management framework and a consolidated vision of insurance risks;
- CNP Assurances Group Risk Committee: this is the umbrella committee for the CNP Assurances Group's risk management process and, as such, is responsible for validating the risk-taking framework as well as for overall risk monitoring.

The Committee can draw upon reviews of specific risks already carried out by other committees or by equivalent structures set up by the subsidiaries.

For operational risks:

The Group Risk Management Department defines the system for collecting and analysing operational incident reports throughout the Group and consolidating the data. The system is deployed under the responsibility of the entity managers with Risk Organisation support. The main incidents and the lessons learned are reported to the GRMC.

- Operational Risk Provisions Committee: this is a sub-committee of the GRMC to which it reports regularly. It meets with the same frequency as the accounts closing processes. Its primary role is to review operational risks which have been estimated by an independent valuer to represent a unit loss of more than €250,000;
- Cyber-security Strategic Plan Oversight Committee: the role of this Committee is to monitor initiatives and projects for the roll-out of the cyber-security strategy and make any necessary decisions. It meets at quarterly intervals;
- Risk and Compliance Committees (RCC) for the business lines or Risk Management Committees (RMC) for subsidiaries: these committees, which meet at least once every six months, are the entity-level equivalent of the Group Risk Management Committee. They have been set up in all Group entities including within the La Poste network, and are responsible for:
 - providing a consolidated view of their entity's operational risk profile and the effectiveness of related controls, including validation of the risk map at least once a year,
 - monitoring the entity's operational risks, and obtaining assurance concerning the effectiveness of the action plans resulting from the risk map and the permanent control system,
 - presenting the main Compliance issues, including those related to Financial Security.

For cross-functional issues:

- Risk Management Rules Validation Committee (RMRVC): this GRMC sub-committee meets twice a month or at the request of Group Risk Department or business lines. Its role is to validate all of the management rules and the standardised and methodological documentation used by La Banque Postale's Group Risk Department, the Risk Organisation entities and the business lines' Risk Departments in order to manage risks and effectively implement the risk management strategy set by La Banque Postale in its Risk Appetite Statement and Group Risk Management Operational Policy;

- Solvency Ratio Validation Committee: this Risk Organisation Committee meets once a quarter and is tasked with validating La Banque Postale Group's solvency ratio and Minimum Requirement for Own Funds and Eligible Liabilities (MREL);
- Conglomerate Capital Ratio and Reports Validation Committee: this Risk Organisation Committee meets twice a year and is tasked with validating the Group's conglomerate capital ratio and reports;
- Conglomerate Reports Validation Committee: this Risk Organisation Committee meets twice a year and is responsible for validating compliance with conglomerate capital adequacy rules, the conglomerate capital ratio, conglomerate risk concentration reports and intra-group position monitoring reports;
- Model Risk Management Committee: this GRMC sub-committee meets at the request of its Chairman or on the proposal of its secretary. Its role is to carry out permanent controls on the methodology used for all of La Banque Postale's significant models, including for its subsidiaries, in order to effectively manage the risks related to those models;
- Operational Stress Test Committee (OSTC): this sub-committee of the GRMC meets four times a year. It is chaired by the Head of the Cross-Functional Risk Management Department and is made up of the main contributors to the Group's stress testing exercises (Group Risk Department, Finance Department and Business Line teams). The Committee's role is to approve La Banque Postale's annual Stress Testing Programme before it is proposed to the GRMC, define the testing methods, sign off on the results and lead the Group's internal ICAAP and regulatory stress testing exercises.

The Risk Organisation is also supported by **other cross-functional committees**, including:

- Subsidiary Risk Management Committee: like the meetings of the La Banque Postale GRMC, the subsidiaries' Risk Management Departments hold meetings of their own risk management committees prior to the meetings organised by the subsidiaries' governance bodies (Audit and Risk Committee);
- Product Review Committee: this committee is chaired by the Group Compliance Department. It is responsible for validating product launches or significant adaptations to an existing product further to a review of their functioning, of their appropriateness for the target customers, and of any requisite developments such as new sales channels or licence extensions;
- Product Monitoring Committee (PMC): this committee ensure that products are adapted over time to their target market, on the basis of monitoring indicators defined upstream. In the event that a product becomes out of step with its market, the PMC implements appropriate corrective measures, and confirms or revises the product's distribution strategy. The committee is co-chaired by La Banque Postale Group's Marketing Director and Chief Compliance Officer.

The committees are responsible for:

- ▶ validating the risk policies incorporated in the operational activities' management policies,
- ▶ validating the principles underpinning risk measurement, monitoring and management standards and determining the quantitative limits nomenclature,
- ▶ ensuring that risk indicators (market risk VaR, ALM mismatches, credit risk rating, operational risk rating, etc.) and risk maps are reviewed at regular intervals,
- ▶ setting overall limits and operational limits – expressed in terms of either loss scenarios or risk exposure – after the Risk Organisation has examined the requests for limits received from the operating departments,
- ▶ authorising new financial products and new financial businesses on the basis of a written opinion from the Risk and Compliance Organisations, and setting the conditions for the products' use or the conduct of the businesses,
- ▶ reviewing reports comparing commitments to the related limits and issuing instructions where limits are exceeded,
- ▶ examining statistical changes in operational risks and developing action plans in the event of anomalies,
- ▶ monitoring implementation of these instructions and action plans and, if necessary, deciding to discontinue certain operational activities or withdraw product approvals for certain products,
- ▶ establishing the impaired credit watchlist and periodically reviewing the credits and any related provisions,
- ▶ analysing the vulnerability of the subsidiary or the Group to worst-case scenarios (stress scenarios),
- ▶ agreeing action plans to address any weaknesses identified by the risk management systems and monitoring their implementation,
- ▶ leading Risk Information System upgrades and developments,
- ▶ making credit decisions.

At CNP Assurances, the Board of Directors, the Audit and Risk Committee and executive management are responsible for risk management, as well as for internal control governance and oversight. They are supported in this task by a certain number of committees, including:

- ▶ Group Risk Committee: this committee reviews the half-yearly reports prepared by the permanent control teams and prepares executive summaries of the reports' most salient information, where appropriate, for review during meetings of the Audit and Risk Committee of the Board of Directors;
- ▶ Operational Risks and Internal Control Committees: these committees have been set up in all CNP Assurances entities; their role is to obtain assurance concerning the effectiveness and completeness of controls over the insurance entities' operational risks. They meet twice a year.

The role and responsibilities of each body or committee are formally described in their internal rules. Only the key points in the rules are mentioned here.

The minutes of these committees' meetings are translated into instructions signed by their chairperson and circulated to the members of the Risk Organisation tasked with their implementation.

Reports on the instructions' implementation are submitted to the committee concerned.

4.3.2 Regulatory framework

La Banque Postale is the parent company of a group primarily made up of companies operating in the regulated financial sector. In this respect, each of La Banque Postale Group's subsidiaries or affiliates is subject to the specific regulations applicable to the sector in which it operates, i.e., banking, insurance or investment services. La Banque Postale is recognised by the supervisory authorities as a financial conglomerate together with its insurance subsidiaries, and complies with the specific regulations in terms of additional supervision.

Applicable regulations are aimed at guaranteeing the stability of the financial sector (i.e., "prudential" regulations) and at protecting consumers/investors. They are also designed to prevent money laundering and the financing of terrorism.

La Banque Postale's internal control is governed by the French Monetary and Financial Code, by the amended government order on internal control of 3 November 2014, and by the guidelines of the European Banking Authority dated 2 July 2021 (EBA/GL/2017/11).

La Banque Postale is subject to European and French "prudential" regulations applicable to credit institutions and financial conglomerates.

The activities of La Banque Postale belong to sectors that are subject to strict regulation: the banking, financial services and insurance sectors. The regulatory framework for these activities has undergone major change and has become increasingly complex over the past few years.

The main regulatory provisions applicable to La Banque Postale (parent company and subsidiaries) which have an impact on the risk management system are presented below.

European and French regulations

Capital regulations incorporate the notion of institutions that are "systemically important" for the economy, the aim being to adjust the governance, risk management and control, and minimum capital requirements applicable to those institutions. La Banque Postale Group is included in the group of "other" Systemically Important Institutions.

La Banque Postale is supervised directly by the ECB as a "significant entity" within the meaning of Regulation (EU) No 1024/2013 on the Single Supervisory Mechanism ("SSM Regulation") and the SSM Framework Regulation.

La Banque Postale is also subject to Directive No 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms ("BRRD"), which has been transposed into French law. The Single Resolution Mechanism (SRM), the second pillar of the Banking Union, rounds out the BRRD and was defined in Regulation (EU) No 806/2014. It establishes uniform rules and procedures for the resolution of credit institutions and of certain investment firms. The SRM organises the sharing of competences between the Single Resolution Board (SRB) and the national resolution authorities (the ACPR in France).

Financing companies, electronic money institutions, financial and payment intermediaries and insurance brokers fall within the supervisory remit of the ACPR in France.

Portfolio management companies are supervised by the French Financial Markets Authority (AMF), which also supervises investment firms together with the ACPR.

Insurance subsidiaries and affiliates included in the scope of the financial conglomerate are also subject to ACPR supervision on an individual basis. The ECB is responsible for organising supervision of the conglomerate and for ensuring that it complies with its obligations.

On 27 October 2021, the European Commission published its proposed changes to the Banking Package (prudential and resolution rules); La Banque Postale participated in the banking sector's examination of these proposals. One proposed change is the inclusion of a new area of regulation and supervision. The Banking Package is based on the work of the Basel Committee.

Application of the CRD and the CRR

La Banque Postale currently applies, among others, the prudential requirements defined in the CRR, which set out:

- ▶ capital instrument eligibility rules;
- ▶ capital requirement levels (including systemic and other risk buffers);
- ▶ capital requirement calculation rules for credit risk, counterparty risk, operational risk and market risk.

These rules were largely revised by CRR II in relation to counterparty and credit risk/SA-CCR and market risk. The new rules for market risk will be monitored pending their application in 2025.

Besides the risks mentioned above, La Banque Postale is also subject to:

- ▶ credit risk rules, as amended for areas such as investments in funds and application of a support factor for investments to finance infrastructure projects and the development of SMEs through modification of the existing factor;
- ▶ the thresholds and calculation rules for large exposures, which will be based on Tier 1 instead of eligible capital (as provided for by CRR II);
- ▶ the thresholds and calculation rules for the Net Stable Funding Ratio (NSFR).

Binding minimum requirements now apply to the NSFR and leverage ratio following application of the main CRR II measures from 28 June 2021. La Banque Postale is also calibrating its indicators and setting associated risk limits.

Since the Banking Package was published on 7 June 2019, several level 2 texts have been published dealing with counterparty credit risk (EU Delegated Regulation No 2021/931 specifying the method for identifying derivative transactions with one or more than one material risk driver) and large exposures (EBA/GL/2021/09 specifying the criteria to assess the exceptional cases when institutions exceed the large exposure limits and EBA/RTS/2022/06 on criteria for the identification of shadow banking entities). Other work is ongoing to complete the regulatory framework through the drafting of level 2 texts in the areas under the responsibility of the EBA for market risk, Pillar III requirements, reporting requirements and large exposures.

Many taxonomies and validation rules have been published to take into account the new texts or align them with amended texts (CRR, EMIR, MIF, SFT, etc.).

CRR II has also introduced new requirements concerning environmental, social and governance (ESG) risks (see Section *"Application of regulations concerning ESG risks"*).

The overall framework is gradually being put in place taking the regulations into consideration. Other EU framework texts have also been published, which La Banque Postale will comply with, namely:

- ▶ Directive No 2019/2034 and Regulation No 2019/2033 on the prudential requirements for investment firms, which amend the CRD and CRR. A certain number of level 2 texts have been prepared since January;
- ▶ Directive No 2019/2062 and Regulation No 2019/2060 (amending the CRR) concerning covered bonds;
- ▶ Regulations No 2021/557 and No 2021/558 amending the general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation.

Since it has a crowdfunding subsidiary, La Banque Postale will also comply with the Directive and Regulation on crowdfunding service providers published on 30 October 2020.

La Banque Postale will also follow the discussions underway with the European Commission to change the new regulatory framework applicable to securitisation transactions.

Lastly, on 27 October 2021, the European Commission published its proposed Banking Package, CRR3/CRD6. Most of the Package's provisions will come into effect as of 1 January 2025. The new regulations will not be enforceable until the European legislative process has been completed.

Application of the EMIR regulation (amended by EMIR Refit No 2019/834)

La Banque Postale applies the EMIR regulation (for the phase that concerns the Group) in order to be able to exchange initial margins for non-centrally cleared OTC derivative transactions. Exchanges of variation margins on these transactions are already effective.

Consideration of market recommendations on benchmarks and Brexit

La Banque Postale has set up a specific organisational structure to manage its transition from Eonia to the €STR, and to prepare for the phasing-out of the IBOR.

It also took the necessary measures to prepare for Brexit and is currently waiting for an agreement to be reached between the United Kingdom and the European Union on regulatory equivalence.

Application of the French government orders of 3 November 2014

The governance and internal control system implemented by La Banque Postale is governed by the government orders dated 3 November 2014 on:

- ▶ the internal control of firms in the banking, payment services and investment services sectors subject to the supervision of the Prudential Supervision and Resolution Authority (ACPR);
- ▶ prudential supervision on a consolidated basis;
- ▶ the additional monitoring of financial conglomerates.

This framework has been revised with the publication of new rules that came into effect between 29 December 2020 and 28 June 2021, amending the above-mentioned government orders dated 3 November 2014:

- ▶ transposition into French law of Directive No 2019/878 (CRD V) on remuneration practices (government order dated 22 December 2020 amending the internal control provisions of government order dated 3 November 2014);
- ▶ clarification of the requirements concerning AML-CFT systems and internal procedures, asset freezes, internal controls over these systems and procedures, the role of senior management, etc. (government order dated 6 January 2021 on AML-CFT systems, asset freezes, bans on the release or use of funds or economic resources, and the related internal controls);
- ▶ integration of certain rules adopted at European level and adjustment of certain industry practices in relation to EBA guidelines on outsourcing, internal governance and IT risk, the different lines of defence, data aggregation obligations, obligations concerning business continuity plan management, management of conflicts of interest, etc. (government order dated 25 February 2021 amending government order dated 3 November 2014 on internal control of regulated institutions);
- ▶ clarifications concerning instances where the ACPR supervises a group on a consolidated basis (government order dated 25 February 2021 amending government order dated 3 November 2014 on prudential supervision on a consolidated basis and government order dated 3 November 2014 on the prudential supervision process and the process for assessing risks related to banking service providers and investment firms other than portfolio managers, amending government order dated 3 November 2014 on prudential supervision on a consolidated basis);
- ▶ transposition into French law of Directives (EU) No 2019/878 (CRD V) and (EU) No 2019/879 (BRRD II) on the rules restricting dividend payments if certain capital, minimum capital and MREL requirements are not met (government order dated 25 February 2021 concerning restrictions on dividend payments applicable to credit institutions, finance companies and certain investment firms, amending government order dated 3 November 2014 on the capital buffers of banking service providers and investment firms other than portfolio managers).

The management body (i.e., the Supervisory Board in the case of La Banque Postale) provided for in the European Banking Authority's guidelines on internal governance is responsible for:

- ▶ overseeing implementation of the governance arrangements and assessing their effectiveness;
- ▶ approving and regularly reviewing strategies and policies on the acceptance, management, monitoring and mitigation of known or potential risks.

The amended government order on internal control describes the role of senior management and their involvement in the risk management system. Portfolio management companies are supervised by the AMF, which also supervises investment firms together with the ACPR.

This role implies that members of the Supervisory Board have the necessary knowledge, skills and expertise to understand and monitor La Banque Postale Group's strategy and risk appetite. The powers of the supervisor have been strengthened with respect to the appointment and assessment of the competences of the directors and executives.

In accordance with the regulatory requirements for additional supervision of its financial conglomerate, La Banque Postale Group reinforced its overall governance and risk management system by holding an Insurance Strategy Committee. This is a Committee of La Banque Postale's Executive Board, whose strategic oversight of matters related to additional supervision is carried out by the Conglomerate Committee.

Application of the Solvency II directive for insurance subsidiaries (including CNP Assurances) and the FICOD directive

The Group's insurance subsidiaries are subject to the legal and regulatory framework implemented by the "Solvency II" and "FICOD" directives, which have been transposed into French law.

All of the subsidiaries and investments of La Banque Postale Group belonging to the insurance sector must meet, at all times, the regulatory requirements of this sector. As the head of a financial conglomerate, La Banque Postale is responsible for ensuring that each of its subsidiaries meets all such requirements and, more generally, that risk controls are consistent and in line with the Group's Risk Organisation Charter.

Measures adapting regulations and procedures due to the COVID-19 health crisis and the Russia-Ukraine conflict

In addition to the regulatory framework described above, a number of measures were published and/or adopted by the supervisory authorities in order to mitigate the impacts of the COVID-19 pandemic. These included:

- ▶ optional temporary exemption from complying with Pillar 2 Guidance, the capital conservation buffer and the LCR (these exemptions will expire on 1 January 2023);
- ▶ optional exclusion of central bank exposures from the leverage ratio (this option expired on 1 April 2022);
- ▶ lowering of the counter-cyclical buffer to 0% for French exposures (measure expiring on 7 April 2023, when a rate of 0.5% will apply);
- ▶ providing for specific provisions regarding exposures subject to repayment holidays;

- ▶ government-backed stimulus loan and bond programmes (*Prêts Participatifs Relance* and *Obligations Relance*) that will expire on 31 December 2023;
- ▶ a new government-backed stimulus loan programme (*Resilience*) that expired on 30 June 2022.

Application of the regulations concerning ESG risks

Since the COP21 conference in Paris in particular, the banking sector has been considered as having a critical role to play in financing a more responsible and sustainable economy. The banking supervisor has published a certain number of regulatory texts supporting this view, some of which are still at the consultation stage.

La Banque Postale complies with the regulation on sustainability-related disclosures in the financial services sector (Regulation (EU) No 2019/2088 – SFDR – which is in the process of being implemented through the European Supervisory Authorities' Regulatory Technical Standards (RTS), the final version of which was published at the end of October 2021).

Other proposed regulatory texts that are currently being finalised are also being examined in detail. They include:

- ▶ the Taxonomy Regulation No 2020/852 and its delegated acts (Climate Delegated Act No 2021/2139 and Delegated Regulation No 2021/2178 on disclosures concerning environmentally sustainable economic activities), some of which are still at the consultation stage (in particular the supplementary Climate Delegated Act);
- ▶ the European Banking Authority's implementing technical standards on Pillar III ESG disclosure requirements (EBA/ITS/2022/01), pending their publication in the Official Journal of the European Union.

The ECB has stepped up its supervision of ESG risks by publishing its final guide on climate-related and environmental risks for banks, explaining how the ECB expects banks to prudently manage and transparently disclose such risks under current prudential rules (November 2020). To address the ECB's expectations, La Banque Postale completed an annual self-assessment questionnaire in the first quarter of 2022 and it will also participate in the ECB's climate stress test to be conducted in the first half of 2022.

4.3.3 Risk mapping

La Banque Postale has a Risk Taxonomy representing the framework of risk factors to which the Group is exposed. Its purpose is to create a shared risk language across all of La Banque Postale Group's entities (banking, insurance and asset management sectors).

The Group has a risk map that scores all of these risks and enables it to comply with the applicable regulatory requirements (government order of 3 November 2014 on internal control, FICOD, SSM publications, etc.) and is also used as a support for the various cross-functional risk management exercises (such as ICAAP, Risk Appetite Statement and Dashboard, New Product Analysis, Stress Tests, etc.).

This risk map sets out and classifies all of the risks to which the conglomerate is exposed. It was updated following the link-up with CNP Assurances to ensure that La Banque Postale Group is appropriately covered in terms of insurance risks.

The updated risk map validated by La Banque Postale Group's Executive Board on 28 September 2021 identifies 98 risk factors, classified in eight families. The main changes include:

- ▶ improved definition and granularity of strategic and business risks;
- ▶ rationalisation of financial risks (market risks, ALM risks, liquidity risks) following the convergence exercise with CNP Assurances;
- ▶ incorporation of a new ESG risk family.

4.3.4 Group Risk Appetite Statement

Risk Appetite Statement (RAS) and Risk Appetite Dashboard (RAD)

The Risk Appetite Statement (RAS) defines the Group's overall risk appetite. Supported by a strong risk culture, it describes La Banque Postale Group's strategy concerning:

- ▶ risk appetite;
- ▶ risk types;
- ▶ risk profiles; and
- ▶ the maximum risk La Banque Postale Group is willing to assume, taking into account its own funds, liquidity, refinancing issues and regulatory obligations.

The goal of this Risk Appetite Statement is to formalise at La Banque Postale Group level its appetite for the risks it is, and may be, confronted with in its daily activities over the coming year. It also expresses La Banque Postale Group's risk tolerance, i.e., the maximum risk level it is willing to take on.

The Risk Appetite Statement is part of La Banque Postale Group's Risk Appetite Framework (RAF).

The principles in terms of decision-taking, management and supervision described, discussed or mentioned in the Risk Appetite Statement are considered to be restrictive and applicable to all La Banque Postale Group entities and employees.

Risk Appetite Framework

La Banque Postale Group's RAF defines:

- ▶ the governance structure that ensures that the RAF is adhered to in the event of a breach;
- ▶ the roles and responsibilities of the parties responsible for implementing the RAF and ensuring that it is adhered to;
- ▶ the interactions between the RAF and other internal and regulatory exercises conducted by La Banque Postale Group (ICAAP, ILAAP, Recovery and Resolution Plan, budget and business plan);
- ▶ the frequency with which the RAF is updated.

Drawn up by the Group Risk Department, the RAF is submitted to the Executive Board and the Supervisory Board, which is in charge of defining La Banque Postale Group's risk appetite and associated limits.

Changes in the Group's risk profile and compliance with the RAF are monitored:

- ▶ monthly by the GRMC, chaired by the Executive Board; and
- ▶ at each meeting of the Supervisory Board Risk Committee.

La Banque Postale's intended risk profile is defined by a system of limits (qualitative and quantitative), organised in three levels of setting and monitoring. The overall limits expressed by the RAS and the associated RAD make up the first level of limits for La Banque Postale Group.

These limits are broken down and rounded out at operational level by way of limits set and monitored by the Executive Board, as described in the Risk Management Operational Policy (second-tier control) and the risk management rules (third-tier control) under the responsibility of the Group Risk Department.

The Risk Committee of the Supervisory Board must be informed of the first and second level limits and their monitoring.

The principles in terms of decision-taking, management and supervision described, cited or mentioned in the RAS are considered to be restrictive and applicable to all La Banque Postale Group entities and employees.

Major changes in the Group's Risk Appetite System in first-half 2022

In first-half 2022 the Group Risk Department continued its work to ensure the top-down consistency of the entire risk management system, based on:

- ▶ a Risk Appetite Statement (RAS), validated by the Supervisory Board in December 2021, along with the *RAD*, which has evolved in line with the budget exercise.

The revised 2022 RAS provides for a clear improvement in ESG risk coverage and monitoring, through the creation of new indicators, further advances in managing compliance risks and enhanced coverage of insurance risks (in alignment with CNP Assurances' risk appetite framework);

- ▶ the updated **Group Risk Management Operational Policy** (RMOP) approved by the Executive Board in February 2022, ensures the deployment of the 2022 RAS concerning credit risk, operational risk (new indicators on cybersecurity risk), insurance risk and ESG risk.

In addition to the RMOP, an RMOP Dashboard enables monthly monitoring of compliance with the RMOP levels in a consolidated manner by the GRMC;

- ▶ risk management rules validated by the Group Risk Department's Risk Management Rules Validation Committee (RMRVC), for the implementation of the RMOP; and
- ▶ operational and organisational roll-out of the Risk Organisation Charter, especially for corporate lending activities, financial risk management and permanent controls.

4.3.5 Risk monitoring, assessment and control systems.

Risk management is defined as the identification, assessment, management and monitoring of risks.

- ▶ **The identification of risks** involves determining risk factors, i.e., explanations of sources of potential or known loss that La Banque Postale Group might incur (insolvency of borrowers, fraudulent behaviour, volatility of market prices, macro-economic deterioration, changes to the legal and regulatory framework, etc.). Identification is based on a risk taxonomy that sets out the risks to which the Group is exposed and a risk map which scores all of those risks. The risk map also provides a consolidated view of internal and external risk factors that La Banque Postale Group is facing or could face.
- ▶ **Risk assessment** involves the preparation of methodologies to assess the different types of risk that La Banque Postale Group faces.
- ▶ **Risk management** allows risks to be hedged, in particular by using appropriate collateral and insurance policies or by using credit derivatives or securitisations. It also involves putting in place risk management procedures, processes and tools, such as the rules for accepting risks.
- ▶ **Monitoring** consists of ensuring the implementation of the risk control framework and assessing its effectiveness, as well as measuring the change in the risk profile compared to the expressed level of risk, notably through a system of exposure limits. It also entails informing or warning the proper bodies to enable them to make the necessary decisions (acceptance, correction, etc.).

In addition to management by type of risk, activity and entity, analysis, measurement and monitoring are also performed in a cross-entity and forward-looking manner:

- ▶ cross-entity: this provides an overview of the Group's risk exposure, including a consolidated vision;
- ▶ forward-looking: this incorporates events which, if they occurred, could have consequences for business activities and the risks faced.

4.3.5.1 Cross-entity risk management systems

Standards and methods

In order to ensure consistency in decision-making, measurement, management and monitoring, the concepts and standards that apply to all La Banque Postale Group entities and business activities, particularly those relating to prudential regulation, are defined by the Group Risk Department and validated by the Risk Management Rules Validation Committee (RMRVC). The Group Risk Department is responsible for communicating these standards and methods – which are included in the Risk Organisation's document repository (DocRisk) – and ensuring that they are rolled out seamlessly to the operating units.

Models

For its management needs and particularly for risk control, La Banque Postale Group employs a number of models based, in particular, on internal data. As these tools are used in management and business decision-making, a dedicated system is in place to manage model-related risk (i.e., errors during design, implementation or utilisation). These model risk management rules stipulate that all material models must be independently reviewed and approved annually by the Model Risk Management Committee (MRMC) or by a Risk Organisation committee on behalf of the MRMC.

Prudential production steering and control system of the Group Risk Department

In order to provide information to the various bodies responsible for managing and overseeing La Banque Postale Group and to enable them to track its risk profile, compliance with risk appetite and with prudential "risks" reporting requirements to the competent authorities (COREP, Large Exposures, International Liabilities, LCR, NSFR, ALMM, STE, CONGLOMER, etc.), the Group Risk Department centralises communication of risk monitoring reports (particularly concerning global and operational limits) to the Supervisory Board Risk Committee, the GRMC, the Solvency Ratio Validation Committee and all of the committees in charge of monitoring risks by nature or by business.

In order to better respond to internal and external quality and consistency issues within and between reporting periods (BCBS 239), as well as productivity and timeliness issues, a new Risk-Finance Department was set up in November 2021, comprising the Group Finance and Group Risk Departments' regulatory reporting organisations. Its director, who is responsible for the production of risk and financial regulatory reports for La Banque Postale Group, reports directly to the Group Chief Financial Officer and on a dotted-line basis to the Group Chief Risk Officer.

More specifically concerning BCBS 239, following a detailed analysis of governance and BCBS 239 Pillar 1 reporting processes based on the 11 BCBS 239 principles, a list of gaps was identified and an action plan was drawn up with the reporting organisations. The actions were prioritised and positioned on a general roadmap covering several years as from 2021.

Internal reports to the Risk Organisation are also mainly produced in a centralised manner and use the same source systems as those used for regulatory declarations. Data quality controls and database administration are done in coordination with the Data Quality Management teams of La Banque Postale Group.

4.3.5.2 Forward-looking systems

Regulatory monitoring

Generally speaking, La Banque Postale Group has a monitoring system responsible for following the drafting of laws and regulations that could affect its business activity and/or its strategy when they enter into force. The objective is that, whatever the field of application (consumer protection, AML-CFT, financial sector stability, accounting, etc.), La Banque Postale anticipates impacts, takes appropriate measures and is able to fulfil its obligations in a timely manner.

La Banque Postale also participates in meetings with the other leading French banks to discuss regulatory developments and their expected impact.

In terms of the stability of the financial sector, La Banque Postale Group monitors consultations conducted by international authorities, which are primarily the Financial Stability Board (FSB) or the Basel Committee, ahead of their future transposition into EU law.

Impact analyses, in the area of capital requirements, risk concentration or liquidity are built into the Internal Capital Adequacy Assessment Process (ICAAP) including, in particular, La Banque Postale's capital planning and Internal Liquidity Adequacy Assessment Process (ILAAP) procedures, and those for risk management and information systems are taken into account in planning projects.

Stress tests

Stress testing activities play a role in creating a joint Risk-Finance management system and are designed to be consistent with La Banque Postale's risk appetite and strategy.

The objectives of the stress test approach help define and evaluate the following over time:

- ▶ the risk-taking strategy and policy, capital adequacy in the event of a deterioration in the macro-economic environment (severe but plausible);
- ▶ the setting of limits and alert levels to provide a framework for risk-taking according to different areas of focus (type of risks, sectoral, individual, etc.);
- ▶ the ability to meet regulators' demands but also internal demands or those of the La Poste and Caisse des dépôts groups.

The stress test system covers two major categories of work:

- ▶ Macro/global stress tests: these tests mainly address the issue of La Banque Postale's solvency. The types of tests, methods and performance terms and conditions used in these internal and regulatory tests are similar to those drawn up recently for the banking industry, notably the EBA stress tests.
- ▶ Specific and additional stress tests appropriate to each business activity/subsidiary (notably the insurance, asset management and consumer loans businesses) or by type of risk (credit, market and operational). The stress test system benefits from a specific governance arrangement which enables its results to play an active role in La Banque Postale's monitoring and risk management system.
- ▶ The purpose of the stress test exercises is to provide information to the Executive Board, which approves the framework for activities and, where appropriate, monitors that they are carried out correctly. It is informed of and verifies results, assumptions, methods and scenarios. It also makes decisions about implementing preventative and corrective actions that are required.
- ▶ The Executive Board's GRMC bears the responsibility for implementing the system. It approves the assumptions, scenarios, methods and results, approves preventative and corrective actions to be implemented according to the results and, in particular, the limits and alert levels by type of risk and business activity.
- ▶ The Stress Test Operational Committee, developed to respond to this type of activity, manages the operational implementation of the stress test programme; it verifies that it is performed correctly at each stage. It also ensures, insofar as possible, the consistency of assumptions and the coordination of work.

The incorporation of stress tests in the Bank's Capital Planning is also performed primarily by the Capital Management Committee where the results of financial strength stress tests may be presented before being sent to the La Poste and Caisse des dépôts groups.

4.3.5.3 Credit risk systems

The Retail Credit Risk (RCRD) and Corporate Credit Risk (CCRD) Departments are responsible for defining the credit risk management systems for financing and investment transactions based on the risk appetite. The main components of the system are:

- ▶ the rules for granting loans;
- ▶ scores, ratings, investigation and decision-making tools;
- ▶ delegation schemes;
- ▶ risk management rules;
- ▶ risk control, notably for delegations;
- ▶ risk monitoring;
- ▶ rules for managing inherent risk;
- ▶ declassification and provisioning rules;
- ▶ collection rules.

These two departments have regional teams. The description of the credit risk management system is provided in Section 4.4 “Credit and counterparty risk” below.

4.3.5.4 Financial risk systems

The Financial Risk Department within the Group Risk Department is responsible for managing financial risks which, for La Banque Postale, consist of:

- ▶ **market risks**, which reflect the potential impact of changes in the financial markets on the La Banque Postale’s results or balance sheet. They include pricing risk, interest rate risk, credit spread risk, equities risk, foreign exchange risk, volatility risk, inflation risk and basis risk;
- ▶ **balance sheet risks**, which reflects the impact of financial risks on the scope of the bank portfolio. It includes liquidity risk and overall interest rate risk.

Financial risks cover the risks resulting from changes in the financial markets. La Banque Postale is notably sensitive to changes in the rate and debt markets. Changes in these two can impact the net banking income (NBI) of current and previous years, or La Banque Postale Group’s balance sheet and, therefore, its solvency, immediately or at a future time.

Financial risk taking must be authorised by an Executive Board delegation or by an authority with this delegation. The delegation must be controlled and reported on. The amount of risk must be commensurate with La Banque Postale Group’s capital.

La Banque Postale pays a great deal of attention to the operational security of financial transactions. The process for authorising new instruments and products is standardised.

The description of the management of financial risks is given in Section 4.5 “Financial risks” below.

4.3.5.5 Operational risk systems

The Group Risk Department reports to the Executive Board concerning the procedures for managing and monitoring La Banque Postale Group’s operational risks. The procedures for managing the operational risks are part of La Banque Postale Group’s risk management framework. The Operational Risk unit of the Group Risk Department reports to the GRMC concerning the creation and implementation of procedures for managing and monitoring operational risks.

As part of monitoring all types of risks associated with operations (volume V of the amended government order on internal control of 3 November 2014), the main roles of the Operational Risk Department are to:

- ▶ create the framework: establish operational risk (OR) policy and governance for La Banque Postale Group, define operational risk management standards, methods and tools and ensure their operational application (supervision of the OR Organisation);
- ▶ monitor: identify La Banque Postale Group’s main risks, monitor and report on the effectiveness of the systems in place to manage those risks;
- ▶ support: help the members of the Risk Organisation with the implementation and supervision of the system within the entities of La Banque Postale Group; contribute to building their professional skills;
- ▶ anticipate future threats: identify and model low-frequency high-impact scenarios, identify weaknesses;
- ▶ ensure proper compliance, within La Banque Postale Group, with the rules, standards and methods for managing operational risks.

The Operational Risk unit has a dedicated organisation for carrying out its duties.

The organisational framework set up within La Banque Postale Group for managing operational risk is based on the principles defined in the Risk Management Operational Policy (RMOP) and the La Banque Postale Group Risk Organisation Charter.

The Group's operational risk management system is based on the principle of empowering businesses to identify, assess, manage and monitor their risks.

The management framework for operational risk is set by the Operational Risk unit which guarantees its implementation and compliance throughout La Banque Postale Group's business lines and the entities working in the name of and on behalf of La Banque Postale, via the Operational Risk Organisation.

With respect to compliance risks, the definition and implementation of risk management systems is the responsibility of the Compliance Department.

The Operational Risk unit is responsible for ensuring that the risks are included in a map which is updated at least annually and that they are classified based on a dual probability/impact matrix in order to determine their criticality (low, moderate, major or critical). The Supervisory Board Risk Committee approves the impact measurement thresholds and the frequency of critical and major risks for La Banque Postale Group.

Operational risk management for CNP Assurances group is covered by a dedicated policy that is validated annually by the Board of Directors and rolled out to each of its subsidiaries. This policy describes the governance, methods and processes applicable to managing CNP Assurances' operational risks.

The task of integrating CNP Assurances into the operational risk management system of La Banque Postale Group is continuing in 2022. The work includes pursuing the convergence of outsourcing arrangements and operational risk management methodologies, and sharing operational risk monitoring indicators.

Also, for the second year running, an operational risk map has been prepared based on a conglomerate vision, taking into account the operational risks of the CNP Assurances Group.

The operational risk management system is provided in Section 4.6 "Operational risks" below.

4.3.5.6 Compliance risk systems

A description of the risk management system is provided in Section 4.8.2 "Compliance risks" below. Compliance risks are considered to come under the operational risk family and are therefore subject to the corresponding risk management framework as a minimum.

4.3.5.7 Insurance risk systems

The Insurance Risk Management Policy is rolled down based on the legal and regulatory framework implemented by the "Solvency II" and "FICOD" directives, as transposed into French law. This Policy sets out the strategies, principles and processes making it possible to identify, measure, manage and monitor the risks to which the insurance activities of La Banque Postale Group are exposed, including activities entrusted to its partners in the insurance sector.

Further information is provided on the insurance risk system and additional supervision of the conglomerate in Section 4.7 "Insurance risks and additional supervision of the conglomerate" below.

4.3.5.8 System of permanent controls

The Permanent Control Department reports to the Group Risk Department. It is responsible for the operational management of second-tier controls for the risks identified in the La Banque Postale conglomerate risk map (including non-compliance risks).

The Permanent Control Department is also in charge of the second-tier controls of the centralised functions of the Group Risk Department, and to this end it:

- ▶ ensures that the first-tier controls are performed periodically by the entities in accordance with their defined control plan and provides a summary to the Group Chief Risk Officer;
- ▶ identifies and validates with the Group Chief Risk Officer the sensitive processes subject to a second-tier control, independently of the operational teams;
- ▶ monitors the action plans implemented to hedge risks identified by the second-tier internal control bodies.

It also contributes to first-tier controls, notably by providing tools for formally documenting controls and by communicating risk and control indicators defined in close collaboration with the other units of the Group Risk Department.

In order to fulfil its role of leading second-tier controls and contributing to first-tier controls, the Permanent Control Department:

- ▶ provides the banking controllers and their managers with the tools they need to carry out their control duties relating to La Banque Postale's distribution networks (post offices, La Banque Postale Chez Soi agencies and business

centres), including control plans, control questionnaires and tools for consolidating results using aggregates based on each level of managerial responsibility;

- ▶ draws up general control and methodological guidelines for application by all of the Group's subsidiaries concerned;
- ▶ is in charge of the administration and maintenance of La Banque Postale's permanent control tool for first- and second-tier controls;
- ▶ can, on request, (i) perform targeting and remote controls via indicators and (ii) provide the business lines with first-tier control indicators in collaboration with the Group Risk Department;
- ▶ communicates to La Banque Postale Group subsidiaries and head office departments the objectives relating to the organisation and methods to be implemented in order to harmonise the permanent control tools;
- ▶ draws up the control result reports required for meetings held by the Group's Risk and Control bodies – notably the Risk and Control Committees and the GRMC and the Supervisory Board Risk Committee – as well as for regulators and supervisory authorities.

The Head of the Permanent Control Department reports directly to the Group Chief Risk Officer. He or she does not combine this role with responsibility for risks or periodic controls, and is not responsible for compliance. In accordance with the government order of 6 January 2021 related to anti-money laundering and the financing of terrorism (AML-CFT), asset freezes and bans on the release or use of funds or economic resources, which came into effect on 1 March 2021, the Head of the Permanent Control Department has been named by the Executive Board as "Head of Permanent Control over AML-FT and Asset Freeze Systems". He or she has full powers to exercise the functional and hierarchical supervision of the Permanent Control Organisation. His or her responsibilities particularly involve managing careers in a manner consistent with the requirements of each organisation.

Two Deputy Heads of Permanent Control are responsible for managing the two main organisations:

- ▶ A Deputy Head of Permanent Control is in charge of overseeing controls in the Retail Banking networks and is responsible for the hierarchical management of the Banking Controllers Organisation, through the Territorial Heads of Control. As such, he or she is responsible for the banking controls carried out within the distribution networks (retail and corporate entities) and for supervising the Banking Controllers Organisation.
- ▶ The other Deputy Head of Permanent Control is in charge of managing the Permanent Control Department's independent specialised controllers (Credit, Financial Security, Financial Markets, Financial Risks, Regulatory Production, Operational Risk Management). This Deputy Head of Permanent Control is also in charge of managing the support units of the various control bodies within the entities and subsidiaries.

The Design, Steering and Reporting unit of the Permanent Control Organisation, the head of which reports directly to the Head of Permanent Control, is in charge of the operational management of permanent controls, which involves implementing a uniform and efficient control system for La Banque Postale Group as a whole.

The Permanent Control Department carries out an operational oversight role with respect to all of the actors within the Group that perform second-tier permanent controls, namely:

- ▶ the internal controllers in the Customer Relationship and Expertise Centres and the Remote Banking unit (in coordination with the Operational Risk Management Department covering the La Poste Network's Consumer and Digital Division and the Customer Relationship and Expertise Department, the head of which reports directly to the Group Chief Risk Officer);
- ▶ the controllers in the Banking and Insurance IT Department, who work in coordination with the Risk Management Department (IT & Innovation RMD);
- ▶ the controllers in La Banque Postale's Head Office departments, in coordination with the risk management units of Corporate and Investment Banking (CIB), the Finance Department (FD), the Payments Department (PD), the Marketing Department (MKD) and the Human Resources Department (HR);
- ▶ the subsidiaries' controllers.

The controllers and risk managers within the Group entities report to the heads of the entities' risk management departments, who in turn report to the Group Chief Risk Officer (in the case of the CIB Division, the Network and the Retail Banking division) or the Head of Operational Risk. The banking subsidiaries' risk managers report to the Head of Banking, Asset Management and Strategic Project Risks.

Following the integration of CNP Assurances and the subsequent transition period of several months during which the process was defined for rolling down the Risk and Permanent Control charters to CNP Assurances, work is now in progress for the convergence of the La Banque Postale and CNP Assurances permanent control systems. The work consists of analysing the two groups' control systems and gradually rolling out the generic controls proposed by La Banque Postale (mainly concerning critical and major risks) to CNP Assurances. At the same time, CNP Assurances' permanent control teams are included in the various coordination and information sharing processes organised by the Permanent Control Department. A quarterly reporting system has been set up to produce consolidated business reports at the level of the conglomerate.

In line with the roadmap for the integration of CNP Assurances' internal control system in that of La Banque Postale, a new Control Organisation approved in July 2021 is currently being deployed. At the same time, the Risk Organisation teams at CNP Assurances are performing independent reliability tests for risk rating purposes. Integration of the subsidiaries in La

Banque Postale Group's control system is also ongoing, with a review of the main international subsidiaries planned with a view to enhancing existing first- and second-tier controls.

Lastly, in accordance with the applicable banking regulations and EBA guidance, La Banque Postale's Permanent Control Department organises second-tier controls for La Banque Postale Group's Critical and Important services. An annual second-tier control campaign for outsourced essential business is carried out by the subsidiaries' various control bodies and the risk management departments of the entities that form part of La Banque Postale's head office (for those concerned). The Permanent Control Department consolidates the results of these second-tier controls in coordination with the Operational Risk unit, which is in charge of annually updating the list of Outsourced Essential Services and Critical and Important Services.

Through this permanent control system, La Banque Postale ensures that its controls are consistent across all of the Group's activities, which allows it to have a formal control plan that includes all control programmes in a single document: Distribution Networks, Customer Relationship and Expertise Centres, IT, Investment Services, Head Office and Subsidiaries.

4.4 CREDIT AND COUNTERPARTY RISKS

4.4.1 Organisation of credit and counterparty risk management

The Group Risk Department reports to the GRMC on the drafting and implementation of measures for monitoring and managing credit risks relating to the Retail Banking and Corporate segment in accordance with the government order of 3 November 2014.

It defines the monthly credit risk monitoring indicators approved by the GRMC.

The Group Risk Department covers credit risk, i.e., the risk incurred in the event of the default of a counterparty or of counterparties considered as a single beneficiary within the meaning of Regulation (EU) No 575/2013 of the European Parliament and of the Council relating to the capital requirements applicable to credit institutions and investment firms (CRR), as amended by Regulation (EU) No 2019/876 (CRR II).

Organisation and management of credit risk

The Risk Appetite Statement (RAS), the Risk Management Operational Policy (RMOP) and the Risk Organisation Charter are implemented via operational rules for managing product risks by business activity/customer category or by business line counterparty. The risk management rules rolled down by type of product and customer take into consideration developments in La Banque Postale's business. These rules are approved by the Risk Management Rules Validation Committee (RMRVC).

The development of the customer base and products goes hand in hand with the transformation of the sales network. La Banque Postale is continuing to expand the lending authority given to the sales teams in accordance with Article 112 of the government order of 3 November 2014. The principle is for lending decisions to be made by the business unit and reviewed by the risk function, if required by the risk level or financing amount involved. The Risk Organisation has been fully deployed at the regional level, and has region-specific dashboards to monitor and manage risks by staying close to the operational teams. These dashboards are also used at the centralised level and contribute to seamless interaction between the centralised and regional functions of the Risk Organisation.

Internal rating models are taken into account in the approval and delegation processes as well as in everyday loan management, which has further strengthened the management of retail customer risks.

4.4.2 Quantitative credit risk information

4.4.2.1 Retail customer credit risk

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

- ▶ real estate loans to individuals and to high-net-worth Limited Property Investment Partnerships (SCIs) (La Banque Postale and its subsidiaries Louvre Banque Privée and SOFIAP);
- ▶ overdrafts and means of payment for retail banking customers (La Banque Postale and its subsidiary Louvre Banque Privée);
- ▶ consumer credit (La Banque Postale Consumer Finance and Louvre Banque Privée);
- ▶ the acquisition of loan portfolios in France and other eurozone countries ("whole loan transactions").

The retail lending business is highly concentrated in France.

For retail credit, the Group Risk Department is responsible on behalf of La Banque Postale Group for:

- ▶ defining the rules and tools governing risk-taking and the management of inherent risks;
- ▶ monitoring the effective application of these rules and the proper functioning of the tools at the Group level, i.e., La Banque Postale SA, La Banque Postale Consumer Finance, Louvre Banque Privée and SOFIAP.

It develops the rules for granting and committing to loans.

The Retail Credit Risk Department (RCRD) directs La Banque Postale's Group Retail Credit Risk Committee, which is the highest delegating body within La Banque Postale Group with respect to granting loans to individuals.

Regarding the management of inherent risk, the Group Risk Department is responsible for the recovery rules, working with the Legal Department, the Operations Department and the departments governing provisions for accounts receivable in liaison with the Accounts Department.

As they fall outside the scope of the Group Risk Department's authority, the applicable rules are submitted for approval to the GRMC (chaired by a member of the Executive Board) or to the Executive Board if requested by the Chairman of the GRMC. After validation, the Retail Credit Risk Department ensures implementation and monitors the proper application of these rules throughout the loan process.

Concerning the subsidiaries, the Heads of Risk Management at La Banque Postale Consumer Finance, Louvre Banque Privée and SOFIAP report to the Head of Subsidiaries' Risk.

4.4.2.2 Credit risk on corporate loans

Since 1 January 2022, La Banque Postale's corporate financing and investment activities have been conducted by the Corporate and Investment Bank (CIB) and its leasing and factoring subsidiary (La Banque Postale Leasing & Factoring – LBP L&F). As part of its commercial activity to finance the economy, La Banque Postale serves the following customer segments: Corporates, Non-Profits, Large Corporates, and the Local Public Sector (local authorities, public hospitals, social landlords).

La Banque Postale, through CIB, also conducts or participates in asset and project finance activities, private placements and capital markets transactions. It manages the following financial instruments: debt securities, UCITS, securitisation funds, derivatives (swaps, caps and floors, options, foreign currency, futures, credit derivatives, currency derivatives), repurchase/reverse repurchase transactions, total return swaps and securitisations (since September 2019).

These activities come in the form of on-balance sheet and off-balance sheet commitments (guarantees, collateral, undrawn portion of confirmed lines of credit, etc.).

The Retail Banking Division has taken over responsibility for serving professional customers with effect from 1 January 2022.

Approval process

The investigation and decision-making process is based on eligibility conditions, analysis, and determining a specific financial score for each client segment.

The aim of the risk management system used for Commercial Banking loans is to detect risks at every level in each operational process (granting of loans, loan management, recovery and provisioning). It is based on the following elements:

- ▶ lending authority matrices adapted to each customer segment and each business line;
- ▶ individual and overall risk monitoring.

The financing offered to the different customer segments is controlled by the:

- ▶ Risk Management Operational Policies, approved by the Executive Board via the GRMC;
- ▶ Risk Management Rules approved by the Group Risk Department, via the Risk Management Rules Validation Committee (RMRVC).

Investment and financing limits

In investment matters, third parties are systematically rated and allocated an individual limit which is intended to restrict the total commitment. Where applicable, these individual limits are supplemented by group limits, which govern exposure to a group of third parties that are considered to belong to a single business group.

La Banque Postale's investment policy for Sovereigns, Banks, Insurance Companies, Large Companies, and more recently securitisation positions, is limited to issuers and counterparties in the investment grade category, unless authorised by the Group Risk Department.

Before it can carry out repurchases or forward financial instruments with financial institutions other than the Housing Financing Companies (SFH) or Mortgage Credit Companies (SCF) exposing it to a counterparty risk, La Banque Postale must first ensure that there is an ISDA or FBF framework agreement with clauses concerning collateral. The quantitative aspects entered into in such agreements (instruments concerned, threshold and frequency of margin calls, exemptions, etc.) are subject to approval by the Group Risk Department.

The individual limits are supplemented with a set of limits aimed at containing the risk of concentration on groups of counterparties classified according to their geographic area, business segment, type of activity and internal rating.

The GRMC also validates a list of authorised countries and a list of authorised currencies.

In the event of significant deterioration of the risk, the issuers and counterparties concerned are subject to strict monitoring on the Monitoring List which is reported to the GRMC.

Financing limits are defined primarily as described below:

- ▶ concentration risk by counterparty:
 - individual limits, defining La Banque Postale's maximum acceptable exposure to a counterparty,
 - group limits, defining La Banque Postale's maximum acceptable exposure to a business group,
 - specific limits applied to financial institutions,
 - limits by credit rating for unsecured exposures, defining La Banque Postale's maximum acceptable exposure based on credit quality,
 - limits by "circle", defining La Banque Postale's maximum acceptable exposure by type of financial institution,
 - limits by geography, to keep track of portfolio concentration.

The individual and group limits are determined by taking into account analyses, internal credit scores, and the regulations applicable to large exposures. They are consistent with the specific features of the Group's equity and of its balance sheet as a whole;

- ▶ concentration risk by sector:

The following limits have been set in order to monitor the concentration of credit risks in the Commercial Banking portfolio:

- two concentration limits (the main sector must not exceed 25% of the total Commercial Banking segment, and the three main sectors must not exceed 50% of the total),
- a gross exposure limit by business sector,
- a limit on the size of the Commercial Banking portfolio, set at €35 billion with an internal alert triggered at €31.5 billion;
- ▶ syndication risk: the Syndication Risk Management Policy sets an overall syndication limit at the level of La Banque Postale and a syndication limit for each of the three business lines authorised to take part in syndication deals (Asset & Project Financing, Structured Finance and Real Estate Financing). Compliance with these limits is overseen by the Syndication Monitoring Committee which meets monthly under the aegis and Chairmanship of the Group Risk Department;
- ▶ conglomerate risk: exposure limits are defined in order to contain credit/counterparty risks at Conglomerate level. These limits correspond to the Conglomerate's maximum authorised exposure to a given customer/counterparty or a given group, at any given point in time, from all of its businesses – the banking business, La Banque Postale's insurance business and CNP Assurances. The term "group" in this context currently corresponds to the regulatory definition of a group used by La Banque Postale and the definition used by CNP Assurances, pending completion of the work to define common standards. Limits are calculated by multiplying the Group's Tier 1 capital by a coefficient determined by reference to the originating entity, the type of customer and the type of transaction.

The Group Risk Department is responsible for:

- ▶ operational application of the limits;
- ▶ deploying adequate attribution tools; and
- ▶ monitoring internal scores and limits.

4.4.3 Exposure to credit risk

4.4.3.1 Overview of credit risk exposure

Total and average net exposures

(in € millions)	Net book value of exposures at the end of the financial period	Average net exposures during the financial period
Central governments or central banks	-	-
Institutions	-	-
Corporate	-	-
<i>of which: specialised financing</i>	-	-
<i>of which: SMEs</i>	-	-
Retail customers	-	-
<i>Exposures secured by real estate</i>	-	-
SMEs	-	-
Non-SMEs	-	-
<i>Eligible renewable exposures</i>	-	-
<i>Other – retail customers</i>	-	-
SMEs	-	-
Non-SMEs	-	-
Equities	-	-
Total IRB approach	-	-
Central governments or central banks	147,909	152,584
Regional government or local authorities	11,501	10,947
Public sector entities	1,231	1,305
Multilateral development banks	1	0
International organisations	8	8
Institutions	45,931	33,571
Corporate	34,037	33,282
<i>of which: SMEs</i>	6,774	4,164
Retail customers	23,046	37,146
<i>of which: SMEs</i>	1,798	1,133
Secured by mortgages on immovable property	29,819	29,256
<i>of which: SMEs</i>	5,477	3,481
Exposures in default	622	783
Items associated with particularly high risk	790	610
Covered bonds	1,577	1,424
Receivables from institutions and companies subject to one of the companies subject to a short-term credit evaluation	555	287
Undertakings for Collective Investment in Transferable Securities (UCITS)	417	515
Equities exposure	16,744	15,505
Other exposures	4,841	4,173
Total standardised approach	319,031	321,397
Total	319,031	321,397

The data presented in the table above include the effects of Basel substitution in the classification of exposure: therefore, the outstandings guaranteed by banking or company sector bodies are included in the latter categories. At 30 June 2022, La Banque Postale's portfolio consisted of 46% exposure to central governments and central banks, including the credit exposure of the Bank to the Caisse des dépôts as a result of the centralisation of "regulated" savings (*Livret A*, LEP, LDDS, etc.).

The other main exposures in the portfolio primarily concern La Banque Postale's traditional core business, with €23 billion in direct retail customer exposures (related for example to consumer finance and current accounts), plus Retail Banking exposures corresponding for the most part to La Banque Postale home loans guaranteed by *Crédit Logement* (€36 billion). The exposures secured by real estate include the Dutch home mortgage portfolios in the amount of €2.6 billion.

Geographical breakdown of exposure

	Net value												Total
	Eurozone	Country France	Country Germany	Country Other	Americas	Country United States	Country Canada	Country Other	Asia	Japan	Country Other	Other geographical regions	
(in € millions)													
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	-	-	-	-	-	-	-	-	-	-	-	-	-
Central governments or central banks	147,479	137,831	1,391	8,257	2	-	-	2	401	289	112	28	147,909
Regional governments or local authorities	11,211	11,045	11	154	290	-	290	0	-	-	-	0	11,501
Public sector entities	1,231	1,231	-	-	0	-	-	0	-	-	-	0	1,231
Multilateral development banks	-	-	-	-	-	-	-	-	1	1	-	-	1
International organisations	8	7	-	1	-	-	-	-	-	-	-	-	8
Institutions	44,482	42,527	162	1,792	1,363	1,356	6	-	68	35	33	19	45,931
Corporate	33,061	30,050	573	2,437	847	828	2	16	61	57	4	69	34,037
Retail customers	23,032	22,945	0	87	4	2	0	2	8	0	8	3	23,046
Retail exposures secured by mortgages on immovable property	29,787	27,160	0	2,626	12	5	0	7	10	0	10	10	29,819
Exposures in default	619	615	0	4	0	0	-	0	0	0	-	3	622
Items associated with particularly high risk	790	579	-	211	-	-	-	-	-	-	-	-	790
Covered bonds	527	251	-	276	764	-	764	-	239	89	149	48	1,577
Receivables from institutions and companies subject to a short-term credit assessment	213	51	-	162	172	-	172	-	-	-	-	170	555
Undertakings for Collective Investment in Transferable Securities (UCITS)	417	361	-	56	-	-	-	-	-	-	-	-	417
Equities exposure	16,677	16,572	6	99	58	58	-	-	-	-	-	10	16,744
Other exposures	4,841	4,841	-	-	-	-	-	-	-	-	-	-	4,841
Total standardised approach	314,374	296,067	2,144	16,162	3,511	2,249	1,235	27	788	472	316	358	319,031
Total	314,374	296,067	2,144	16,162	3,511	2,249	1,235	27	788	472	316	358	319,031

Sector exposures are given for the classifications "Central governments" and "Institutions" as the data presented in the table above includes the effects of Basel substitution. The outstandings guaranteed by organisations in the banking or Central government (FGAS) segments are therefore included in the "Private individuals" sectors.

At 30 June 2022, La Banque Postale's credit portfolio remained highly concentrated in the French domestic market (92.8% of its total exposure) due to the nature of its historical core business (lending to retail customers in France).

La Banque Postale's international exposure is concentrated on the eurozone countries (98.5% of total exposure for €314 billion) and primarily concerns eurozone sovereign debt, the debt securities of European banks and large corporates, and Dutch home loan portfolios.

Maturity of exposures (EU CR1-A)

	Net Exposure Value					Total
	On demand	<= 1 year	>1 year <= 5 years	>5 years	No stated maturity	
(in € millions)						
Loans and advances	116,574	10,098	20,092	116,176	-	262,940
Debt securities	384	2,695	27,592	22,608	-	53,279
Total	116,958	12,793	47,684	138,784	-	316,219

The data presented in the table above include the effects of Basel substitution in the classification of exposure: therefore, the outstandings guaranteed by banking or company sector bodies are included in the latter categories.

At 30 June 2022, the breakdown of La Banque Postale's exposures based on residual maturities reflected its historical business of lending to retail customers and collecting regulated savings that are centralised with Caisse des dépôts. Consequently, 43% of La Banque Postale's exposure to central governments and banks is considered to be "on request".

4.4.3.2 Breakdown of exposures in default

Credit quality of loans and advances to non-financial sector companies by industry (EU CQ5)

(in € millions)	Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures	
	Of which non-performing	Of which loans and advances subject to impairment				
		Of which defaulted				
Agriculture, forestry and fishing	52	4	4	52	(2)	-
Mining and quarrying	12	0	0	12	(0)	-
Manufacturing	998	61	61	998	(23)	-
Electricity, gas, steam and air conditioning supply	1,056	5	5	1,056	(22)	-
Water supply	184	0	0	184	(0)	-
Construction	1,279	11	11	1,279	(9)	-
Wholesale and retail trade	1,663	45	45	1,663	(38)	-
Transport and storage	1,860	6	6	1,860	(28)	-
Accommodation and food service activities	347	49	49	347	(28)	-
Information and communication	685	11	11	685	(10)	-
Financial and insurance activities	2,141	57	57	2,141	(100)	-
Real estate activities	18,031	115	115	18,031	(114)	-
Professional, scientific and technical activities	2,493	127	127	2,493	(92)	-
Administrative and support service activities	1,136	52	52	1,136	(35)	-
Public administration and defence, compulsory social security	6	0	0	6	(0)	-
Education	114	1	1	114	(0)	-
Human health services and social work activities	269	2	2	269	(8)	-
Arts, entertainment and recreation	155	6	6	155	(7)	-
Other services	48	4	4	48	(2)	-
Total	32,530	555	555	32,530	(518)	-

Quality of non-performing exposures by geography (EU CQ4)

4

(in € millions)	Gross carrying amount/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	Of which non-performing		Of which defaulted	Of which subject to impairment			
On-balance sheet exposures	233,870	1,614	1,614	233,453	(1,448)	-	-
France	210,436	1,556	1,556	210,074	(1,360)	-	-
Italy	1,343	-	-	1,343	(4)	-	-
Japan	704	-	-	704	(21)	-	-
Germany	2,226	-	-	2,226	(7)	-	-
Spain	4,486	-	-	4,486	(7)	-	-
United Kingdom	1,588	1	1	1,588	(13)	-	-
United States	1,715	-	-	1,715	(8)	-	-
Netherlands	4,429	7	7	4,429	(6)	-	-
Belgium	1,842	1	1	1,842	(9)	-	-
Switzerland	422	2	2	422	(1)	-	-
Luxembourg	570	1	1	515	(6)	-	-
Canada	1,253	-	-	1,253	-	-	-
Ireland	275	43	43	275	(4)	-	-
Qatar	1	-	-	1	-	-	-
Sweden	106	-	-	106	(1)	-	-
Portugal	1,561	-	-	1,561	(2)	-	-
Austria	2	-	-	2	-	-	-
Norway	140	-	-	140	-	-	-
Egypt	-	-	-	-	-	1	-
Israel	29	-	-	29	-	2	-
Cayman Islands	-	-	-	-	-	3	-
Panama	1	-	-	1	-	4	-
Russia	3	-	-	3	-	5	-
Ukraine	-	-	-	-	-	6	-
Other	739	2	2	739	(1)	-	-
Off-balance sheet exposures	64,767	33	33	-	-	110	-
France	63,489	33	33	-	-	107	-
Italy	44	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-
Germany	183	-	-	-	-	1	-
Spain	31	-	-	-	-	-	-
United Kingdom	66	-	-	-	-	-	-
United States	2	-	-	-	-	-	-
Netherlands	378	-	-	-	-	1	-
Belgium	52	-	-	-	-	1	-
Switzerland	47	-	-	-	-	-	-
Luxembourg	41	-	-	-	-	-	-
Canada	3	-	-	-	-	-	-
Ireland	400	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-
Sweden	-	-	-	-	-	-	-
Portugal	11	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-
Israel	1	-	-	-	-	-	-
Cayman Islands	-	-	-	-	-	-	-
Russia	-	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-	-
Other	17	-	-	-	-	-	-
Total	298,637	1,647	1,647	233,453	(1,448)	110	-

4.4.4 Credit risk-weighted assets

Credit risk-weighted assets (EU CR5)

Exposure classes (in € millions)	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	125%	Other		
Central governments or central banks	80,370	-	-	-	27	-	-	-	-	3	-	-	-	-	-	80,399	-
Regional governments or local authorities	446	-	-	-	9,555	-	-	-	-	0	-	-	-	-	-	10,001	-
Public sector entities	66,459	-	-	-	1,183	-	8	-	-	6	-	-	-	-	-	67,656	-
Multilateral development banks	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
International organisations	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	-
Institutions	15	2,614	-	-	40,420	-	5,383	-	-	29	-	-	-	-	-	48,462	-
Corporate	-	-	-	-	4,489	-	8,938	-	-	15,170	1,205	-	-	-	-	29,802	-
Retail exposures	-	-	-	-	-	-	-	-	15,279	-	-	-	-	-	-	15,279	-
Secured by mortgages on immovable property	-	-	-	-	-	23,490	5,181	-	49	1,030	-	-	-	-	-	29,750	-
Exposures in default	-	-	-	-	-	-	-	-	-	438	118	-	-	-	-	556	-
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	705	-	-	-	-	705	-
Covered bonds	-	-	-	1,577	-	-	-	-	-	-	-	-	-	-	-	1,577	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	348	-	98	-	-	110	-	-	-	-	-	556	-
Collective investment undertakings	-	-	-	-	-	-	-	-	-	8	23	-	-	16	368	417	-
Equity	-	-	-	-	-	-	-	-	-	16,419	-	326	-	-	-	16,744	-
Other items	1,008	-	-	-	-	-	-	-	-	3,831	-	-	-	-	-	4,839	-
Total	148,306	2,614	-	1,577	56,022	23,490	19,608	-	15,328	37,044	2,052	326	-	16	368	306,751	-

4.4.5 Exposures in default, forborne exposures and adjustments for credit risk

Credit quality of forborne exposures (EU CQ1)

(in € millions)	Gross carrying amount/nominal amount of exposures with forbearance measures			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-
Loans and advances	264	386	386	(13)	(194)	333	108
<i>Central banks</i>	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	11	78	78	(0)	(32)	33	26
Households	253	308	308	(12)	(162)	300	82
Debt securities	-	-	-	-	-	-	-
Loan commitments given	0	4	4	0	0	-	-
Total	264	390	390	(13)	(194)	333	108

Quality of forbearance (EU CQ2)

(in € millions)

Gross carrying amount of forborne exposures

Loans and advances forborne more than twice	N/A
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	N/A

Credit quality of performing and non-performing exposures by past due days (EU CQ3)

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
(in € millions)	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted		
Cash balances at central banks and other demand deposits	46,029	46,029	-	-	-	-	-	-	-	-		
Loans and advances	194,030	193,914	116	1,614	1,112	117	106	120	81	28	51	1,614
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	72,629	72,627	1	14	12	0	0	1	0	-	-	14
<i>Credit institutions</i>	502	502	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	11,285	11,285	0	1	0	0	1	0	0	-	-	1
<i>Non-financial corporations</i>	31,975	31,956	18	555	402	20	33	73	22	1	4	555
<i>Of which SMEs</i>	8,010	7,994	16	193	131	14	19	10	18	0	0	193
<i>Households</i>	77,640	77,544	96	1,044	697	97	72	46	58	26	47	1,044
Debt securities	38,226	38,226	-	-	-	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	25,400	25,400	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	9,042	9,042	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	2,902	2,902	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	881	881	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	64,734	-	-	33	-	-	-	-	-	-	-	33
<i>Central banks</i>	8,886	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	5,673	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	25,982	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	3,352	-	-	0	-	-	-	-	-	-	-	0
<i>Non-financial corporations</i>	8,505	-	-	9	-	-	-	-	-	-	-	9
<i>Households</i>	12,337	-	-	24	-	-	-	-	-	-	-	24
Total	296,990	232,140	116	1,647	1,112	117	106	120	81	28	51	1,647

Performing and non-performing exposures and related provisions (EU CR1)

(in € millions)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
Cash balances at central banks and other demand deposits	46,029	46,029	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
Loans and advances	194,030	181,943	12,087	1,614	-	1,614	(690)	(153)	(536)	(686)	-	(686)	(686)	74,641	298
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	72,629	72,595	33	14	-	14	(6)	(6)	(0)	(4)	-	(4)	(4)	346	-
Credit institutions	502	502	-	-	-	-	(2)	(2)	-	-	-	-	-	19	-
Other financial corporations	11,285	10,950	335	1	-	1	(33)	(9)	(24)	(0)	-	(0)	(0)	115	-
Non-financial corporations	31,975	27,470	4,505	555	-	555	(336)	(60)	(275)	(182)	-	(182)	(182)	12,262	-
Of which SMEs	8,010	7,083	927	193	-	193	(82)	(17)	(65)	(88)	-	(88)	(88)	4,294	51
Households	77,640	70,426	7,214	1,044	-	1,044	(313)	(76)	(237)	(500)	-	(500)	(500)	61,900	175
Debt securities	38,226	37,483	326	-	-	-	(73)	(41)	(32)	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	25,400	25,357	-	-	-	-	(4)	(4)	-	-	-	-	-	-	-
Credit institutions	9,042	9,039	3	-	-	-	(23)	(23)	(0)	-	-	-	-	-	-
Other financial corporations	2,902	2,411	116	-	-	-	(19)	(10)	(9)	-	-	-	-	-	-
Non-financial corporations	881	676	206	-	-	-	(27)	(4)	(23)	-	-	-	-	-	-
Off-balance sheet exposures	64,734	62,908	1,826	33	-	33	104	51	53	6	-	6	-	652	-
Central banks	8,886	8,886	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	5,673	5,673	0	-	-	-	3	3	-	-	-	-	-	42	-
Credit institutions	25,982	25,982	-	-	-	-	2	2	-	-	-	-	-	-	-
Other financial corporations	3,352	3,137	215	0	-	0	6	4	2	0	-	0	-	-	-
Non-financial corporations	8,505	7,477	1,028	9	-	9	48	13	35	4	-	4	-	573	-
Households	12,337	11,754	582	24	-	24	45	28	16	2	-	2	-	36	-
Total	296,990	282,334	14,239	1,647	-	1,647	(658)	(143)	(515)	(680)	-	(680)	(686)	75,293	298

The data shown in the tables above differ from the other tables, as the methodology applied is based on book values as reported in the published financial statements (FINREP). The other tables are based on the book values as declared in the prudential consolidation scope.

4.4.6 Information about exposures subject to legislative and non-legislative repayment holidays, and new exposures covered by governmental guarantee schemes

In March 2020, the WHO declared that the COVID-19 epidemic had become a pandemic. The French government responded immediately through the introduction of stricter public health measures, including a lockdown, closing non-essential public places and cancelling all cultural and sporting events. These measures had serious consequences for the economy, placing many businesses in a precarious cash position.

In light of these circumstances, La Banque Postale mobilised its resources together with the government to support its customers experiencing financial hardship. Several practical initiatives were organised around exceptional government measures to support businesses, including:

- ▶ loan repayment holidays of up to six months and waiver of late payment penalties and incidental charges;
- ▶ distribution of government-backed loans (“PGE”);
- ▶ distribution of government-backed stimulus loans (“PPR”).

4.4.6.1 Legislative repayment holidays

La Banque Postale offered support to its retail, business and professional customers who were experiencing financial hardship due to the lockdown, the total or partial suspension of their business, short-time working or furlough schemes.

This support took various forms including repayment holidays of up to six months:

- ▶ at the customer’s request; or
- ▶ at La Banque Postale’s initiative, in the case of specifically targeted vulnerable customers.

Specific measures for retail customers

Repayment holidays granted to retail customers concerned home loans and consumer credit.

For consumer credit, the repayment holidays were mainly set up at the customer’s request under a contractual agreement.

For home loans, repayment holidays were granted at the customer’s request or at La Banque Postale’s initiative, depending on whether or not the customer’s revenues had been affected as a result of the crisis (based on their socio-economic category).

The system was particularly intended for vulnerable customers whose situation was likely to worsen or whose revenues were likely to be directly affected by the deteriorating economic conditions (for example, traders, craftspeople and self-employed workers).

The repayment holidays were granted for periods of two to six months (depending on the target customer and the La Banque Postale entity concerned), with principal and interest payments suspended during that time but insurance premiums maintained. The suspended payments have been deferred to the end of the loan.

Repayment holidays were discontinued at the end of June 2021.

All told, non-contractual repayment holidays were granted on loans representing total outstanding principal of €1,580 million. As of 30 June 2022, no more loans were subject to repayment holidays. Loans classified as in default at the end of the repayment holiday represented just €47 million in outstanding principal.

Specific arrangements for business customers

For its corporate and professional customers, La Banque Postale set up a system in line with the practices of the French banking industry.

For markets and products representing high volumes but small amounts (such as professionals, SMEs, equipment leases, etc.), all monthly payments were deferred unilaterally by La Banque Postale (unless this went against the customer’s wishes) through to 30 September 2020. This amounted to a six-month extension of the term of the loan, without adjusting the nominal interest rate. In some cases, the interest accruing during the repayment holiday was also waived by La Banque Postale.

For major and/or structured loans (key accounts, real estate, BFI customers, etc.), repayment holiday requests were handled on a case-by-case basis. The compulsory criteria applied for each repayment holiday were that the term had to be six months or less and the accrued interest was not waived.

Counterparties classified in Bucket 2 and Bucket 3 for the application of IFRS 9 prior to the crisis were examined on a case-by-case basis by the department responsible for dealing with customers in difficulties.

As soon as the EBA guidelines (EBA/GL/2020/08) were published, repayment holidays were extended by six months for tourist sector customers who requested an extension (tourist businesses listed in the decree of 13 July 2020 – Appendix 7, amending the decree of 23 March 2020, as published in the Official Journal). No repayment holidays were granted for periods over 12 months.

No repayment holidays were granted in late-2020 or in first-quarter 2021 further to the decision published on 2 December 2020 authorising repayment holidays through 31 March 2021 on loans granted prior to 2 December 2020, and on loans already eligible for a repayment holiday of up to nine months through 30 September 2020.

Business loan recovery efforts were stepped up in 2020 to enhance risk identification and oversight of the portfolio affected by the COVID-19 crisis.

Since the measures were introduced, repayment holidays have been granted to around 4,300 customers, representing a cumulative exposure of some €2.7 billion (corporates for 90%, micro-enterprises/professionals for 8% and local public sector customers for 2%). As of 30 June 2022, 99.5% of repayment holidays (by amount) had expired. The default rate and specific loss allowance rate on these loans were limited. Loans still subject to repayment holidays at 30 June 2022 amounted to €9.5 million. These repayment holidays will expire in more than one year.

Information on loans and advances subject to legislative and non-legislative repayment holidays

	Gross carrying amount				Accumulated impairment and accumulated negative changes in fair value due to credit risk								Gross carrying amount Reclassification on as non-performing exposures		
	Performing		Non-performing		Performing				Non-performing						
	Of which: Exposures with a forbearance measure	Of which: Instruments whose credit risk has increased significantly since initial recognition but which have not been altered by the credit (phase 2)	Of which: Exposures with a forbearance measure	Of which: Low probability of payment not being overdue or being less than 90 days overdue	Of which: Exposures with a forbearance measure	Of which: Instruments whose credit risk has increased significantly since initial recognition but which have not been altered by the credit (phase 2)	Of which: Exposures with a forbearance measure	Of which: Low probability of payment not being overdue or being less than 90 days overdue	Of which: Exposures with a forbearance measure	Of which: Low probability of payment not being overdue or being less than 90 days overdue					
Loans and advances subject to repayment holidays	9,480,988	9,480,988	-	9,480,988	-	-	-	(241,824)	(241,824)	-	(241,824)	-	-	-	-
of which: Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: non-financial sector companies	9,480,988	9,480,988	-	9,480,988	-	-	-	(241,824)	(241,824)	-	(241,824)	-	-	-	-
of which: SMEs and ISEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Breakdown of loans and advances subject to legislative and non-legislative repayment holidays, by residual maturity of the repayment holiday

	Number of debtors	Gross carrying amount							
		Of which: Legislative repayment holiday	Of which: Expired	Remaining term of repayment holiday					
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
Loans and advances for which a repayment holiday was proposed	22,302	-							
Loans and advances subject to a repayment holiday (granted)	21,576	3,472,498,681	9,480,988	3,463,017,693	-	-	-	-	9,480,988
of which: households		1,580,055,425	-	1,580,055,425	-	-	-	-	-
<i>of which: secured by residential property</i>		1,575,302,603	-	1,575,302,603	-	-	-	-	-
of which: non-financial sector companies		1,735,445,259	9,480,988	1,725,964,271	-	-	-	-	9,480,988
<i>of which: SMEs</i>		549,493,765	-	549,493,765	-	-	-	-	-
<i>of which: secured by commercial property</i>		708,086,378	-	708,086,378	-	-	-	-	-

4.4.6.2 Government-backed loans

On 16 March 2020, the French government announced that it was setting up a government-backed loan scheme to help businesses ride out the COVID-19 economic and health crisis. These government-backed loans are being made available between 16 March 2020 and 30 June 2022 through France's main banking institutions, including La Banque Postale.

The loans are designed to assist businesses experiencing cash flow problems. No repayments are due in the first year, after which the borrower has the option of repaying the loan immediately or in instalments over a period of up to five years. The loans are backed by a government guarantee covering between 70% and 90% of the principal, interest and incidental fees, depending on the size of the borrower's business. This guarantee covers the capital, interest and fees, and applies throughout the term of the loan unless the acceleration clause is triggered due to a credit event. The cost of the loan comprises each lender's financing cost (interest rate), without any margin, plus the fee for the government guarantee which is fixed by law.

Following the French government's announcement of 14 January 2021, repayment may be deferred for a further year at the customer's request.

The guarantee is valid from two months after the loan grant date.

Outstanding government-backed loans at 30 June 2022 amounted to €915 million, of which 16% for professional customers and micro-enterprises and 84% for other business customers. The loans are currently being consolidated, based on customer decisions at the end of the first year to repay the loan either immediately or in instalments over a maximum of five years. Most customers opt to repay their loan in instalments over a fairly long period (not exceeding five years).

Information about loans recently granted under the new government-backed loan scheme introduced during the COVID-19 crisis

		Maximum amount of guarantee that can be taken into account	Gross carrying amount	
	Gross carrying amount	of which: waived	Government guarantees received	Reclassification to non-performing exposures
New government-backed loans and advances	914,760,863	-	825,122,279	7,139,003
of which: households	-			-
of which: secured by residential property	-			-
of which: non-financial sector companies	766,852,802	-	691,973,073	5,094,014
of which: SMEs	375,240,318			4,387,014
of which: secured by commercial property	11,129,314			-

4.4.6.3 Government-backed stimulus loans (PPR)

The government-backed stimulus loan system (*Prêts Participatifs de Relance* – PPR, originally called *Prêts Participatifs Soutenus par l'Etat* – PPSE) was included in the Government Economic Stimulus Plan and the 2021 Finance Act. The loans are available to SMEs (companies with revenue of at least €2 million) and ISEs (revenue of up to €1.5 billion) in a healthy financial position. The deadline for applying for the loans is 30 June 2022.

They consist of eight-year subordinated loans with a deferred repayment period of at least four years. The loan amount is capped at 12.5% of revenue in the case of SMEs and 8.4% of revenue for ISEs. The loans are intended to strengthen the borrowers' balance sheets, support their growth and finance necessary capital expenditure, especially on projects in favour of the environmental or digital transition.

They are originated by La Banque Postale and 90% of the amount is subsequently transferred to a government-backed fund. The 10% retained by La Banque Postale is unsecured.

As of 30 June 2022, €8.2 million worth of PPR loans had been granted to 34 counterparties. Due to deferred repayment facility, the total amount of the loans (€8.2 million) was still outstanding at 30 June 2022.

4.4.7 Credit risk mitigation techniques

4.4.7.1 Credit risk mitigation techniques

La Banque Postale minimises its credit risk. To do so, in addition to the quality of the file and of the counterparty which are essential to decision-making, La Banque Postale seeks guarantees to limit its losses in the event the counterparty defaults.

For this purpose, La Banque Postale has a database of guarantee types, standards and rules governing the selection of the guarantors it will accept.

To mitigate real estate loan risk

The general principle is that any financing must be 100% covered by a guarantee, which provides an adequate level of cover that complies with La Banque Postale Group's Risk Management Policy, namely:

- ▶ a first (or equivalent) mortgage security: dedicated legal moneylender's mortgage, conventional mortgage, mortgage pledge granted by a third party as guarantee of a borrower's debt;
- ▶ a pledge of financial products (life insurance policies, securities accounts, REIT units) in compliance with the loan amount covered by the pledged savings, as specified in the general terms and conditions for granting loans, depending on the type of investments pledged (equity, bonds, monetary, etc.);
- ▶ a guarantee provided by a body authorised and pre-approved by La Banque Postale's Guarantor Referencing Committee.

La Banque Postale uses three main organisations/collaterals:

- ▶ Crédit Logement;
- ▶ Fonds de cohésion sociale (FGAS);
- ▶ Nationale Hypotheek Garantie (NHG).

By way of exception to the preceding principles, some small home improvement loans are granted with no guarantee.

Bridging loans can be granted without or with lesser guarantees, if 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 favouring the buyer of the asset have been lifted. In such a case, La Banque Postale can take a simple pledge of mortgaged assets (PAH) on the asset to be sold.

If the quality of the file so justifies, La Banque Postale may grant a non-guaranteed loan, provided that all the non-guaranteed loans granted to the same customer together do not exceed the limit fixed by the terms and conditions for granting loans.

If the quality of the file so justifies, La Banque Postale may accept a guarantee from an individual as the principal guarantee, within the limits fixed by the terms and conditions for granting loans.

The realisation value of home loan security rights is subject to a quarterly review based on updated notarised indices.

However, the quality of the guarantee does not, in and of itself, justify the granting of a loan.

To reduce credit risk on part of the commitments guaranteed by the FGAS facility

Pursuant to the decision of the ACPR college of 19 June 2014 taking into account the specific characteristics of the FGAS guarantee facility, the prudential treatment under the CRR of the outstanding loans guaranteed by the FGAS for institutions using the standardised approach for measuring credit risk is the following: For the generations after 2007, 50% of the guarantees received from the State can be taken into account by the institutions on the condition of a loss experience below the applicable reference thresholds.

To reduce credit risk on part of the Dutch home loan portfolios

The WEW (*Waarborgfond Eigen Woningen*/housing guarantee fund), an organisation backed by the Dutch government which manages the NHG public guarantee system (rated AAA), covers 90% of the final loss.

To mitigate consumer credit risk

Consumer loans are generally granted without guarantees or collateral.

Risk mitigation techniques for commercial banking activities in the corporate market

In the area of guarantees and credit risk mitigation techniques for businesses, La Banque Postale relies on the following principles:

- ▶ guarantees are "credit risk mitigators"; their role is to limit La Banque Postale's loss in the event of a borrower default (LGD);
- ▶ any commitment must be covered by a guarantee except where risk management rules provide otherwise;

- ▶ the guarantees taken must comply with the risk management rules: be legally approved and managed by operational entities;
- ▶ insofar as possible, security rights must qualify in prudential terms. However, this is not compulsory. Some guarantees do not lead to a reduction in equity requirements but secure the transaction for the lender.

Risk mitigation technique for its market activities

With respect to the Credit Risk mitigation technique for market activities, La Banque Postale Group's standard calls for the inclusion of collateral from repo transactions as securities when the following eligibility criteria are met:

- ▶ sufficiently liquid asset included in the list of CRR assets (Article 194.3);
- ▶ right to liquidate (Article 194.4);
- ▶ match between the credit quality grade (CQS) and the assessments of the external organisation (Article 197.1).

La Banque Postale has implemented internal eligibility criteria as a guarantee for repo agreement transactions.

4.4.7.2 Quantitative information on credit risk mitigation techniques

CRM techniques overview (EU CR3)

	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
<i>(in € millions)</i>					
Loans and advances	166,734	74,939	32,828	42,111	
Debt securities	38,226	-	-	-	
Total	204,960	74,939	32,828	42,111	
<i>of which non-performing exposures</i>	<i>1,316</i>	<i>298</i>	<i>188</i>	<i>110</i>	
<i>of which defaulted</i>					

Unsecured exposures include exposures to savings centralised with Caisse des dépôts.

Standardised approach – Credit risk exposure and CRM effects (EU CR4)

(in € millions)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWA and RWA density	RWA density (%)
Exposure classes						
Central governments or central banks	71,426	10	80,394	6	8	0.0%
Regional governments or local authorities	5,620	2,982	8,474	1,422	1,880	19.0%
Public sector entities	66,793	1,694	66,901	754	247	0.4%
Multilateral development banks	-	-	1	-	-	-
International organisations	6	2	6	1	-	-
Institutions	6,483	2,430	42,227	2,675	10,810	24.1%
Corporate	26,522	10,401	23,179	5,832	20,657	71.2%
Retail customers	56,750	12,230	12,151	3,128	11,268	73.7%
Secured by mortgages on immovable property	29,284	536	29,223	527	11,475	38.6%
Exposures in default	948	30	546	9	615	110.6%
Exposures associated with particularly high risk	501	294	496	204	1,058	151.1%
Covered bonds	1,577	-	1,577	-	158	10.0%
Institutions and corporates with a short-term credit assessment	555	-	555	-	228	41.1%
Collective investment undertakings	271	145	271	145	987	236.8%
Equities	16,639	105	16,639	105	17,233	102.9%
Other items	4,839	-	4,839	-	3,831	79.2%
Total	288,214	30,859	287,480	14,808	80,456	26.6%

At 30 June 2022, the average weighting (RWA density) of La Banque Postale's credit portfolio was 26.6% using the standard method. This reflects the very moderate level of risk of its portfolio which consists primarily of sovereign exposures with a preferential weighting of 0% (CRR Article 114-4), bank exposures with good ratings and home loans guaranteed by organisations such as Crédit Logement, which are also of high credit quality.

However, the increasing level of Corporate exposures should be noted given La Banque Postale's significant growth in this market. These exposures are weighted less favourably under the standardised approach, for equivalent ratings.

4.4.8 Use of external credit rating agencies

La Banque Postale calls on external credit scoring agencies for its corporate lending activities. In 2022, four external organisations were used by La Banque Postale to determine the external credit scores used for counterparties: Standard & Poor's, Moody's, Fitch and FIBEN.

These four rating agencies are consulted in order to determine the credit quality level that applies to each counterparty. In accordance with current regulations, the level used to assess credit risk is the second most unfavourable rating in the event that there is no consensus between the four agencies.

The EBA's prudential correspondence tables are applied in order to determine the credit risk weightings using the standardised approach of valuing risk-weighted assets.

4.4.9 Counterparty risk

4.4.9.1 Definition and management framework

Counterparty credit risk is primarily the result of transactions on forward financial instruments. Exposure is assessed *via* the present value method.

Counterparty risk is generated by all derivative products held in La Banque Postale banking or trading portfolios. This risk is always calculated when the BFI (Corporate and Investment Banking) enters into an International Swaps and Derivatives Association (ISDA) or French Banking Federation (FBF) derivatives contract with a third party.

This risk is limited by the fact that the transactions mainly take place with top-tier financial institutions and that they are systematically performed as part of agreements that make provision for clearing agreements with regular margin calls. Furthermore, most of the instruments involved are "plain vanilla" swaps.

La Banque Postale may also enter into derivatives transactions with its corporate customers. Credit risk equivalents are determined for each derivative in the portfolio.

Counterparty risk is also generated via all securities lending/borrowing positions. The assets underlying these transactions are generally bonds and they may be covered by Global Master Repurchase Agreement (GMRA) or FBF (*Fédération Bancaire Française*) contracts.

The counterparty risks are subject to limits and are periodically monitored by the Corporate, Public Sector and Institutional Credit Risk Department.

4.4.9.2 Exposure to counterparty risk

Analysis of CCR exposure by approach (EU CCR1)

(in € millions)	Replacem ent cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposur e value	RWEA
EU – Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU – Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
SA-CCR (for derivatives)	137	305		1.4	1,196	619	619	284
IMM (for derivatives and SFTs)			-	-	-	-	-	-
Of which securities financing transactions netting sets			-		-	-	-	-
Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
Of which from contractual cross- product netting sets			-		-	-	-	-
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					1,880	1,230	1,230	529
VaR for SFTs					-	-	-	-
Total					3,075	1,849	1,849	813

Standardised approach – CCR exposures by regulatory exposure class and risk weights (EU CCR3)

(in € millions)

Exposure classes	Risk weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	104	-	-	-	-	-	-	104
Public sector entities	1	-	-	-	-	-	-	-	-	-	-	1
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	2,614	-	-	478	553	-	-	-	-	-	3,645
Corporate	-	-	-	-	157	486	-	-	139	24	-	806
Retail customers	-	-	-	-	-	-	-	0	-	-	-	0
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	0	-	-	0
Other items	-	-	-	-	-	-	-	-	-	5	-	5
Total exposure value	1	2,614	-	-	739	1,040	-	0	140	29	-	4,563

For the purposes of this report, exposures to central counterparties are reported under “Institutions”.

CCR exposures by regulatory portfolio and risk weight (EU CCR8)

	Exposure value	RWEA
<i>(in € millions)</i>		
Exposure to qualifying central counterparties (total)		18
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	113	2
(i) OTC derivatives	113	2
(ii) Exchange traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	2501	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	116	15
Unfunded default fund contributions	-	-
Exposure to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	-	-
(i) OTC derivatives	-	-
(ii) Exchange traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

Composition of collateral for CCR exposures (EU CCR5)

	Collateral used in derivatives transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
<i>(in € millions)</i>								
Cash – domestic currency	348	186	-	122	-	630	-	-
Cash – other currencies	17	-	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-	2,501	29,049
Government agency debt	-	-	-	-	-	-	-	204
Corporate bonds	-	-	-	-	-	-	-	370
Equity securities	-	-	-	-	-	662	-	-
Other collateral	-	-	-	-	-	10,078	-	2,859
Total	365	186	-	122	-	11,370	2,501	32,482

Credit derivatives exposures (EU CCR6)

	Protection bought	Protection sold
<i>(in € millions)</i>		
Notional amounts		
Single-name credit default swaps	53	27
Index credit default swaps	644	644
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total notionals	698	671
Fair values		
Positive fair value (asset)	32	27
Negative fair value (liability)	(2)	(5)

4.4.10 Securitisation

La Banque Postale has €1,208 million in exposure to securitisations at 30 June 2022, as defined in the regulations.

The Group invests in securitisations in certain European Union countries and in the United Kingdom.

The securities are backed by retail receivables as defined in Article 123 of the CRR.

Preference is given to securitisation programmes that have been awarded the European STS (Simple, Transparent, Standardised) label.

The high quality portfolio consists, for the most part, of Senior tranches assigned step 1 credit quality.

The Group does not carry out any transactions included in the templates listed below and is therefore not concerned by those templates:

- ▶ Template EU SEC1 – Securitisation exposures in the non-trading book;
- ▶ Template EU SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor;
- ▶ Template EU SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor;
- ▶ Template EU SEC5 – Exposures securitised by the institution – Exposures in default and specific credit risk adjustments.



Securitisation exposures in the trading book (EU SEC2)

	Institution acting as originator			Institution acting as sponsor			Institution acting as investor					
	Classic		Synthetic	Sub-total	Classic		Synthetic	Sub-total	Classic		Synthetic	Sub-total
	STS	Non-STS			STS	Non-STS			STS	Non-STS		
<i>(in € millions)</i>												
Total exposure									1,164	45		1,208
Retail (total)									545	35		580
Residential mortgage									-	31		31
Credit card									25	-		25
Other retail exposures									520	3		523
Re-securitisations									-	-		-
Wholesale (total)									618	10		628
Loans to corporates									-	-		-
Commercial mortgage									319	-		319
Lease and receivables									-	-		-
Other wholesale									300	10		309
Re-securitisations									-	-		-

4.4.11 Large exposures

At 30 June 2022, as provided for in the new provisions of Article 403 of the Capital Requirements Regulation, as amended by CRR II, and following publication in the Official Journal of the European Union on 30 March 2022 of Regulation No 2022/504 amending ECB Regulation No 2016/455 concerning the exercise of options and discretionary powers, outstanding home loans guaranteed by Crédit Logement were excluded from the Large Exposure limit of 25% of Tier 1 capital.



4.4.12 Quantitative counterparty credit risk information

Transactions subject to own funds requirements for CVA risk (EU CCR2)

	Exposure value	RWEA
<hr/>		
(in € millions)		
Total transactions subject to the advanced method	-	-
(i) VaR component (including the x3 multiplier)	-	-
(ii) Stressed VaR component (including the 3x multiplier)	-	-
Transactions subject to the standardised method	855	218
Transactions subject to the alternative approach (based on the original exposure method)	-	-
Total transactions subject to own funds requirements for CVA risk	855	218

4.5 FINANCIAL RISKS

Financial risks are presented in two parts in this section:

- ▶ Overall financial risks, covering interest rate risk related to banking mismatches, currency risk and liquidity risk for all of the business activities within La Banque Postale's consolidated scope;
- ▶ Market risks related to trading positions, consisting of negotiable securities and derivatives contracts entered into with an intent to trade, as well as risks related to the value of exposures measured at fair value through profit or loss or equity.

4.5.1 Structural banking portfolio interest rate, liquidity and currency risk

4.5.1.1 Governance

Balance Sheet Management Committee

The Balance Sheet Management Committee, a committee of the Executive Board, is the main decision-making body for matters concerning La Banque Postale's financial management. It is chaired by the Chairman of the Executive Board. Its main roles and responsibilities are as follows:

- ▶ review the Group's liquidity position and capital adequacy using both a standardised and an economic approach, taking into account the Group's risk appetite;
- ▶ review the main resilience test results and sensitivities concerning liquidity and capital adequacy;
- ▶ validate the various divisions' business trajectories;
- ▶ authorise the Chief Financial Officer to carry out various debt issues (Additional Tier 1, Tier 2, Senior Non Preferred, Senior Preferred and Covered Bonds), setting a target and a maximum amount (giving due consideration to social and green bond issuance capacity);
- ▶ examine the static and dynamic interest rate position and validate the hedging strategy through mandates given to the Chief Financial Officer;
- ▶ examine the implementation of significant models and their impact on management indicators;
- ▶ validate the internal transfer pricing procedure;
- ▶ monitor the progress of action plans implementing the recommendations of the internal and external auditors.

Asset and Liability Management (ALM) and Treasury Committee

The ALM and Treasury Committee rolls down the Balance Sheet Management Committee's decisions to the operating units. It is chaired by the Chief Financial Officer. It provides an interface for interest rate and cash flow hedging programmes between the ALM and Treasury teams on the one hand and the units responsible for implementing the hedging programmes on the other.

The roles and responsibilities of the ALM and Treasury Committee are as follows:

- ▶ monitor interest rate, liquidity and currency risk indicators; anticipate future changes based on marketing strategies and observed customer behaviour;
- ▶ periodically examine customer behaviour models and formally validate the associated runoff assumptions;
- ▶ decide on the investments, financial market issues and hedging programmes to be authorised pursuant to the ALM policy;
- ▶ review the annual budgets allocated to the delegated management of investment portfolios;
- ▶ review updated alert thresholds and exposure limits to be submitted to the GRMC for approval;
- ▶ periodically review treasury positions (particularly the size of the treasury balance sheet) and decisions concerning the mandate to be given to short-term liquidity managers;
- ▶ oversee regulatory exercises (especially ILAAP) and the results submitted to the banking and insurance supervisors;
- ▶ review annual internal transfer prices and the calibration of the Group's liquidity matrix;
- ▶ monitor the subsidiaries' ALM indicators;
- ▶ monitor the foreign exchange positions of the Group's banking entities.

Capital Management Committee

This committee of the Executive Board monitors capital management and asset risk-weighting matters and related indicators. In this respect, it defines capital management objectives (ratio, targets, etc.):

- ▶ it reviews the trajectory of capital and weighted asset risks;
- ▶ it defines corporate financing action plans (securities issues, capital increase requests, business line arbitrage and strategies, etc.) which can impact La Banque Postale Group's liquidity.

Business Line Balance Sheet Management Committee

The role of this committee, which comprises representatives of the Balance Sheet Management Department and the business lines (CIB, Retail Banking), is to break down ALM indicators by business line and to propose strategies to optimise La Banque Postale's liabilities.

Group Risk Management Committee (GRMC)

This committee of the Executive Board, chaired by the Group Chief Risk Officer, validates the entire risk management system through alert thresholds and limits. It authorises and validates the instruments used for financial management (ALM, trading room) purposes. Actual positions versus the limits set for ALM indicators are reported at each meeting of the Committee. Any overruns are flagged up and details are provided of the related action plan to bring the position back within the previously approved limit.

Model Risk Management Committee (MRMC)

The role of this committee is to validate the significant models used by the Group, especially run-off models for certain products without contractual maturities or including options, that are used in the calculation of ALM indicators.

Risk Management Rules Validation Committee (RMRVC)

This Committee is responsible for approving La Banque Postale Group's risk management rules. It is a sub-committee of the GRMC. Its role includes validating the identification of ALM risks, the assessment of their materiality, and the rules for measuring and monitoring these risks.

Operational ALM Risk Committee (OARC)

This committee reports the results of controls corresponding to the second line of defence carried out by the Financial Risk Department, which may lead to requests for changes to ensure compliance with risk measurement and limitation rules.

4.5.1.2 Banking portfolio interest rate risk

The unit responsible for supervising and managing overall interest rate risk is the Balance Sheet Risk Department (FRD-BR) within the FRD, which reports to La Banque Postale's Group Risk Department.

The department has several goals:

- ▶ to map risks, assess the risk management system and propose limits in line with La Banque Postale's risk appetite;
- ▶ to provide periodic monitoring of the indicators used to manage La Banque Postale's overall consolidated interest rate risk and that of its banking and insurance subsidiaries;
- ▶ to carry out audits of the calculation processes for the various indicators (static and dynamic) and control the integrity of calculated exposures;
- ▶ to audit the methodologies used.

This risk is monitored using indicators showing the sensitivity of future margins and economic value to interest rates, and by modelling scenarios which assess the entity's capacity to withstand exogenous shocks.

The interest rate movements tested affect both uncertain cash flows from financial products and earnings from Retail Banking operations via behavioural models – particularly implicit options available to customers.

The supervision of interest rate risk is the responsibility of the ALM Committee, which monitors indicators and forecasts trends based on commercial policy guidelines and observed customer behaviour. The interest rate risk indicators are also reviewed by the GRMC. Interest rate risks are generally reviewed on a monthly basis.

Objectives

Interest rate risk is managed so as to hedge the sensitivity of La Banque Postale's future net interest margin while ensuring compliance with value sensitivity indicators. A dynamic approach based on the business plan is used, applying interest rate derivatives (hedges) or adjusting commercial policies.

The balance sheet includes implicit and explicit options, leading to non-linear economic values based on interest rates. In this context, ALM proposes the regular rebalancing of structural positions using market instruments.

Scope

As required by the Basel Committee, significant interest rate risks in the banking book are identified and measured. Some of these risks may give rise to a specific follow-up procedure.

Interest rate risk is measured by maturity and by type of index for products dependent on variable or adjustable rates (Euribor, inflation, Estr, etc.), taking into account likely runoff agreements, which are themselves dependent on market conditions. Interest rate risk includes several components:

- ▶ fixing risk related to differences between new interest rates applied to assets and to liabilities (depending on baseline rates and maturities);
- ▶ yield curve risk related to fixing risk: this is generated by changes in the yield curve (translation, rotation, etc.);
- ▶ baseline risks: these are related to the use of multiple baseline interest rates and arise from the imperfect correlation of different reference rates;
- ▶ option-related risks (contractual or behavioural);
- ▶ risks caused by positions exposed to actual interest and inflation rates.

The change in the net interest margin is therefore measured by reference to several interest rate scenarios. The interest rate risk on the balance sheet is simulated with dynamic modelling, taking into account future changes in outstanding amounts (early repayments, loan originations, etc.), in accordance with behavioural models and the business plan.

Trading room bond portfolio transactions do not fall within the scope of overall interest rate risk management as the risk associated with these transactions is monitored and managed according to the individual limits for each portfolio. These specific trading desk portfolios are subject to market risk-type limits.

Assessing overall interest rate risk

Agreements and models

The interest rate gap and interest rate sensitivity valuation methodologies used are determined according to the type of assets (or liabilities) comprising the balance sheet:

- ▶ outstanding loans with fixed maturities (contractual runoff that may or may not be adjusted by a model);
- ▶ outstanding loans with no fixed maturities (conventional runoff);
- ▶ off-balance sheet items (liquidity commitments and guarantees).

Transactions with no contractual maturity (including customer deposits and passbook savings accounts) are included based on runoff conventions approved by the Balance Sheet Management Committee and the Group Risk Department.

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

Interest rate gap

For a given currency, the nominal interest rate gap is calculated for fixed-rate transactions and for variable-rate and adjustable-rate transactions up to the next rate review or reset date. The nominal interest rate gap does not take into account interest rate payments.

The interest rate gap is the difference between average fixed-rate liabilities and average fixed-rate assets, including the effects of off-balance sheet items, by maturity.

Interest rate gap by maturity at 30 June 2022

(Negative amount = Surpluses used at fixed rates)

(in € millions)	Average spot gaps			
	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Uses	(186,992)	(121,917)	(63,708)	(8,273)
Resources	196,763	134,095	68,667	5,786
Off-balance sheet	(6,995)	(8,716)	(3,560)	(9)
Rate gap at 30 June 2022	2,776	3,462	1,400	(2,495)
Rate gap at 31 Dec. 2021	2,564	8,694	3,197	(1,891)
Adjustments	212	(5,232)	(1,797)	(604)

La Banque Postale's interest rate position changed significantly in first-half 2022. As rates rose, La Banque Postale invested at fixed rates, enabling it to increase its so-called natural mismatch position.

Some models were updated (early repayment, savings), which also modified the interest rate position.

EVE (Economic Value of Equity) sensitivity

EVE sensitivity corresponds to the change in economic value resulting from different shock scenarios. It is calculated statically from the contractual maturities of existing balance sheet items, taking into account behavioural models and run-off conventions for items without contractual maturities. The following shock scenarios were modelled:

1. parallel 200 bps increases in short- and long-term rates;
2. parallel 200 bps decreases in short- and long-term rates;
3. steeper yield curve (decrease in short-term rates, increase in long-term rates);
4. flattening of yield curves (increase in short-term rates, decrease in long-term rates);
5. increase in short-term rates;
6. decrease in short-term rates.

EBA guidelines also require banks to model a regulatory floor for the post-shock risk-free rate. The floor starts at 1% and is increased in steps of 0.05% to 0% at 20 years.

EVE sensitivity by level of parallel interest rate shock at 30 June 2022

(in € millions)	(200)	200	Flattening	Steepening	Increase in short-term rates	Decrease in short-term rates
EVE sensitivity at 31 Dec. 2021	(100)	(769)	(117)	43	(111)	(29)
EVE sensitivity vs T1 capital at 31 Dec. 2021	-0.52%	-4.00%	-0.92%	0.22%	-0.57%	-0.15%
EVE sensitivity at 30 June 2022	968	(1,128)	210	(331)	(43)	248
EVE sensitivity vs T1 capital at 30 June 2022	5.98%	-6.96%	1.30%	-2.04%	-0.27%	1.53%

The least favourable interest rate scenario for La Banque Postale is a 200 bps parallel increase in the yield curve (€1,128 million reduction in EVE, representing -6.96% EVE sensitivity vs. Tier 1 capital). This compares to a regulatory limit of -15% (with an internal alert triggered at -13%).

First-half 2022 saw an increase in EVE sensitivity to a 200 bps rise in interest rates, mainly due to the Group's fixed-rate investments.

Net interest margin sensitivity

Net interest margin (NIM) sensitivity is defined as the difference between NIM in a modified interest rate scenario and NIM in a baseline interest rate scenario.

NIM sensitivity is calculated for each interest rate scenario taking into account interest rate-dependent behavioural models, and by maintaining levels of loan origination and deposits from the commercial business, along with assumptions related to equivalent financial transactions in the baseline scenario.

Only behavioural models and floating rate transactions show a reaction to the shock scenario. Their impacts on amounts outstanding modify the level of short-term financing.

Different interest rate scenarios featuring an instantaneous shock relative to the baseline curve:

1. parallel 100 bps increases in short- and long-term rates;
2. parallel 100 bps decreases in short- and long-term rates;
3. steeper yield curve (decrease in short-term rates, increase in long-term rates);
4. flattening of yield curves (increase in short-term rates, decrease in long-term rates);
5. increase in short-term rates;
6. decrease in short-term rates.

EBA guidelines also require banks to model a regulatory floor for the post-shock risk-free rate. The floor starts at 1% and is increased in steps of 0.05% to 0% at 20 years.

Net interest margin (NIM) sensitivity at 1 year/Scenario at 30 June 2022

(in € millions)	31 Dec. 2021	30 June 2022
Translation +1	109	35
Translation -1	(86)	(4)
Steepening	53	134
Flattening	182	(25)
Rise in short-term rates	307	16
Drop in long-term rates	(58)	96

The least favourable scenario at one year for La Banque Postale is a flattening of yield curves leading to a fall in NIM of €25 million, representing around 1.4% of total NIM over a rolling 12-month period.

4.5.1.3 Liquidity risk

Liquidity risk reporting and assessment systems

The liquidity risk reporting systems cover the entire La Banque Postale Group for regulatory purposes. Some of the limits and indicators used in management refer to corporate units of the Group, notably La Banque Postale, the largest Group entity.

La Banque Postale's overall liquidity risk profile

La Banque Postale has a strong liquidity position based on:

- ▶ customer deposits exceeding customer loans. La Banque Postale has a significant and diversified deposit base (in excess of €200 billion) consisting primarily of deposits from French retail customers;
- ▶ a significant HQLA portfolio (High-Quality Liquid Assets). La Banque Postale has traditionally invested a significant portion of its balance sheet in sovereign securities due to its historical activity as a deposit-taker. The customer credit business only began to develop in 2006. This portfolio contains only high-quality liquid assets, in accordance with Delegated Regulation (EU) No 2015/61;
- ▶ proven access to capital markets and money markets.

Since funds from customers mostly have no fixed maturity and may be payable at any time (deposits, passbook accounts), their runoff is modelled to determine their profile over time. La Banque Postale has adopted a conservative approach to assessing its liquidity positions.

Liquidity risk management

The Balance Sheet Management Committee is responsible for managing liquidity risk in compliance with the principles and limits approved by the GRMC. Part of this responsibility is delegated to the ALM and Treasury Committee.

In operational terms, La Banque Postale has implemented an internal liquidity adequacy assessment process (ILAAP) which combines all of its liquidity limits, assessment, monitoring, reporting and management procedures. The process includes:

- ▶ a system of risk indicators associated with regulatory or internal limits, published at monthly intervals;
- ▶ daily monitoring of changes in the buffer consisting of unencumbered high-quality liquid securities and a proxy LCR;
- ▶ a financing plan which ensures the equilibrium of La Banque Postale's refinancing position on an ex-ante basis in its budget planning universe;
- ▶ twice-yearly market access tests to verify market access in different currencies and actual liquidity tests on securities;
- ▶ the Emergency Funding Plan (EFP), which is primarily intended to:
 - define alert thresholds to enable early detection of liquidity stress, whether specific to La Banque Postale or systemic,
 - identify all available liquidity-generating capacities (liquidity reserves and financing capacity),
 - mobilise governance to manage potential crises in a timely manner;
- ▶ measure La Banque Postale's room for manoeuvre via a stress test system in the context of historically high stress.

The liquidity risk prudential reporting systems cover the entire prudential consolidation scope. Some Group entities are also subject to reporting requirements at the individual level.

Liquidity risk measurement

The main indicators of liquidity risk are presented below.

Liquidity Coverage Ratio (LCR)

The LCR is a monthly short-term liquidity ratio which measures La Banque Postale's capacity to withstand a severe deterioration in its financial situation for up to 30 days in a global crisis scenario.

Under banking regulations, LCR must be greater than 100%. La Banque Postale's internal LCR target is higher than this (with an alert threshold of 135% and a limit of 120%) and its actual LCR at 30 June 2022 was significantly above the minimum level, at 166%.

This ratio is calculated by dividing the sum of unencumbered, high-quality liquid assets by the liquidity requirement in a stress environment over a 30-day period. An LCR proxy is calculated daily.

Quantitative information on the Liquidity Coverage Ratio (LCR) (EU LIQ1)

Scope of consolidation (solo/consolidated)	Total unweighted value (average)				Total weighted value (average)			
	June 2022	March 2022	Dec. 2021	Sept. 2021	June 2022	March 2022	Dec. 2021	Sept. 2021
Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS								
<i>Total high-quality liquid assets (HQLA)</i>					57,805	58,895	56,841	53,704
CASH OUTFLOWS								
<i>Retail deposits and deposits from small business customers, of which:</i>								
<i>Stable deposits</i>	195,402	194,116	192,508	190,976	12,655	12,538	12,396	12,271
<i>Less stable deposits</i>	141,124	140,825	140,397	139,723	7,056	7,041	7,020	6,986
<i>Unsecured wholesale funding</i>	54,250	53,253	52,077	51,210	5,596	5,494	5,374	5,283
<i>Operational deposits (all counterparties) and deposits in cooperative bank networks</i>	18,534	17,403	16,859	16,933	11,173	10,477	10,138	10,124
<i>Non-operational deposits (all counterparties)</i>	-	-	-	-	-	-	-	-
<i>Unsecured debt</i>	14,259	13,522	13,177	13,435	6,898	6,596	6,455	6,625
<i>Secured wholesale funding</i>	4,275	3,882	3,683	3,499	4,275	3,882	3,683	3,499
<i>Additional requirements</i>	2,303	1,654	993	662	2,303	1,654	993	662
<i>Outflows related to derivative exposures and other collateral requirements</i>	25,865	25,213	24,182	22,258	4,896	4,544	3,897	3,705
<i>Outflows related to loss of funding on debt products</i>	2,408	2,072	1,449	1,423	2,408	2,072	1,449	1,423
<i>Credit and liquidity facilities</i>	-	-	-	-	-	-	-	-
<i>Other contractual funding obligations</i>	23,457	23,142	22,733	20,835	2,488	2,473	2,448	2,282
<i>Other contingent funding obligations</i>	6,593	6,799	6,549	5,849	6,593	6,799	6,549	5,846
<i>Other contingent funding obligations</i>	1,710	1,605	1,554	2,673	1,472	1,378	1,350	1,418
TOTAL CASH OUTFLOWS					39,092	37,392	35,323	34,027
CASH INFLOWS								
<i>Secured lending (e.g., reverse repos)</i>	7,339	8,034	9,274	9,577	98	90	173	237
<i>Inflows from fully performing exposures</i>	1,724	1,695	1,592	1,567	1,162	1,140	1,059	1,049
<i>Other cash inflows</i>	65,763	66,474	67,133	67,818	6,064	6,133	6,222	6,371
<i>(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)</i>					-	-	-	-
<i>(Excess of cash inflows from a related specialised credit institution)</i>					-	-	-	-
TOTAL CASH INFLOWS	74,825	76,203	78,000	78,961	7,324	7,364	7,454	7,657
<i>Fully exempt cash inflows</i>	-	-	-	-	-	-	-	-
<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-
<i>Inflows subject to 75% cap</i>	74,825	76,203	78,000	78,961	7,324	7,364	7,454	7,657
LIQUIDITY BUFFER					57,805	58,895	56,841	53,704
TOTAL NET CASH OUTFLOWS					31,768	30,028	27,869	26,370
LIQUIDITY COVERAGE RATIO (%)					182.0%	196.1%	204.0%	203.7%

The Group' weighted average LCR decreased by 15 points in the first half of 2022, to 182% at 30 June 2022 from 197% at 30 June 2021.

Reported LCR decreased by 54 points over the period, to 166% at 30 June 2022 versus 220% at 30 June 2021. This change is primarily explained by the decrease in the numerator, with a €14.1 billion reduction in High Quality Liquid Assets (HQLA) related to Banque de France positions, with net cash outflows remaining stable.

Survival horizon

This indicator measures the number of days during which La Banque Postale would be able to meet its payment obligations in a crisis situation, solely by using its liquidity buffers and assuming that it continues to operate normally (i.e., without extraordinary management action such as a lending freeze).

It is determined based on stressed dynamic gaps calculated for each crisis scenario (systemic, specific to La Banque Postale or both) and corresponds to the horizon observed under the least favourable scenario for La Banque Postale.

The survival horizon is expressed as a number of months (up to a maximum of six months, which corresponds to the crisis scenario horizon), plus the observed liquidity surplus or shortfall corresponding to the horizons set for risk management purposes.

Liquidity gap

La Banque Postale assesses its long-term liquidity level by reference to a liquidity gap. The liquidity gap includes static gap forecasts by maturity and limits defined at 1-, 3- and 5-year horizons. The assumptions used correspond to a stressed approach, resulting in a conservative view of La Banque Postale Group's liquidity position.

The liquidity gap assessment approaches are determined according to the type of asset (or liability) on the balance sheet:

- ▶ outstanding loans with fixed maturities (contractual runoff that may or may not be adjusted by a model);
- ▶ outstanding loans with no fixed maturities (conventional runoff);
- ▶ liquidity profile of the transferable assets;
- ▶ off-balance sheet items (liquidity commitments and guarantees).

Transactions with no contractual maturity (including customer deposits and passbook savings accounts) are included based on runoff conventions approved by the Balance Sheet Management Committee and the Group Risk Department.

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

The transferability of certain transactions may be taken into account where appropriate.

Long-term static liquidity gap at 30 June 2022

Average spot gaps (in € millions)	1 year	3 years	5 years
Uses	(206,548)	(154,619)	(115,109)
Resources	238,243	193,990	151,480
Off-balance sheet	(6,832)	(5,385)	(3,850)
Liquidity gap at 30 June 2022	24,863	33,986	32,520
Liquidity gap at 31 December 2021	26,790	28,417	26,482
Adjustments	(1,927)	5,569	6,038

The liquidity gap (excess of liabilities over assets) increased slightly in first-half 2022 due to significant movements on the liabilities side, such as an increase in deposits and a change in modelling for savings products. A green covered bond was also issued.

Net Stable Funding Ratio (NSFR)

The NSFR corresponds to the amount of available stable funding in relation to required stable funding. This ratio should be at least 100% at any time. Available stable funding (ASF) refers to the portion of resources that are not payable within the time frame considered, i.e., 1 year within the context of the NSFR. The amount of required stable funding (RSF) of a business depends on the characteristics of its liquidity and the residual maturity of its assets (and off-balance sheet positions).

At 30 June 2022, as part of the regulatory liquidity exercises carried out for the ECB, the NSFR liquidity ratio was 132%.

Net Stable Funding Ratio (EU LIQ2)

(in currency amounts)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items					
Capital items and instruments	16,071	-	-	2,745	18,817
Own funds	16,071	-	-	2,745	18,817
Other capital instruments	-	-	-	-	-
Retail deposits	-	131,370	0	2	122,169
Stable deposits	-	78,685	-	-	74,750
Less stable deposits	-	52,685	0	2	47,419
Wholesale funding	-	58,722	6,311	15,562	26,907
Operational deposits	-	-	-	-	-
Other wholesale funding	-	58,722	6,311	15,562	26,907
Interdependent liabilities	-	63,836	-	-	-
Other liabilities	-	11,610	-	-	-
NSFR derivative liabilities	-	-	-	-	-
All other liabilities and capital instruments not included in the above categories	-	11,610	-	-	-
Total available stable funding (ASF)	-	-	-	-	167,893
Required stable funding (RSF) items					
(in currency amounts)	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Total high-quality liquid assets (HQLA)	-	-	-	-	1,891
Assets encumbered for one year or more in cover pool	-	-	-	-	-
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing loans and securities	-	16,211	5,640	133,652	110,750
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	-	7,619	2,543	57	1,329
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	-	107	34	213	240
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	-	6,821	2,135	35,345	28,703
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	6,375	1,988	29,093	23,092
Performing residential mortgages, of which:	-	99	244	73,217	56,973
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	87	238	69,315	53,599
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	-	1,565	684	24,819	23,505
Interdependent assets	-	63,836	-	-	-
Other assets	-	5,231	8	9,728	12,304
Physical traded commodities	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	318	-	-	271
NSFR derivative assets	-	60	-	-	60
NSFR derivative liabilities before deduction of variation margin posted	-	531	-	-	27
All other assets not included in the above categories	-	4,321	8	9,728	11,947
Off-balance sheet items	-	3,001	1,692	47,638	2,631
Total RSF	-	-	-	-	127,576
Net stable funding ratio (%)					131.6%

Liquidity reserve

The purpose of the liquidity reserve is to quantify the amount of cash and liquidity readily available through the sale or repurchase of securities in order to withstand a liquidity crisis.

The liquidity reserve is composed of:

- ▶ cash deposited with the Central Bank (excluding the average mandatory reserves calculated over the incorporation period);
- ▶ ECB-eligible securities with a satisfactory rating;
- ▶ retained covered bonds and covered bonds issued by La Banque Postale through its subsidiary La Banque Postale Home Loan SFH.

Liquidity reserve

(in € millions)	First-half 2022
Cash and central banks	44,575
ECB-eligible securities rated at least BBB-	4,966
TOTAL LIQUIDITY RESERVE	49,541

For 2022, La Banque Postale was in a position to issue €6 billion worth of covered bonds and is currently in a position to issue another €4.25 billion worth, in accordance with the authorisations given in its financing plan, by collateralising its home loans.

Emergency Funding Plan (EFP)

The EFP is monitored by the Group's funding governance bodies (the ALM and Treasury Committee and the Refinancing Sub-Committee of the Group Risk Committee) and implemented by the Corporate and Investment Banking Division.

The EFP is part of the internal liquidity assessment process on which La Banque Postale reports each year. The EFP sets out the leading indicators selected to gauge the robustness of the (financial or banking) markets impacting the liquidity of La Banque Postale. These indicators can be broken down into two major groups:

- ▶ systemic indicators;
- ▶ entity-specific ("idiosyncratic") indicators.

A specific threshold (comfort, vigilance or alert) is defined for each indicator.

The EFP also makes provision for a mechanism to be implemented in the event of a proven systemic or entity-specific crisis. This mechanism mainly takes the form of an inventory of the various sources of funds (or liquidity) available to La Banque Postale, based on the amounts involved and the speed with which they can be accessed. The EFP also makes provisions for specific governance through committees, which will monitor the leading indicators. The purpose of this governance organisation is to increase oversight of liquidity risk. In normal times, the indicators are presented at meetings of the ALM and Treasury Committee and periodically to the GRMC. They are also tracked during weekly meetings of the Refinancing Committee. The indicators selected, and the actions proposed, are tested on the markets in order to gauge their suitability along with market liquidity.

The funding test involves testing the market by issuing short-term debt. The aim of this type of test is to regularly verify La Banque Postale's ability to quickly raise funds on the markets to ensure that its estimated borrowing capacity remains valid.

This type of test is carried out at least twice a year.

Ability to access external financing

In line with the ALM Committee and the GRMC's healthy and prudent liquidity management, La Banque Postale has secured diversified sources of financing, including:

- ▶ a €20 billion NEU CP (Negotiable European Commercial Paper) programme and a €10 billion ECP (European Commercial Paper) programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- ▶ a €2 billion NEU EMTN programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- ▶ a €20 billion retail EMTN programme enabling the issue of senior (vanilla and structured), non-preferred senior and Tier 2 debt;
- ▶ a €10 billion retail structured senior debt programme;

- ▶ a €30 billion EMTN programme for the issue of home loan bonds (*obligations de financement de l'habitat* – OFH) via its secure financing vehicle, La Banque Postale Home Loan SFH, a La Banque Postale SA subsidiary created in 2013;
- ▶ access to European Investment Bank (EIB) refinancing under La Banque Postale's eligible funds commitment;
- ▶ a portfolio of HQLA (High-Quality Liquid Asset) securities, consisting mainly of rapidly accessible, high-quality government bonds which represent a stable source of eligible assets enabling access to ECB refinancing operations or to the securities repo market;
- ▶ access to the Brokertec, Eurex Repo and Eurex GC Pooling and NGT Bondlend repo platforms;
- ▶ access to the interbank market.

La Banque Postale also has access to a secured financing vehicle *via* the Caisse de Financement Local (CAFFIL), to which it regularly sells originated local public sector loans.

4.5.1.4 Encumbered/Unencumbered assets

Encumbered and unencumbered assets (EU AE1)

Data at 31 December 2021

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
<i>(in € thousands)</i>								
Assets of the disclosing institution	116,398,646	24,117,400			770,149,130	2,357,035		
Equity instruments	169,112	-	-	-	285,831	-	285,831	-
Debt securities	26,064,215	24,117,400	24,868,508	25,009,834	47,490,594	2,357,035	15,493,615	2,357,035
<i>of which covered bonds</i>	682,474	663,724	682,474	663,724	4,609,808	703,876	2,059,621	703,876
<i>of which securitisations</i>	-	-	-	-	2,757,941	195,385	396,104	195,385
<i>of which issued by general governments</i>	23,967,382	23,114,772	23,867,206	24,017,835	9,145,839	601,140	2,113,611	601,140
<i>of which issued by financial corporations</i>	2,222,423	997,777	998,876	987,148	32,371,129	841,087	11,819,431	841,087
<i>of which issued by non-financial corporations</i>	20,766	609	2,730	609	5,973,627	629,613	1,560,572	629,613
Other assets	1,256,974	-			81,943,212	-		

Collateral received and own debt securities issued (EU AE2)

Data at 31 December 2021

	Fair value of encumbered collateral received or own debt securities issued	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance		
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
<i>(in € thousands)</i>				
Collateral received by the reporting entity	9,188,004	8,513,865	1,538,069	1,223,629
Loans on demand				
Equity instruments				
Debt securities	9,188,004	8,513,865	1,538,069	1,223,629
<i>of which covered bonds</i>	-	400,346	95,125	92,800
<i>of which securitisations</i>	-	-	291,002	290,888
<i>of which issued by general governments</i>	8,762,965	8,490,038	1,155,913	839,985
<i>of which issued by financial corporations</i>	455,497	418,314	382,156	380,667
<i>of which issued by non-financial corporations</i>				
Loans and advances other than loans on demand				
Total assets and/or collateral received and own debt securities issued	-	-	-	-

Sources of encumbrance (EU AE3)

Data at 31 December 2021

	Matching liabilities, contingent liabilities or securities lent	Assets and/or collateral received and own debt securities issued other than covered bonds and securitisations encumbered
<i>(in € thousands)</i>		
Carrying amount of selected financial liabilities	125,169,987	124,019,322

La Banque Postale Group's encumbered assets consist of the following:

- ▶ securities delivered under repurchase agreements with other financial counterparties;
- ▶ securities pledged for the Central Bank and Crédit Logement;
- ▶ home loans pledged as collateral for La Banque Postale Home Loan SFH's covered bond issues;
- ▶ margin calls on securities and derivatives;
- ▶ collateral deposits.

4.5.1.5 Overall foreign exchange risk

The operational foreign exchange risk, related in particular to bank transfers and financial activities, is moderate.

La Banque Postale's banking balance sheet is managed almost exclusively in euros. Foreign currency market activities carried out by the cash management unit and portfolio-related activities are systematically hedged and converted into euros beyond a specified exchange rate position threshold.

The residual foreign exchange risk arising from the outcome of these transactions is reflected in the book foreign exchange position, which is reported daily. These positions are subject to limits in order to reduce the related risks by clearing them at least once a month with the Treasury Department.

The retail bank's foreign currency operations, which mainly involve international fund transfers, are fairly small.

At 30 June 2022, La Banque Postale's currency position represented €60 million, of which around 92% denominated in USD.

4.5.2 Market risk

4.5.2.1 Organisation and governance

Financial Risk Department (FRD, Market risk)

Market risk encompasses the risk of losses generated by adverse changes to variables (interest rates, exchange rates, spreads, volatility, etc.) on the value of financial instruments carried on La Banque Postale's balance sheet or of its commitments.

Within the Group Risk Department, managing market risks is the responsibility of the FRD, and, in particular, the Market Risk unit.

In order to ensure comprehensive monitoring of market risks, the monitoring scope of the Market Risk unit encompasses all fair value transactions.

The FRD, under the responsibility of the Group Risk Department, reports to the GRMC on the definition and implementation of procedures for managing and monitoring financial risks. It also reports to the GRMC on a monthly basis on market risks and informs it of its main activities.

The overall market limits, as defined in the Risk Appetite Statement (RAS) and the associated Risk Appetite Dashboard, are approved by the Supervisory Board. Market limits under the Group Risk Management Policy are approved by the Executive Board. Operational limits under Risk Management Rules are approved by the Market Risk Committee.

4.5.2.2 Market risk within the Group

Market risk concerns all balance sheet and off-balance sheet items measured at fair value. These items are found within La Banque Postale and within several Group subsidiaries, namely:

- ▶ in the insurance subsidiaries:
 - La Banque Postale Prévoyance,
 - La Banque Postale Assurances IARD,
 - La Banque Postale Assurance Santé,
 - CNP Assurances;
- ▶ in the asset management subsidiaries:
 - La Banque Postale Asset Management.

The FRD's Market Risk unit is responsible for monitoring La Banque Postale's market risk and for consolidated supervision at Group level.

4.5.2.3 Role of the Financial Risk Department (FRD)

Within the FRD, the Market Risk unit is responsible for four main areas.

Limits and authorisations

Loss risks are managed by commitment or exposure limits and by a list of authorised financial products. The FRD is therefore responsible for:

- ▶ reviewing requests for overall and operational limits;
- ▶ reviewing requests for new financial and investment products;
- ▶ monitoring compliance with limits;
- ▶ reporting and managing any overruns.

Valuation

The official fair value measurement of market transactions is the responsibility of the FRD. One potential source of losses arises from the incorrect valuation of the price of financial assets in the portfolio. The FRD therefore focuses on ensuring that the carrying amount of these assets represents fair market value with the lowest possible degree of uncertainty. To that end, the FRD:

- ▶ draws up a valuation policy;
- ▶ checks and approves the valuation methods in conjunction with the Model Approval unit;
- ▶ approves the valuation inputs;
- ▶ verifies the quality of market data and compliance with valuation procedures;

- ▶ defines valuation adjustments as part of prudent valuation, in accordance with the Capital Requirements Regulation (CRR).

Risk measurement and control

In order to manage risk-taking, the FRD must be able to provide an accurate account of the risks to which La Banque Postale is exposed. The FRD is therefore responsible for:

- ▶ identifying risk factors according to the products and strategies implemented;
- ▶ establishing risk measurement approaches and back-testing those approaches;
- ▶ monitoring the positions taken by the Group in order to ensure that they fall within the established limits.

Process controls

The FRD's Market Risk unit draws up a plan of controls to ensure the successful execution of its work and the quality of data produced.

4.5.2.4 Market risk indicators

Sensitivity

Sensitivity measures the exposure of La Banque Postale's portfolio to a change in risk factors.

The FRD approves the sensitivity calculation methodology and ensures that all relevant and material risk factors are taken into account.

Value at Risk (VaR)

VaR is an indicator of La Banque Postale's loss exposure. It gives an estimate of maximum potential losses over a specified period with a given probability. However, VaR does not indicate the various levels of potential losses that may arise from infrequent events.

The VaR indicator is calculated on trading portfolios and also on certain banking portfolios. An overall VaR encompassing all positions is also calculated.

VaR is broken down for each of the activities included in the market portfolio.

In line with a prudent approach, La Banque Postale decided to apply a VaR indicator (one-day, 99%) to all of its mark-to-market positions. The VaR indicator used by La Banque Postale is a parametric VaR, calculated using a variance-covariance matrix that covers La Banque Postale's exposure to interest rate, spread, exchange rate, volatility and equity risks.

The resulting VaR partly covers option-related risks, with second-degree risks not being taken into account. Although they are not currently material in relation to total positions, an increase in option positions could lead the GRD to adopt a more appropriate methodology. Moreover, option risk monitoring indicators are deployed.

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

Stress scenarios

VaR, which is calculated on the assumption that it follows a normal distribution, is estimated under normal market conditions and does not provide any information on the amount of the potential loss when the VaR is exceeded. The Group needs to be able to estimate potential losses in exceptional market conditions (terrorist attack, collapse of a major group, etc.). It therefore implements stress scenarios.

A stress scenario involves simulating an extreme situation in order to assess the financial impact on La Banque Postale's earnings or capital. The use of these scenarios is an analytical and management tool providing a better understanding of market risk.

La Banque Postale trades on all markets (UCITS, currencies, fixed-income, credit and derivatives). However, at present, it mostly deploys directional strategies on the fixed-income and credit. The crisis scenarios used in the models mainly affect yield curves and credit spreads; other parameters are also taken into account but their impact is limited.

A distinction is made between two major stress families – historical stresses and hypothetical stresses:

- ▶ Historical stresses are based on historical facts (events which have actually occurred). To build the scenarios, changes which took place in the past during major financial crises are applied to current market conditions. These are historical scenarios.
- ▶ Hypothetical stresses are scenarios that adopt plausible variations which, although they have never occurred, could threaten the organisation if they did. These shocks are calibrated with assumptions based on historical statistics drawn from market data.

A historical stress scenario is triggered by a sudden event affecting a combination of factors. To plan for a worst-case scenario, the time frames selected correspond to the initial stage during which the crisis spreads up to the first indication that prices are stabilising, given that several trading days are needed to close out high-risk positions.

A stress test is applied to a given category of market risk. La Banque Postale performs stress tests on its main risk exposures.

At Group level, quarterly stress tests are performed on all portfolios measured at fair value (including the insurance subsidiaries). This indicator is calculated on the basis of the historical scenario with a 3-month horizon, determined to be the most unfavourable for La Banque Postale Group over a period of at least 10 years with a confidence level of 99.5%.

4.5.2.5 Market risk exposure limits

Organisation

A distinction is made between three levels of market risk limits corresponding to three escalation levels:

- ▶ limits set by the Supervisory Board in the Risk Appetite Statement (RAS) and the associated limits table;
- ▶ limits rolled down to the business units in the Risk Management Policy approved by the Executive Board in GRMC meetings;
- ▶ more detailed operational limits approved by the Market Risks Committee and checked for consistency with the RAS and the Risk Management Policy by the Group Risk Department.

The GRMC and the Risk Committee of the Supervisory Board are regularly informed as to the implementation of these limits and traders' compliance with them.

The system of limits is adapted to the organisation of La Banque Postale's financial activities. The trading desks define limits per activity, taking into account the aim of transaction management and the impact of transactions on La Banque Postale's earnings or capital.

Risk metrics

The limits are applied to the relevant risk measures to manage the potential impact of adverse changes in the markets on La Banque Postale's earnings and capital.

The objective is also to ensure that each activity remains within the specified management framework and only deals in market instruments that La Banque Postale's internal systems are operationally capable of managing.

Review of limits

Limits are reviewed each year in conjunction with the front office. It is important to ensure that the limits assigned remain consistent with changes in financial markets and in La Banque Postale's activities.

Limits may also be reviewed from time to time, at the request of the front office or at the discretion of the FRD.

Limit overruns

Limit overruns that are required to be reported to the Supervisory Board or Executive Board are managed via an alert procedure defined in the limit overrun management standard approved by the Risk Management Rules Committee of the Group Risk Department. Limit overruns that are required to be reported to the Group Risk Department are managed according to a special procedure in the Market Risk Management System.

Taking account of the given context, the FRD evaluates the pertinence of the planned corrective actions and may, if necessary and agreed by the Group Chief Risk Officer, authorise a limit to be exceeded over a specified period if it cannot be quickly corrected due to operational reasons or the market environment.

Limit overruns (lasting for periods of three days or more in the case of overruns required to be reported to the Group Risk Department) and temporary overrun authorisations are reported each month to the GRMC and must be logged in an overrun notification report signed off by the Group Chief Risk Officer. Limit overruns lasting for less than three days are also reported each month to the Market Risk Committee.

4.5.2.6 Financial instruments and currencies authorised for trading

The FRD draws up a list of authorised products and currencies approved by the Market Risk Committee.

The FRD ensures that this list is complied with, and that there is sufficient operational capacity to manage these products and currencies, particularly in terms of risk calculation.

The transactions carried out in the market risk scope use traditional instruments commonly found in the financial markets: The instruments include but are not limited to:

- ▶ bonds;
- ▶ interest rate derivatives;

- ▶ UCITS;
- ▶ credit default swaps;
- ▶ structured EMTNs;
- ▶ transactions on listed markets (essentially interest rate/sovereign bond futures).

4.5.2.7 Exposure to market risks

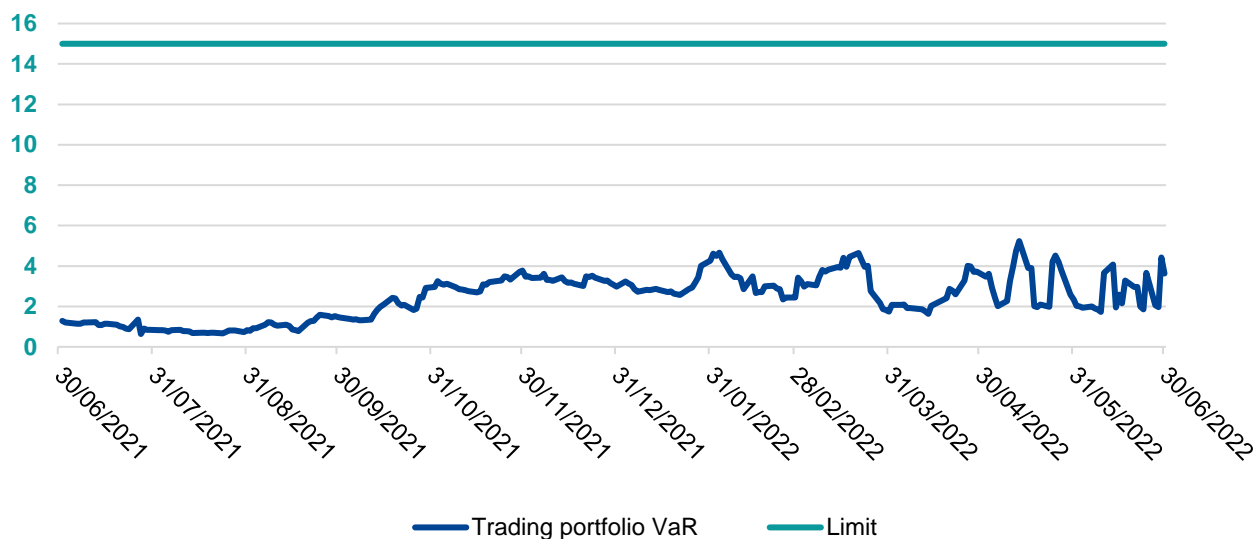
La Banque Postale is exposed to market risks due to its cash management and surplus liquidity management activities (portfolio of assets available for sale and hedging transactions), and through transactions undertaken on behalf of customers.

The market risk portfolio comprises the trading portfolio, as well as banking portfolio transactions measured at fair value, including transactions in available-for-sale securities and certain securities lending and borrowing transactions.

In terms of market risk management, La Banque Postale is primarily exposed to interest rate, credit spread and equities risks. Currency risks, particularly related to international mandates and financial activities, along with volatility risks, are moderate.

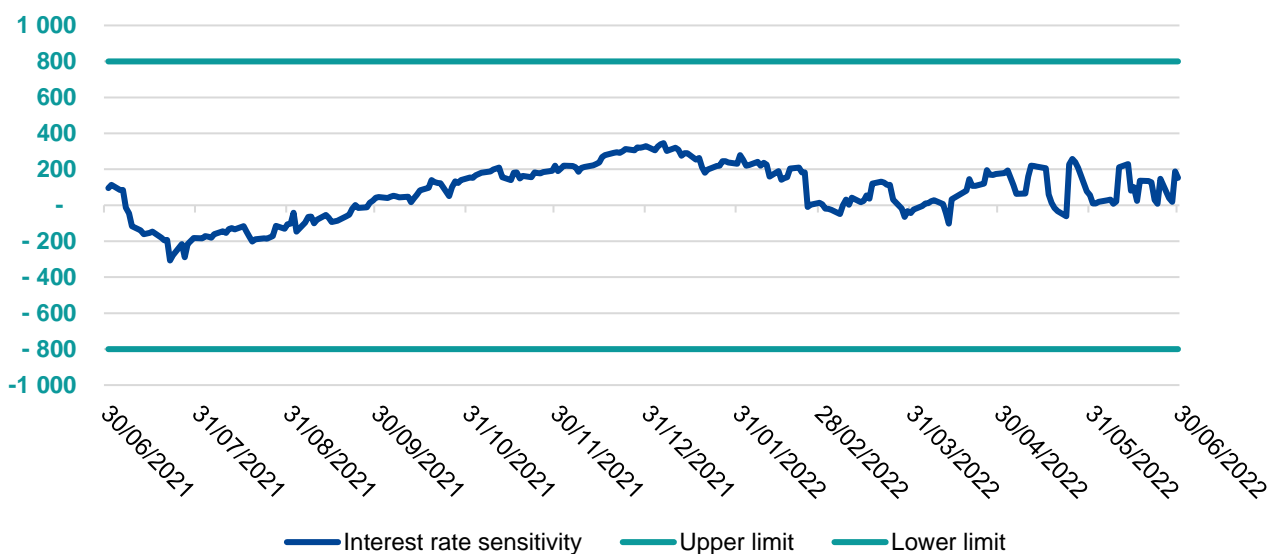
4.5.2.8 Changes in the main risk indicators for the trading desk

Trading portfolio VaR (in € millions)



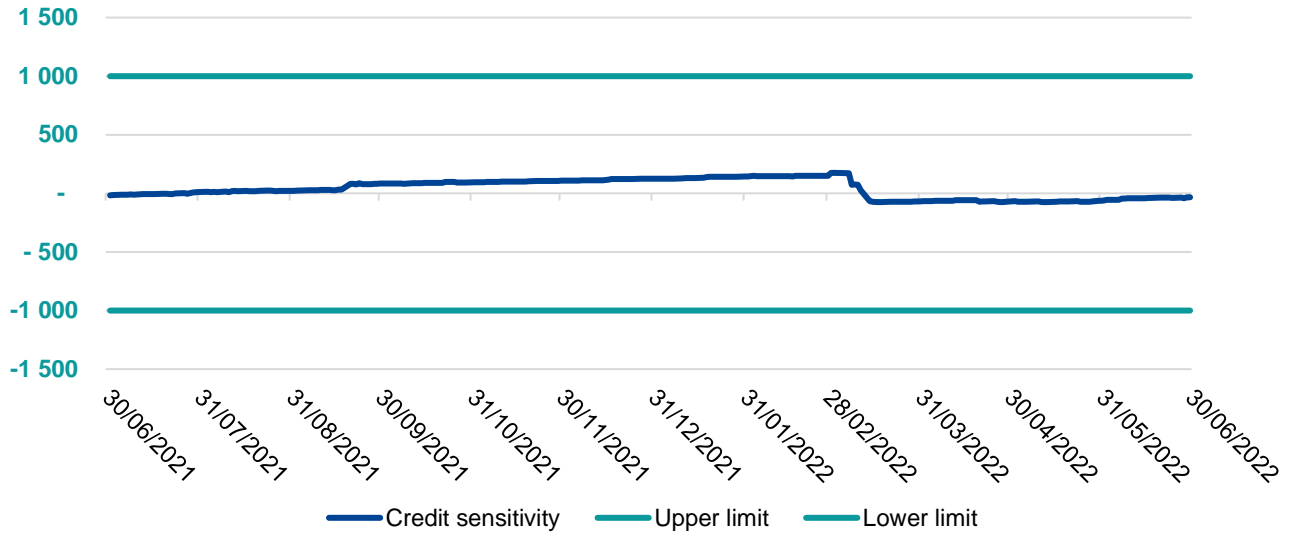
The VaR of the trading portfolio measured at fair value through profit or loss ranged from €1.6 million to €5.2 million in the first half of 2022. The changes observed during the period were mainly attributable to adjustments to interest rate hedges.

Sensitivity of the trading portfolio to changes in interest rates (in € thousands/bp)



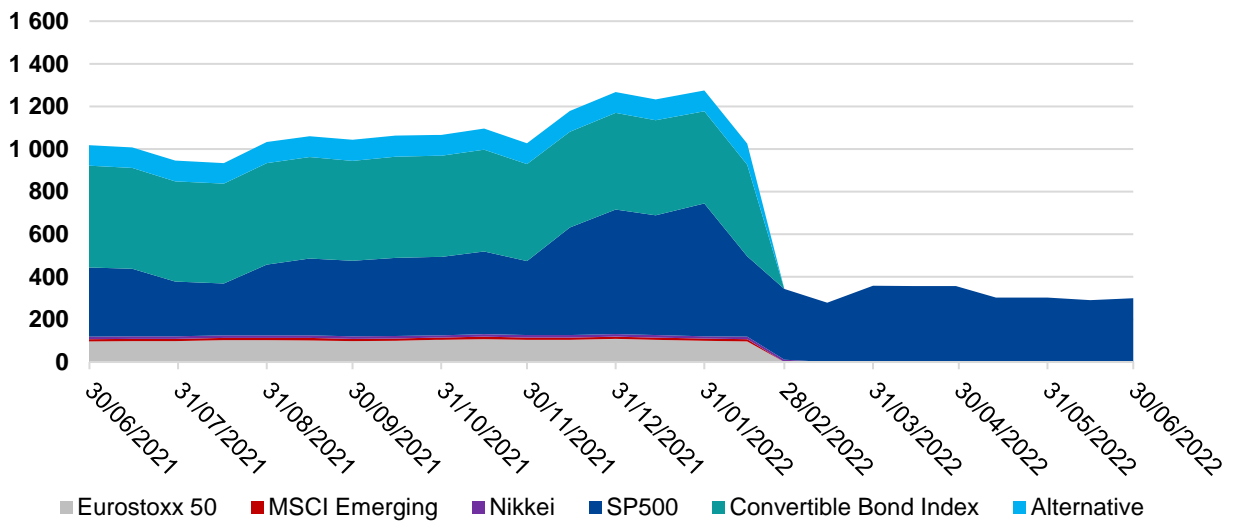
The trading portfolio's sensitivity to changes in interest rates was positive at 30 June 2022. During the first half of 2022, sensitivity ranged from -€100,000/bp to +€300,000/bp, which was well within the authorised limits (+/- €800,000/bp).

Sensitivity of the trading portfolio to changes in credit spread (in € thousands/bp)



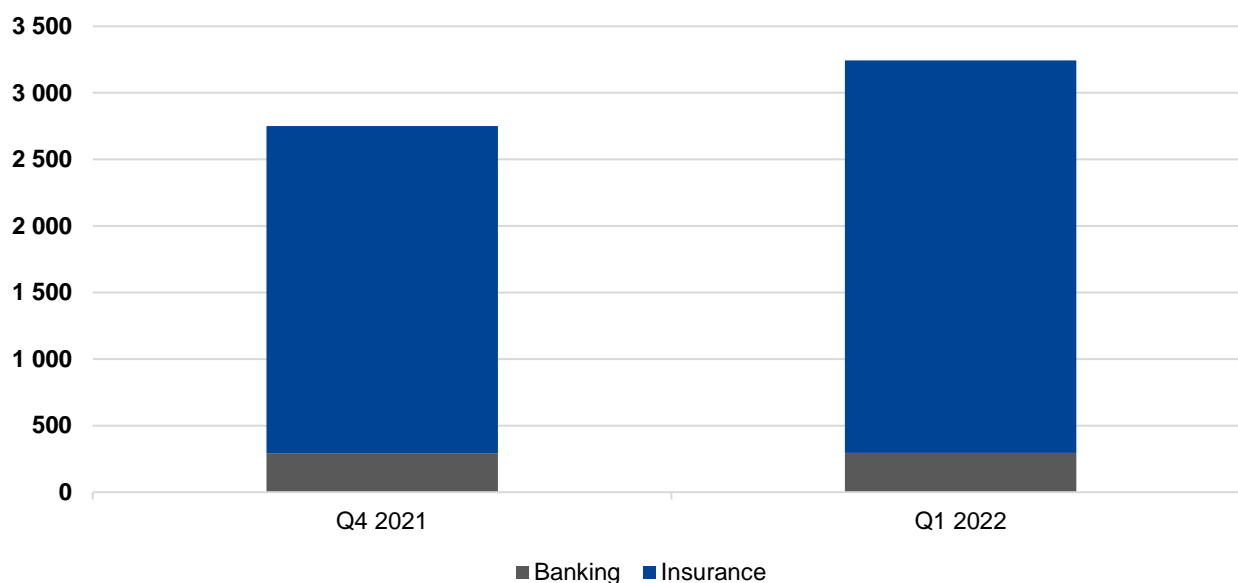
The sensitivity of the trading portfolio to changes in credit spread was close to €0/bp in first-half 2022, well within the authorised limit.

Sensitivity of the trading portfolio to changes in stock market indices (in € thousands/%)



The trading portfolio's sensitivity to changes in stock market indices decreased significantly from €1,300,000/% to around €300,000/% following the Group's disposal of its UCITS positions. The Group's exposure to the Visa share price (included in the S&P 500 index) remains the only significant position.

Group adverse stress test calibrated on the 99.5% quantile (in € millions)



The Group has performed an adverse stress test calibrated on the 99.5% quantile. The scenario resulting from this calibration corresponds to the shocks observed over the period from 17 February 2020 to 14 May 2020. The impacts were significantly greater for the insurance division, especially for the CNP Assurances subsidiary.

The impact of the stress test increased to -€3,243 million in the first quarter of 2022, due to the increase in the Group's interest in CNP Assurances (85.25% at 31 March 2022).

The impact on CNP Assurances was mainly due to:

- ▶ equity risk;
- ▶ corporate credit spread risk due to significant shocks;
- ▶ foreign exchange risk, due to the depreciation of the Brazilian real.

Group sensitivities at 31 March 2022

(in € millions/% or /bp)	Banking	Insurance	Group
Interest rate risk (€m/bp)	(0.37)	(19.40)	(19.77)
Spread risk (€m/bp)	(3.70)	(22.55)	(26.25)
Equity risk (€m/%)	4.36	43.63	47.99
Foreign exchange risk (€m/%)	(0.64)	(28.91)	(29.55)
Real estate risk (€m/%)	(0.54)	(18.66)	(19.20)

The Group's sensitivity to market risks is focused to a significant extent on the insurance business.

4.5.2.9 Capital requirements for market risk and for Credit Value Adjustments

Market risk under the standardised approach (EU MR1)

(in € millions)	RWEAs
Outright products	
Interest rate risk (general and specific)	274
Equity risk (general and specific)	14
Foreign exchange risk	58
Commodity risk	-
Options	
Simplified approach	-
Delta-plus approach	2
Scenario approach	-
Securitisation (specific risk)	-
TOTAL	348

4.5.2.10 Other quantitative information

Prudent valuation adjustments (PVAs) (EU PV1)

Category level AVA	Risk category					Category level AVA – Valuation uncertainty		Total category level post diversification	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	Equity	Interest rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA			
Market price uncertainty	14,186	756,672	935	2,578,589	-	2,146,467	-	2,748,424	1,357,250	1,391,175
Not applicable										
Close-out cost	160,153	8,119,164	1,961	396,831	-	750,577	-	4,714,343	2,892,456	1,821,887
Concentrated positions	81,211	-	-	48,366,241	-	[Not applicable]	[Not applicable]	48,447,451	118,133	48,329,318
Early termination	-	-	-	-	-	[Not applicable]	[Not applicable]	-	-	-
Model risk	286,000	-	-	-	-	330,842	-	308,421	308,421	-
Operational risk	17,434	887,584	290	297,542	-	[Not applicable]	[Not applicable]	1,202,849	424,971	777,878
Not applicable										
Not applicable										
Future administrative costs	-	-	-	-	-	[Not applicable]	[Not applicable]	-	-	-
Not applicable										
Total Additional Valuation Adjustments (AVA)								302,296,575	5,101,231	297,195,344

4.5.3 Equity exposures not included in the trading book

(in € millions)	RWA
Equity investments	16,375
Subordinated securities	267
Other	-
Total equity risk	16,609

Consolidated equity investments mainly comprise La Banque Postale's interest in CNP Assurances.

Unrealised gains and losses and gains and losses on disposals are presented in notes "4.2 Financial assets at fair value through other comprehensive income" and "5.3 Net gain or loss on financial instruments at fair value through profit or loss" in the notes to the 2022 interim consolidated financial statements.



4.6 OPERATIONAL RISKS

4.6.1 Key figures

In 2021, revised net losses relating to operational risks declined year on year to €65.6 million, including operational losses incurred by CNP Assurances. Over the first half of 2022, operational losses remained limited. Continued attention was paid to losses due to external fraud, which still represent La Banque Postale Group's main exposure.

The significant incident threshold as defined by Article 98 of the government order of 3 November 2014 had not been exceeded at 30 June 2022.

4.6.2 Regulatory framework and definition

In accordance with Regulation (EU) No 575/2013 dated 26 June 2013 (Capital Requirements Regulation), as amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council dated 20 May 2019 (CRR II), and the government order of 3 November 2014, as amended most recently by the government order of 25 February 2021, the definition of operational risk adopted by La Banque Postale and approved by the GRMC on 26 February 2015, encompasses the *"risk of losses resulting from the unsuitability or failure of internal procedures, personnel or systems, or from external events. Operational risk notably includes risks linked to events with a low probability of occurrence but a high impact, internal and external fraud risks, legal risks, compliance risks (including reputational damage), and model risks, but excludes strategic risks"*.

4.6.3 Application scope

The process for identifying and assessing operational risks is applicable across all businesses activities:

- ▶ La Banque Postale and its subsidiaries, including its insurance entities;
- ▶ La Poste in all units performing transactions in the name and on behalf of La Banque Postale;
- ▶ companies in which La Banque Postale plays a direct and effective management role as a shareholder.

The operational risk management procedure is based on the principle of accountability of the businesses in identifying, measuring, hedging and monitoring their risks.

Work on integrating CNP Assurances into La Banque Postale Group's operational risk management system is continuing in 2022, focusing in particular on:

- ▶ Increased convergence of operational risk management methods (taking into account each entity's Risk Management Systems and defining a target risk rating for CNP Assurances) and permanent control methods;
- ▶ Convergence of CNP Assurances and La Banque Postale outsourcing procedures;
- ▶ Alignment of business continuity arrangements and organisation of crisis management procedures;
- ▶ Alignment of CNP Assurances and La Banque Postale information systems security processes;
- ▶ Identification of joint operational risk scenarios;
- ▶ Integration of operational risk monitoring indicators in La Banque Postale Group's GRMC dashboard.

In addition, for the second year in a row, the conglomerate's operational risk map includes CNP Assurances.

4.6.4 Governance

4.6.4.1 Positioning of the Operational Risk Department

The GRD is responsible, with respect to the Executive Board concerning the procedure for managing and monitoring La Banque Postale Group's operational risks.

The Operational Risk Department, under the responsibility of the GRD reports to the GRMC on the definition and implementation of procedures for managing and monitoring operational risks.

Role of the Operational Risk Department

As part of monitoring all types of risks associated with operations (volume V of the government order of 3 November 2014), the main roles of the Operational Risk Department are to:

- ▶ **establish the framework:** establish operational risk (OR) policy and governance for La Banque Postale Group, define operational risk management standards, methods and tools and ensure their operational application (supervision of the OR Organisation);
- ▶ **monitor:** identify La Banque Postale Group's main risks, monitor and report on the effectiveness of the systems in place to manage those risks;
- ▶ **provide support:** help the members of the Organisation with the implementation and supervision of the system within the entities of La Banque Postale Group; contribute to building their professional skills;
- ▶ **anticipate future threats:** identify and model low-frequency high-impact scenarios, identify weaknesses;
- ▶ **ensure proper compliance,** within La Banque Postale Group, with the rules, standards and methods defined in terms of the management of operational risks.

4.6.4.2 Operational risk management stakeholders

The respective roles and responsibilities of operational risk management stakeholders within La Banque Postale Group are formally documented in the Group Risk Management Operational Policy. This policy is approved by the GRMC and distributed to the various Group entities and to entities acting in the name of and on behalf of La Banque Postale (the La Poste Network).

The Group risk management system is rolled down through rules on risk management and operating methods as set forth in the documentation database for operational risk management.

The key principle is the accountability of the business units for the risks to which their activity is exposed. To carry out their roles within the risk management system, heads of entities are assisted by employees within the risk organisation reporting to the Group Risk Department and known as Risk Managers (RMs).

Within their respective scopes of responsibility, the RMs:

- ▶ oversee the implementation and coordination of the operational risk management system;
- ▶ monitor its effectiveness;
- ▶ report to the Operational Risk Department.

The Operational Risk Department manages all operational risk stakeholders with the help of a roadmap which establishes the action priorities, deliverables and the respective deliverables schedule for each year.

4.6.4.3 Governing bodies

The Operational Risk Department participates, as needed, in meetings of the GRMC. The main responsibilities of this Committee in terms of operational risk are to validate the Group's operational risk profiles, and to review and arbitrate on the risk management systems in post-mortem analyses of significant incidents.

Each entity must hold a Risk and Compliance Committee meeting or Risk Management Committee meeting at least twice a year with the aim of building a consolidated view of the effectiveness of the operational risk management system and of the related controls. Lastly, the Operational Risk Department meets at least once a year with the Risk Managers at the Operating Risk Management Days. These meetings notably enable the actions initiated by the organisation to be coordinated, best practices to be exchanged and potential changes to the operational risk management system to be considered.

4.6.5 Current systems

Operational risks are classified according to the risk category and sub-category framework proposed by the Basel Committee and set forth in Article 324 of Regulation (EU) No 575/2013 of 26 June 2013 on capital requirements for credit institutions and investment firms.

The Operational Risk Department manages the implementation of an operational risk analysis and measurement system compliant with the government order of 20 February 2007 on capital requirements for credit institutions and investment firms and with Regulation No 575/2013.

The system is mainly based on:

- ▶ operational risk mapping;
- ▶ implementing a system for reporting incidents and losses sustained by the various entities of La Banque Postale and the subsidiaries concerned to the Group Risk Department;
- ▶ implementing operational risk stress test modelling and quantification;
- ▶ reports comprising an assessment of operational risk levels by Basel group, based on incidents identified and monitoring indicators.

The implemented system aims to ensure that La Banque Postale Group, as well as all entities acting in its name and on its behalf, is organised in such a way that it is able to continually identify, evaluate and monitor its operational risks so that it can take appropriate preventive or corrective measures.

4.6.5.1 IS security

A risk-based approach to Information systems security

La Banque Postale has responded to the exponential growth in cybercrime by preparing a new Cybersecurity Strategy that will equip the Group to meet the many challenges to come in this area and accelerate the process of digital transformation. The strategy focuses mainly on:

- ▶ stepping up deployment of health and safety measures (basic protections);
- ▶ instilling a cyber-security culture through risk awareness programmes adapted to employees' different profiles;
- ▶ deploying a risk-based cyber-security management approach in order to accurately assess La Banque Postale's cyber risk profile;
- ▶ improving the maturity of specific security processes, by strengthening cyber-attack detection and response capabilities, logical access controls and data protection procedures.

4.6.5.2 Emergency and Business Continuity Plan (EBCP) and Safety of Persons and Property (SPP)

La Banque Postale Group's EBCP and SPP framework is intended to minimise the impact of potential incidents on customers, staff, activities and infrastructure in order to protect La Banque Postale Group's reputation and ensure its staying power.

The approach put in place looks to optimise business continuity and physical resilience at all of La Banque Postale Group's entities. It is based on a methodology which involves:

- ▶ identifying threats;
- ▶ protecting infrastructure via prevention and physical protection systems and measures;
- ▶ identifying business continuity priorities, needs and strategies;
- ▶ implementing an effective response capability for a range of crisis scenarios, including extreme shocks, based on a Group crisis management system;
- ▶ testing and maintaining the systems to ensure their effectiveness.

La Banque Postale has identified five scenarios in which business continuity is compromised, which may combine:

- ▶ long-term unavailability of a site hosting personnel;
- ▶ failure of information systems and/or technical systems;
- ▶ significant employee absenteeism;
- ▶ unavailability of the critical or important service provider(s);

- ▶ malicious attack on information systems and/or computer data.

Events during the past two years have greatly increased La Banque Postale Group's operational resilience. Resilience remains a major focus of the work performed in 2022 by the new Resilience and Protection unit created in January 2021 within the Operational Risk Department. The new unit is tasked with identifying risks, minimising potential threats and failures, and reacting and adapting to disruptive events in order to reduce their impact on critical operations.

The Resilience and Protection unit is also in charge of La Banque Postale Group's crisis management system, through the Major Incident Reporting unit. The system operates on a 24/7 basis and is organised around the crisis management units set up in the Group's various entities and subsidiaries. It is used to ensure that incidents are properly reported and classified, and to coordinate the response to major crises with the specialised functions (notably the Information Systems and Communication Departments), in line with the existing systems at the La Poste group and Caisse des dépôts.

The Head of the Resilience and Protection unit manages the risk of business continuity failure in a cross-entity capacity with the support of a specialised organisation.

4.6.5.3 Outsourcing risks

La Banque Postale Group is exposed to risks that may arise when outsourcing its activities. Outsourcing risks are managed by a specific system and governance structure:

- ▶ outsourcing risk governance is provided by an Outsourcing Function. The tasks of the Outsourcing Function are performed by the Group Risk Department, the Legal Department and the Group Purchasing Department, as applicable. The Operational Risk Department (reporting to the Group Risk Department) manages the outsourcing process and any reporting to governance bodies;
- ▶ An outsourcing policy is approved by the Executive Board. This policy defines the outsourcing principles adopted by La Banque Postale and describes the framework for managing outsourced services within the Group, in compliance with applicable regulations, the EBA/GL/2019/02 guidelines on outsourcing arrangements of 25 February 2019, and La Banque Postale's internal policies.

The outsourcing policy aims to cover all phases relating to the outsourcing process and to set out the rules, roles and responsibilities for identifying, classifying, contracting, monitoring and supervising La Banque Postale Group's service providers, taking into account the specific challenges inherent to each of those services.

It applies to activities outsourced to service providers external to La Banque Postale Group as well as those outsourced within La Banque Postale Group (intragroup agreements between La Banque Postale and one of its subsidiaries, outsourcing agreements between La Banque Postale subsidiaries, etc.). The policy is applicable to all types of outsourcing, including:

- ▶ (i) Outsourced Essential Services as defined by the government order of 3 November 2014, amended by the government order of 25 February 2021, on the internal control environment of entities in the banking, payment services and investment services sector supervised by France's banking supervisor, ACPR ("banking essential services") or subject to the General Rules of France's securities supervisor, AMF ("asset management essential services"), along with Critical and Important Services as defined by Article L. 354-3 of the French Insurance Code ("insurance essential services"); and
- ▶ (ii) critical or important outsourcing services as set out in the EBA/GL/2019/02 guidelines on outsourcing arrangements dated 25 February 2019.

The policy covers all of La Banque Postale Group's activities and takes into account the specific regulations applicable to each activity on a standalone basis.

A specific risk management and oversight system applies to outsourcing risks, based on:

- ▶ a systematic upstream process classifying the level of risk related to each outsourcing project;
- ▶ a specific regulated and contractual framework, adapted to the level of risk associated with the service and compliant with all regulatory requirements;
- ▶ a dedicated and comprehensive permanent control system that applies to all outsourced Critical or Important Services (CISs) identified by each La Banque Postale Group entity.

The outsourcing risk management system is deployed in all La Banque Postale Group entities under the supervision of the Group Risk Department, which is responsible for oversight and reporting.

La Banque Postale is continuing its work to improve oversight of intra-group services. In 2021, all Intra-Group CISs were identified (including for CNP Assurances) and the project to bring the portfolio of outsourcing contracts into compliance was carried out under the guidance of the Legal Department. In first-half 2022, a formal oversight system was introduced for Intra-Group CISs, with implementation of the control system planned for 2023.

4.6.6 Calculation of capital requirements in respect of operational risk

Calculation method

The entire La Banque Postale Group implements a calculation of capital requirements according to the standardised approach pursuant to Articles 317 to 320 of Regulation (EU) No 575/2013 of 26 June 2013.

The calculation of risk-weighted assets is obtained by multiplying the capital requirements by 12.5.

Operational risk own funds requirement and risk-weighted exposure amounts (EU OR1)

Data at 31 December 2021

Banking activities (in € millions)	Relevant indicator			Own funds requirements	Risk-weighted exposure amount
	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)					
Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches	5,647	5,142	4,932	715	8,939
Subject to standardised approach (TSA)	5,647	5,142	4,932		
Subject to alternative standardised approach (ASA)					
Banking activities subject to advanced measurement approaches (AMA)					

4.7 INSURANCE RISKS AND ADDITIONAL SUPERVISION OF CONGLOMERATES

4.7.1 Insurance risks

The Insurance Division is dominant in La Banque Postale Group's new structure, and exposure to insurance risks mainly concerns CNP Assurances, along with La Banque Postale's three legacy insurance subsidiaries.

The insurance business complements La Banque Postale Group's banking products and services, offering customers a broad and innovative range of insurance products that respect the values of affordability and trust associated with La Banque Postale Group.

For La Banque Postale Group, the development of its insurance business for its customers, and of the products and services offered by CNP Assurances in its multi-partner business model, represents strategic priorities that will allow the Group to provide its target markets with bespoke products while ensuring its own financial stability.

CNP Assurances sells insurance policies to non-La Banque Postale customers either through its partners' distribution networks, or directly in the case of group insurance.

The Insurance business is discussed in dedicated sections of this document. For more information, see Chapter 1 "Presentation of La Banque Postale Group".

4.7.1.1 Management of insurance risks

All of La Banque Postale Group's subsidiaries that operate in the insurance sector must meet the applicable regulatory requirements at all times. As head of a financial conglomerate, La Banque Postale Group is responsible for ensuring that each of its subsidiaries meets the applicable regulatory requirements. More generally, for all of its insurance businesses, La Banque Postale Group makes sure that the risk management procedures in place are consistent with the principles of the Risk Management Operational Policy (RMOP) set out in its Risk Appetite Statement (RAS) and Risk Organisation Charter.

These documents have been updated in order to reflect changes related to the integration of CNP Assurances into La Banque Postale Group. The RMOP is rolled down based on the legal and regulatory framework resulting from the "Solvency II" and "FICOD" directives, as transposed into French law. The Policy sets out the strategies, principles and processes making it possible to identify, measure, manage and monitor the risks to which the insurance businesses of La Banque Postale Group are exposed.

La Banque Postale Group's policy for managing risks related to its insurance business is described below.

4.7.1.1.1 CNP Assurances

The objectives of CNP Assurances' risk management policy are to create secure decision-making and other processes and promote a culture of risk management and oversight among employees in order to maintain the Group's value. The policy is the umbrella document governing all aspects of CNP Assurances' risk management system.

The policies for the management of the different categories of risk are approved by CNP Assurances' Board of Directors.

The main risks are overseen by La Banque Postale Group's Risk Management Committee (GRMC) and by CNP Assurances' Group Risk Committee (GRC).

CNP Assurances' risk management policy is described in more detail in its Universal Registration Document and the related risk management system is described in the "Risk management system" section of its SFCR.

4.7.1.1.2 Insurance Division

Within the framework of La Banque Postale Group's Risk Management Operational Policy (ROMP) and by delegation from the Group's Risk Management Department, the Non-Life Insurance Division is responsible for defining and implementing the risk management, control and oversight system for La Banque Postale's non-life insurance businesses. To this end, the Department:

- ▶ implements La Banque Postale Group's risk management procedures, which are rolled down and adapted for the Non-Life Insurance Division, taking into account the applicable non-life industry regulations;
- ▶ ensures that the Non-Life Insurance Division entities comply with Group procedures and with the requirements specific to the business and applicable regulations;

- ▶ deploys a risk organisation for the Non-Life Insurance Division, coordinates this organisation and liaises with La Banque Postale's risk organisation. The division's organisation is led by La Banque Postale's Chief Risk Officer, supported notably by the Risk, Permanent Control and Actuarial Department. The Non-Life Insurance Division's Chief Risk Officer reports to La Banque Postale's Chief Risk Officer on a dotted-line basis.

This insurance risk management organisation enables La Banque Postale Group to have a consolidated view of risk exposures at Non-Life Insurance Division level and to obtain assurance that they are compatible with the Group's risk appetite at all times. These procedures also enable supervision to be carried out on a consolidated basis at the level of La Banque Postale Group.

To ensure that the insurance activities are aligned with the risk management policies of La Banque Postale Group, the Insurance Risk Committee coordinates and supervises the risk management procedures for the entire Non-Life Insurance Division, including outsourced activities. In particular, the Committee is responsible for providing a consolidated view of Non-Life Insurance Division risks and the extent to which those risks are controlled.

The Committee is chaired by the Head of the Non-Life Insurance Division and its activities are coordinated by the Head of the division's Risk, Control and Actuarial Department. Committee meetings are attended by managers from various functions involved in risk control and management at La Banque Postale Group.

With regard to the Non-Life Insurance Division, risk governance is based on:

- ▶ the executive bodies of each subsidiary:
 - the Board of Directors and its Audit and Risk Committee,
 - any other related committees (e.g., Development Committee);
- ▶ operational governing bodies:
 - General Management of the subsidiary which relies on two effective managers, each of whom has the authority to make commitments on behalf of the Company and whose respective remits and procedures ensure a dual monitoring of transactions and continuity in the decision-making processes defined by the Board of Directors.
 - General Management has various responsibilities in terms of implementing the internal control risk management and monitoring system. It:
 - implements the Insurance Risk Management Policy,
 - oversees the allocation of equity to the different businesses,
 - defines operational risk limits and performs regular reviews according to changes in the risk profile,
 - defines the organisation of the subsidiary in detail, particularly the associated decision-making procedures,
 - defines and develops an internal control environment,
 - ensures that an appropriate structured reporting system is in place,
 - reviews the risk indicator dashboard and updates the risk map,
 - makes recommendations to the Board of Directors concerning any measures designed to adapt and improve the internal control and risk management system,
 - applies the Board of Directors' guidelines as to the measures to be taken to mitigate the risks identified and/or make improvements based on the reports received,
 - informs the Board of Directors of any material issues or risks.
 - The role of the Insurance General Management Committee is to:
 - draw up the Non-Life Insurance Division's strategy and monitor its execution,
 - monitor the progress plan and implement any required corrective action,
 - define and coordinate the Non-Life Insurance Division's activities,
 - manage the results and resources of the Non-Life Insurance Division,
 - propose structural operational solutions for the Non-Life Insurance Division,
 - guarantee seamless coordination with La Banque Postale Group and lend it its expertise,
 - propose new growth projects,
 - draw up the Non-Life Insurance Division's strategy and monitor its execution,
 - the Risk Management Committee, which reports to the Risk Management Function, assists General Management with:

- defining and monitoring the risk strategy and the associated levels of economic capital, and defining any corrective actions,
- providing oversight of the risk management system and plans of controls,
- ensuring regular production of the risk indicator dashboard and analysing the results;
- each subsidiary's Model and Assumptions Committee, which reports to the Actuarial function, is responsible for:
 - reporting to Executive Management, the Actuarial function and the Risk Management function on the status of the models, the security environment in place and the related inputs, so that they understand and can approve model changes, impacts and limits, and report model-related issues to the Risk Management Committee where appropriate,
 - ensuring that there is an adequate level of documentation,
 - obtaining approval for the management strategies proposed to the Company's senior executives,
 - helping to train senior executives on the tools and their limits,
 - deciding on the assumptions, rules and models to be used at each reporting date;
- the Product Review Committee, which reports directly to General Management, and:
 - analyses new products and guarantees and their risks in order to ensure that they are aligned with the business plan and the risk profile of the subsidiary,
 - approves or rejects planned launches of new products or guarantees before they are presented to La Banque Postale's Product Review Committee;
- Partnership Management Committees, which report to General Management and ensure that service providers implement their contractual commitments in terms of risk management;
- the four key functions of each subsidiary: Risk Management, Compliance Checking, Actuarial Verification and Internal Audit. The key functions report on their work to the Audit and Risk Committee, which in turn reports to the Board of Directors.

The risk limits are set in line with the risk appetite of each subsidiary, and are approved by each subsidiary's Board of Directors. They provide a strict framework for risk management and risk selection.

4.7.1.2 Types of insurance risk

La Banque Postale Group classifies insurance risks in its insurance business as described below.

4.7.1.2.1 CNP Assurances

The subsidiary CNP Assurances' exposure to the risks inherent in the economic, competitive and regulatory environment in which the insurance group operates is described on pages 30 to 41 and pages 157 to 163 of its 2021 Universal Registration Document. Pages 157 to 163 of the 2021 Universal Registration Document correspond to Notes 24 (Financial Risks), 25 (Liquidity Risk and Asset-Liability Management) and 26 (Risks Related to Insurance and Financial Liabilities) to the consolidated financial statements. The other analyses presented in the 2021 Universal Registration Document, include analyses of the various risks and MCEV© data.

CNP Assurances' risk factors and their relative importance were unchanged in first-half 2022 compared with 2021, in an environment still shaped by the crisis in Ukraine and inflation reaching record levels.

The Russia-Ukraine conflict is having an impact on the economic and financial situation in France and the rest of Europe. The rapid increase in interest rates, in response to rising inflation, should boost yields on CNP Assurances' bond portfolios and consolidate its already strong solvency ratio in the short term. Persistent inflation, a probable economic slowdown and wider credit spreads in the eurozone would need to be closely monitored, but should not significantly affect CNP Assurances' risk profile.

CNP Assurances' exposure to the Russia-Ukraine conflict is unchanged compared to the estimates made at the end of 2021 in terms of cyber, country, credit and counterparty risk, as described in the paragraph on country risks in the 2021 Universal Registration Document.

These risk factors are still being carefully monitored as part of the existing surveillance system.

CNP Assurances' main specific risk exposures, as identified in its risk map, are presented below.

This section discusses:

- ▶ **financial market risk factors:** interest rate risk and equity price and yield risk;
- ▶ **credit and counterparty risk factors:** corporate or sovereign credit and counterparty risk and credit and counterparty concentration risk;
- ▶ **insurance underwriting risk factors:** policy surrender or cancellation risk;
- ▶ **operational risk factors:** outsourcing risk, product compliance risk, customer interaction compliance risk (financial security and AML-CFT procedures), information systems risk, data security risk and cyber risk;
- ▶ **strategic and business risk factors:** strategic partnership risk, country risk, regulatory risk and business model risk.
- ▶ **climate risk factors.**

Risks are discussed in declining order of importance within each category. Information about risk management processes, procedures and controls is provided in this section.

The risk assessments were carried out in 2021 as part of the annual update of the CNP Assurances risk map using three approaches:

- ▶ Solvency Capital Requirement (SCR) as defined under the Solvency II standard formula (preferred method): estimated impact of risk occurrence on the CNP Assurances coverage ratio;
- ▶ Sensitivity of the solvency ratio to the assessed risk: method used for risks not captured in the standard formula when an impact study was available;
- ▶ Other approach: expert judgement (based on exchanges of views and the opinion of professionals), impact studies, indicators and internal reports.

Severity assessment

For the risks assessed using a quantitative approach, the following measurement scale was used:

	Minor	Moderate	Major	Critical
Solvency II coverage ratio	< 5 pts	5 - 10 pts	10 - 20 pts	> 20 pts
Profit before tax	< €10m	€10 - €50m	€50 - €250m	> €250m

This approach was complemented by an expert analysis taking into account the risk's frequency as well as image, human, regulatory and legal aspects or any other relevant factor.

The residual rating (corresponding to the residual risk) is the gross rating mitigated by the corrective measures implemented by CNP Assurances to contain the risk. The residual ratings were used as the basis for selecting the risks presented in this chapter because the regulations specify that only those risks that are considered to be material for the reporting entity need to be disclosed.

The risks identified as material (residual rating of Critical or Major residual rating) are thus classified as follows:

Risk family	Risk	Residual rating	Change
Financial market risks	Interest rate risk	Critical	Stable
	Equity price and yield risk	Major	Stable
Credit and counterparty risks	Corporate and sovereign credit and counterparty risk	Major	Stable
	Credit and counterparty concentration risk	Major	Stable
Insurance underwriting risks	Surrender or cancellation risk	Major	Stable
		Major	Stable
Operational risks	Outsourcing risk	Major	Stable
	Product and client interaction (financial security and AML-CFT) compliance risk	Major	Stable
Strategic and business risks	Information system, data security and cyber risks	Major	Stable
	Risks related to strategic partnerships	Critical	Stable
	Country risk	Major	Stable
Climate risk	Risks related to new regulations	Major	Stable
	Business model risk ⁽³⁷⁾	Major	Not rated in 2020
	Climate change risk ⁽¹⁾	Major	Not rated in 2020

The 2021 risk ratings are fairly stable compared with 2020. Risk rating upgrades and downgrades are mainly due to more finely tuned assessments or an improved approach rather than to a change in CNP Assurances' risk profile.

Modelling objectives

Technical provisions are modelled based on current accounting standards. In particular, mortality tables, discount rates and investment yield assumptions may be selected based on a Solvency II approach.

Procedure for determining the main assumptions

The assessment of technical provisions is supported by:

- ▶ detailed knowledge of effective dates and the timing of accounting recognition and processing of the various technical and management events, as well as of the exact specifications of period-end processing operations and their scheduling, in order to accurately determine the underwriting and loss years;
- ▶ the creation of files at each period-end to check the consistency of reserves with technical flows;
- ▶ recurring audits of management system calculations, based on random tests and detailed repeat calculations;

(37) Credit and counterparty concentration risks, business model risks and climate change risks were integrated in 2022 with the update of CNP Assurances' risk map.

- ▶ detailed risk assessments, based on prospective guaranteed yield calculations taking into account commitments in excess of regulatory limits, and on detailed statistical and other analyses of personal risk contracts, including loss monitoring (by contract/underwriting year/loss year) and tracking of the utilisation of reserves.

Assumptions used to calculate reserves

In accordance with French regulations, non-life outstanding claims reserves are not discounted, except for reserves covering policyholder annuities.

Mathematical reserves for individual savings products are stated net of deferred participation and withdrawals, in accordance with the applicable regulations.

Mathematical reserves for individual and group pension plans (with the exception of “Article L.441” plans) are calculated using the discount rate applicable at the contractual date (i.e., the contractual rate) or the premium payment date or benefit settlement date, depending on the type of policy.

Reserves for group personal risk products and term creditor insurance are generally calculated based on discount rates.

All other assumptions are determined by reference to CNP Assurances' internal experience-based data.

Use of different assumptions

Certain assumptions use data extrapolated from past experience or prospective data that draw upon:

- ▶ economic, demographic, social, legislative, regulatory or financial trends;
- ▶ policyholder behaviour (surrender rate, renewal/non-renewal rate, etc.);
- ▶ factors specific to life insurance such as mortality, morbidity or longevity.

While the assumptions used appear reasonable at the measurement date, actual future experience may be significantly different.

The keys used to allocate unrealised gains between technical provisions and own funds were recalibrated in 2020. A method has been developed based on historical dividend payments to policyholders and commission payments to referral agents. This method represents a robust and simple approach that is consistent with the Group's practices.

In addition, the related documentation provides a better audit trail.

Assumption correlations

Apart from the use dynamic surrender rates reflecting the correlation between surrender rates and the level of guaranteed yields for liability adequacy testing purposes, correlations among the various assumptions are not taken into account.

Risk associated with guaranteed yields on insurance and financial liabilities

Traditional savings contracts with a guaranteed yield have been classified by level of commitment, as follows (in declining order):

- ▶ contracts offering a guaranteed minimum yield and a guaranteed profit participation when the contract matures;
- ▶ contracts offering an enhanced yield (generally 75% of the TME rate) over a maximum of eight years;
- ▶ contracts offering a guaranteed minimum yield representing less than 60% of the TME rate at the time of payment.

Technical provisions on traditional savings contracts are analysed by guaranteed yield in the following tables:

Guaranteed yield (in € millions)	31 Dec. 2021	
	Technical provisions	%
0% ⁽¹⁾	219,743.0	57.8%
[0% - 2%]	4,855.4	1.3%
[2% - 3%]	894.0	0.2%
[3% - 4%]	2,186.5	0.6%
[4% - 4.5%]	4,927.3	1.3%
> 4.5% ⁽²⁾	736.2	0.2%
Unit-linked	84,535.2	22.3%
Other ⁽³⁾	62,063.4	16.3%
TOTAL	379,941.2	100.0%

(1) Corresponds to technical provisions for life insurance contracts without a guaranteed yield.

(2) Technical provisions for contracts with a guaranteed yield of more than 4.5% mainly concern subsidiaries in Brazil, where bond rates are above 7%.

(3) Comprises all other technical provisions, except for mathematical reserves and linked liabilities, i.e., non-life technical provisions, policyholder surplus reserves and claims reserves.

Guaranteed yield (in € millions)	31 Dec. 2020	
	Technical provisions	%
0% ⁽¹⁾	202,941.9	58.7%
[0% - 2%]	5,249.2	1.5%
[2% - 3%]	540.5	0.2%
[3% - 4%]	2,045.0	0.6%
[4% - 4.5%]	4,978.4	1.4%
> 4.5% ⁽²⁾	975.0	0.3%
Unit-linked	66,852.7	19.4%
Other ⁽³⁾	61,928.0	17.9%
TOTAL	345,510.7	100.0%

(1) Corresponds to technical provisions for life insurance contracts without a guaranteed yield.

(2) Technical provisions for contracts with a guaranteed yield of more than 4.5% mainly concern subsidiaries in Brazil, where bond rates are above 7%.

(3) Comprises all other technical provisions, except for mathematical reserves and linked liabilities, i.e., non-life technical provisions, policyholder surplus reserves and claims reserves.

Risk factors linked to the financial markets

Interest rate risk

Changes in interest rates affect the market values of financial instruments, which in turn affect CNP Assurances' income statement and/or its solvency ratios. They also have an impact on CNP Assurances' current and future profitability by affecting the terms on which funds are reinvested or financing is raised, as well as influencing the behaviour of customers who may transfer their savings to products offering a more attractive yield or exercise their contractual options.

In this low interest rate environment, interest and redemption proceeds are reinvested at a lower rate, leading to a gradual erosion of CNP Assurances' bond portfolio yields. A prolonged fall in interest rates makes contractual loading more difficult to apply to savings and pension products and exposes the insurer to a risk of lower margins, especially on traditional life insurance products. In more extreme scenarios, despite the relatively low proportion of contracts with a guaranteed yield, there is a risk that asset yields will be insufficient to cover contractually guaranteed yields, forcing CNP Assurances to use its own funds portfolio to pay the guaranteed amount.

The low interest rate environment continued to prevail in 2021, with no real change compared to 2020. Another feature of 2021 was the steady increase in eurozone inflation (to 5% at the end of 2021⁽³⁸⁾), due in particular to the relentless rise in oil prices. Central banks are likely to respond to this return of inflationary pressures by cautiously tightening their monetary policies in 2022. The 10-year OAT rate rose to 0.20% at end-2021 from -0.34% in 2020.

The solvency coverage ratio and the MCEV[©] (Market Consistent Embedded Value) are calculated by reference to an economic balance sheet based on the estimated fair value of liabilities and assets. In 2021, the fair value of liabilities increased at a faster rate than the fair value of assets due to (i) the significant financial guarantees included in technical provisions (excluding linked liabilities), which represent the bulk of CNP Assurances' liabilities, and (ii) the difference in duration between liabilities and the corresponding assets, with the former being longer than the latter.

(38) Estimate published on 7 January 2022 by Eurostat, the statistical office of the European Union.

A decline in the benchmark interest rates used to prepare the economic balance sheet has the effect of reducing economic own funds. A further decline in interest rates going forward would continue to reduce the Solvency II coverage ratio and the MCEV©.

CNP Assurances has non-unit-linked insurance commitments in France and elsewhere in Europe, representing €255 billion, or 95% of average technical provisions excluding unit-linked portfolios in 2021. The fixed-income portfolio (excluding unit-linked assets) represented over 80% of CNP Assurances' assets and a carrying amount (under IFRS) of nearly €280 billion.

For several years, CNP Assurances has followed a policy of setting aside a portion of the investment income generated by its investments in the policyholder surplus reserve, which could be used in such a situation. If interest rates stay low in the future, it may have to use the reserve to top up policyholder dividends. Pursuant to the government order relating to surplus funds in life insurance dated 24 December 2019, a substantial portion of the policyholder surplus reserve can be included in the calculation of the SCR coverage ratio. CNP Assurances also continued to transform its technical provisions into savings and to extend the duration of its fixed-income asset portfolios.

In 2021, in contrast to the previous year, financial market trends were favourable, contributing 17 points to the coverage ratio with most of the change coming from higher stock prices.

In total, a 50-point decline in European interest rates would result in an 18-point reduction in the consolidated SCR coverage ratio, which stood at 217% at 31 December 2021. In addition, a 50-point decline in European interest rates would reduce the value of CNP Assurances' In-Force business, as measured for MCEV© calculation purposes, by €2.7 billion.

Since financial risks represent CNP Assurances' largest risk exposure, monitoring procedures for this risk were stepped up following the emergence of the COVID-19 crisis. In particular, CNP Assurances prepares the Risk Appetite Statement (RAS) required since the beginning of 2021, which formally describes CNP Assurances' appetite for the risks that it is and may be exposed to in the course of its business, currently and in the coming year. It also expresses the risk tolerance, i.e., the maximum level of risk CNP Assurances is willing to assume. The RAS is intended to cover all risks classified as major or critical at CNP Assurances.

The risk of a fall in interest rates and of persistently low interest rates is considered as critical.

Inflation risk at the end of 2021

In the context of the COVID-19 crisis, the rapid reopening of the economy, the disruptions affecting supply chains and the steep rise in energy prices led to a surge in inflation at the end of 2021 (to 2.8% in France and around 5% in the eurozone). In Brazil, where CNP Assurances is also present, the inflation index (IPCA) was around 10% at the end of 2021, compared with 5% in 2020.

Looking to the future, CNP Assurances is referring to the forecasts published by numerous economic institutions. Most analyses predict a return to lower inflation rates in 2022 and possibly a return to normal in 2023 with eurozone inflation rates easing back to around 3%. Brazilian economists, in a report published in January 2022 by the Brazilian Central Bank, expect inflation to ease back to 5% in 2022 and 3.4% in 2023⁽³⁹⁾.

Price projections take into account uncertainties about the duration and intensity of the current inflationary trend. For this reason, inflation risk is being specifically monitored by CNP Assurances. In general, CNP Assurances is moderately sensitive to inflation due to its income being based mainly on insurance technical provisions and, to a lesser extent, on premium income. In France, CNP Assurances' significant policyholder surplus reserves and unrealised capital gains can be used to mitigate inflation risk by modulating policyholder dividends according to the market context and policyholders' expectations.

For this reason, CNP Assurances does not expect significant deviations from its central trajectory under any reasonable inflation scenario.

In € millions – Impact at 31 December 2021	MCEV
50 bps increase in interest rates	1,755
50 bps decrease in interest rates	(2,313)

(39) Brazilian Central Bank's Market Focus Report on the market consensus, dated 14 January 2022.

Equity price and yield risk

CNP Assurances invests fairly significant amounts in equities and equity funds as part of its portfolio diversification policy. Equities represented 16% of CNP Assurances' asset portfolio at 31 December 2021 (IFRS carrying amount of €59 billion excluding unit-linked portfolios). More than 78% of the total consists of listed equities, with the balance made up of private equity and infrastructure investments. The IFRS carrying amount of equities in unit-linked portfolios was €1.8 billion at 31 December 2021.

Unfavourable changes in stock market parameters (price, volatility, etc.) represent a risk of loss for the company.

The consequences of the COVID-19 crisis on the markets can be seen at different levels:

- ▶ impact on the income statement due, in particular, to the decline in dividend income;
- ▶ impact on shareholders' equity, due to the negative effect of measuring equities in the available-for-sale portfolio at fair value through other comprehensive income;
- ▶ impact on the SCR coverage ratio, due to the adverse effect of negative fair value adjustments recorded in the economic balance sheet.

CNP Assurances is sensitive to two types of risk:

- ▶ a risk related to the reduction in dividends, which essentially impacts the income statement for accounting purposes and results in a decrease in revenues;
- ▶ a risk related to the decline in the market value of equities, which could have an impact at several levels:
 - a decrease in the Solvency II coverage ratio,
 - a decrease in equity under IFRS (a 10% decline in stock prices would reduce equity by €484.8 million),
 - in the event of a significant and prolonged decline in equities markets, there may be an additional income statement impact resulting from the recognition of a liquidity risk reserve and impairment provision.

The COVID-19-related financial crisis continued in 2021, but the financial markets recovered strongly, with the CAC 40 index gaining 29% over the year. This rebound was mainly attributable to the economic stimulus provided by the reopening of some economies following vaccination campaigns, various support measures from central banks, and fiscal stimulus policies.

In 2021, with the situation in the financial markets brighter than in 2020, revenue from CNP Assurances' own-funds portfolio amounted to €840 million.

A 25% fall in equity prices would not have any effect on the consolidated SCR coverage ratio (217% at 31 December 2021), due to the high level of stock market indices, the stock of capital gains in the portfolio and the expanded equity risk hedging programme. However, a 25% fall in equity prices would reduce the value of CNP Assurances' In-Force business, as measured for MCEV[©] calculation purposes, by €2.2 billion.

CNP Assurances has a long-standing hedging programme designed notably to limit the impact of a fall in equity prices. The cumulative notional amount of options outstanding at 31 December 2021 was €17.1 billion. The equities portfolio hedging strategy was reinforced in 2020, affording greater protection to IFRS investment income and capital gains on the portfolios. The notional amount of options protecting against a fall in equity prices was €7.9 billion at 31 December 2021.

For the reasons explained above, CNP Assurances' exposure to the risk of a fall in equity prices is considered as major.

In € millions – Impact at 31 December 2021	MCEV
Equities -25%	(3,301)

Other information concerning financial risks at 31 December 2021

Payment projections by maturity at 31 December 2021

(in € millions)	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 to 15 years	Due beyond 15 years
Insurance and financial liabilities (incl. linked liabilities)	28,287.6	82,478.8	67,774.4	44,821.8	128,344.4

Projected future cash flows – Insurance at 31 December 2021

Intended holding period (in € millions)	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due beyond 10 years
Assets at fair value through profit or loss	6,818	5,944	3,172	6,498
Liquidity risk – Assets designated as at fair value through profit or loss (excl. unit-linked portfolios)	32	131	80	93
Assets at fair value through OCI to be reclassified subsequently to profit or loss	26,144	71,705	65,996	55,433
Assets at amortised cost	0	3	3	80
TOTAL – LIQUIDITY RISK – FUTURE CASH FLOWS	32,995	77,784	69,252	62,103

Contracts with an immediate surrender option at 31 December 2021

(in € millions)	31 Dec. 2021
Contracts with immediate surrender option	294,232.0
Contracts with no immediate surrender option	85,709.2

Credit risk on reinsured business at 31 December 2021

CEDED RESERVES Rating	31 Dec. 2021	
	Amounts (in € millions)	%
AAA	-	0.0%
AA+	4.2	0.0%
AA	-	0.0%
AA-	75.7	0.4%
A+	12,871.7	61.4%
A	7,899.4	37.7%
A-	0.7	0.0%
BBB+	-	0.0%
BBB	-	0.0%
Unrated	193.2	0.5%
TOTAL	21,044.9	100.0%

Credit and counterparty risk factors

Corporate or sovereign credit and counterparty risk

Credit and counterparty risk includes the risk of default by the counterparty, whether a private company or a sovereign issuer, i.e., the risk of loss related to the characteristics of the counterparty.

Sovereign debt

During periods of increased government borrowing, there may be growing concern about the ability of certain sovereign issuers to continue to service their debt, leading to investor distrust of the corresponding bonds and significantly wider spreads. In extreme situations, CNP Assurances may be faced with an actual default or a debt restructuring and have to make a significant loss on the securities in question.

CNP Assurances holds significant portfolios of French and other European government bonds and is naturally sensitive to any widening of sovereign debt spreads in the main eurozone countries that are considered to be relatively exposed. A wave of surrenders could oblige CNP Assurances to sell part of the government bond portfolio and if spreads widen, the sales could generate losses which could in turn impact CNP Assurances' own-funds.

Following the improved economic situation resulting from the rebound in demand and consumer spending, and the central banks' decision to pursue their asset purchases, spreads remained particularly tight throughout 2021.

A 50-point widening of sovereign spreads would result in an 11-point reduction in the consolidated SCR coverage ratio, which stood at 217% at 31 December 2021.

Default risk can also be measured by the spread and counterparty risk SCRs, representing an impact of 28 points and 7 points respectively at 31 December 2021.

Corporate bonds

The credit risk on a bond is the risk of partial or total issuer default and also by extension an increase in the bond portfolio's credit spread. The credit spread is the risk premium, namely the difference between the yield on a bond and that on a risk-free government bond with the same characteristics. Credit spreads vary according to investor perceptions of the credit risk represented by the issuer.

As a long-term investor, CNP Assurances holds over €85 billion worth of corporate bonds in its asset portfolio (based on market value), representing over 47% of the fixed-income portfolio (excluding unit-linked portfolios) at 31 December 2021. CNP Assurances is exposed to the risk of a change in credit spread on these bonds.

This risk depends on the health of the issuer's balance sheet and its credit quality. Out of the total corporate bond portfolio, 70% are rated A or higher and BBB issuers account for 27% (based on market values). Bonds issued by banks account for 42% of the total (based on market value) and the balance of the portfolio is invested in bonds issued by companies operating in a wide range of industries and sectors.

In 2021, there were no significant rating downgrades in the credit portfolio. Thanks to the post-lockdown economic rebound, CNP Assurances' exposure to issuers in the sectors considered most at risk from the COVID-19 crisis remained very moderate.

Nonetheless, to measure the impact of credit risk more accurately, a new sensitivity test was introduced in 2020, the new test analysed sensitivity to a full rating downgrade for 20% of the bond portfolio. At 31 December 2021, sensitivity to this input was limited, with the coverage ratio declining 3 points in the event of a full rating downgrade for 20% of the bond portfolio.

The spread risk component of CNP Assurances' hedging programme was maintained in 2021. At 31 December 2021, the notional amount of hedges to protect the fixed-income portfolio against an increase in corporate spreads was €1.3 billion.

All told, in light of these parameters, CNP Assurances' exposure to spread risk is considered as **major**.

Breakdown of the bond portfolio by issuer rating

Rating (in € millions)	Bond portfolio at market value	%
AAA	12,474.7	4.7%
AA	112,772.8	42.8%
A	58,232.7	22.1%
BBB	56,452.7	21.4%
< BBB	19,840.2	7.5%
Unrated	3,893.0	1.5%
TOTAL	263,666.1	100.0%

Credit and counterparty concentration risk

This risk arises from large individual exposures or from significant exposures to a group of counterparties considered as a single beneficiary or from significant exposures to counterparties operating in the same industry or geographical area.

CNP Assurances has a significant investment in sovereign debt, which represented 34% of insurance assets excluding unit-linked portfolios at the end of 2021. The majority of the investments are made in relatively stable regions: 53% in France and 17% in Europe (countries with a rating between AAA and A).

Concentration risk is considered Major for CNP Assurances but is mitigated by the existence of a framework defined in the Risk Appetite Statement, which imposes precise limits on geographical and industry concentrations. This framework is supplemented by concentration limits by group of issuers, defined for investment risk management purposes.

Risk factors linked to the insurance business

Underwriting risk – Surrender or cancellation risk

Surrender risk is defined as the loss or adverse change in the value of insurance liabilities resulting from a change in policyholder surrender behaviour.

Traditional savings contracts include an early surrender option for a contractually fixed amount. Surrender rates depend on how the financial markets perform, the yield offered by other competing financial products, policyholders' behaviour and their confidence in CNP Assurances, and the tax rules applicable to investments in life insurance products.

For group pensions contracts, surrender risk corresponds primarily to the risk of the policy being transferred by the customer to another insurer. The PACTE law that came into effect in 2019 requires insurers to include a clause in their policies allowing for this.

Average technical provisions for the French savings/pensions business alone (including linked liabilities) represent €281 billion, and CNP Assurances' exposure to surrender risk is therefore significant. Traditional savings products are exposed to surrender risk in the event of a sharp and rapid increase in interest rates.

In term creditor insurance, surrender risk includes the risk of a contract being surrendered due to the early repayment or renegotiation of the underlying loan (which is more likely in a period of falling interest rates) or the loan's cancellation. An unexpectedly high surrender rate would modify the average contract duration and could adversely affect the business's profitability. As France's leading provider of term creditor insurance, CNP Assurances has significant exposure to cancellation risk, which could have a material impact on consolidated earnings.

At the level of CNP Assurances' subsidiaries, this risk is considered as "Major" in Italy given the dominance of the savings business, as well as in Brazil for pension products, due to the risk of contracts being transferred to competitors. In Brazil, death/disability insurance products and products associated with home loans and consumer finance also give rise to a significant cancellation risk.

No material change in surrender rates was observed in 2021 and although there was a slight increase in term creditor insurance surrenders in France and Italy, it was fairly limited compared to the average increase over the last five years. In Brazil, surrender rates also increased, mirroring the trend observed in the market as a whole in the second and third quarters, due to declining yields on fixed income securities leading to a loss of attractiveness.

More generally, surrender risk is linked to policyholder behaviour, which by definition is highly uncertain and partly dependent on external factors. CNP Assurances' exposure to this risk is therefore considered to be Major.

Risk factors linked to the business

Outsourcing risk

CNP Assurances' business model makes extensive use of outsourcing as defined in Solvency II. Activities delegated to partners or outsourced to service providers include:

- ▶ certain insurance transactions (delegated to individual insurance partners in France);
- ▶ part of the policy and/or claims administration activities of CNP Santander Insurance in particular, and part of the policy administration activities of the Brazilian subsidiary;
- ▶ asset management activities, for a significant proportion of the asset portfolios in France or in Italy (outsourced by CNP UniCredit Vita);
- ▶ information systems management, outsourced by CNP Santander Insurance in particular, but also part of CNP Assurances' information systems management activities in France;
- ▶ certain key functions of the less material subsidiaries (CNP Luxembourg for internal audit only, with other key functions performed internally).

The main outsourcing risks are quality and compliance of the outsourced activities and regulatory compliance (including the ban on price bargaining, dependence issues, loss of know-how, money laundering, financing of terrorism, bribery and corruption, conflicts of interest, compliance with economic and financial sanctions, fraud and compliance with data protection regulations). An internal outsourcing policy is in place to increase employee understanding, monitoring and control of the related risks.

Currently, outsourced critical and important activities are generally in the areas of policy administration (policy administration, client relationship management and archiving), asset management, and information systems management. Since 2019, CNP Assurances' Outsourcing Management Department has bolstered the cross-functional system by updating the subcontractor map and systematically looking for back-up solutions at CNP Assurances group level.

The Outsourcing Control unit in the Internal Audit Department helps to strengthen the operational controls carried out by the subcontractors, as well as compliance and other controls.

In 2021, the system of controls over outsourcing activities was strengthened by deploying targeted controls on critical or important activities. In line with the guidance issued by EIOPA, a register of cloud service providers has been created, a dedicated security assurance plan has been drawn up and the standard clauses included in cloud service contracts have been updated.

CNP Assurances' exposure to outsourcing risk is considered as **major**.

Product and client interaction (financial security and AML-CFT) compliance risk

Product compliance risk relates to risks that could prevent the CNP Assurances from fulfilling its regulatory obligations or complying with internal standards in its relations with policyholders.

Several aspects of the regulatory framework governing insurance activities have been changed. Many new regulations have been introduced to improve client protection, with the Packaged Retail and Insurance-based Investment Products (PRIIPs) regulation that came into effect in January 2018, the Insurance Distribution Directive (IDD) that came into effect in October 2018 and the General Data Protection Regulation (GDPR).

The new regulations expose CNP Assurances to compliance risks due to its broad range of businesses, in an environment shaped by the digitalisation of policyholder relationships and the increased focus on unit-linked sales, which are also a source of changing risks.

The life insurance section of the CNP Assurances business model (covering insurer liability) is frequently prepared by the partner networks. The products offered by CNP Assurances and the contractual and marketing documents presented to customers must be legally watertight and provide policyholders (or insureds) with clear information about the content and scope of the purchased cover or the insurance proposal.

In response to the health crisis and in line with its efforts to modernise exchanges, CNP Assurances has developed electronic signatures with its partners.

No events were reported in relation to the health and economic crisis in 2021 that could prevent CNP Assurances from fulfilling its obligations.

Combating money laundering and the financing of terrorism (AML-CFT) and ensuring compliance with economic and financial sanctions (AML-CFT) are a constant concern for CNP Assurances. The tasks entrusted to intermediaries are set out in the distribution agreements between CNP Assurances and its partners. When the commercial relationship is managed by the distribution partner, the partner plays an essential role in performing know-your-customer procedures

initially and at regular intervals throughout the customer relationship. The tasks performed by partners on CNP Assurances' behalf are described in the distribution agreements between CNP Assurances and its partners.

CNP Assurances was fined €8 million in 2018 due to failings in its AML-CFT procedures, and fined €40 million in 2014 after being found not to have made sufficient effort to trace the beneficiaries of unclaimed life insurance settlements. Since then, action has been taken to strengthen its controls in these areas. The code of conduct "C@pEthic" and a group-level anti-bribery and corruption (ABC) risk map have been set up in application of the Sapin II anti-corruption law, affirming CNP Assurances' zero-tolerance policy concerning acts of bribery and corruption and influence peddling.

For the reasons explained above, CNP Assurances' exposure to compliance risk is considered as **major**.

Information system, data protection and cyber-security risks

Cyber risk is any risk of financial loss, business interruption or damage to the Company's reputation due to a failure of information systems (IS). CNP Assurances monitors cyber risk continuously, and its coverage is regularly challenged by dedicated experts in order to adapt with agility to a shifting environment.

CNP Assurances' sales and marketing and underwriting operations are all organised around mission-critical information systems. Information system incidents are generally the main cause of operating incidents for CNP Assurances. CNP Assurances must be capable of adapting to a constantly changing environment and increasingly frequent cyber-attacks.

Information system risks include systems security risks, software malfunction risks and data protection risks (covering the disclosure, alteration or destruction of sensitive data). Instances of system downtime, system failure or processing delays could lead to losses and may also damage CNP Assurances' reputation among customers. Granting access to the systems to certain partners and outside contractors exposes CNP Assurances to risks of intrusion and malicious acts that could result in the disclosure of sensitive data. CNP Assurances has deployed an information systems security management process and appointed a Chief Systems Security Officer.

More than 60 security audits have been conducted among partners and subsidiaries, followed by audits to check that corrective action has been duly taken where necessary. The audit campaign focused primarily on critical subcontractors; it will be rolled out to other subcontractors over the next few years. It is backed up by external scoring tools.

Several initiatives have been launched, such as mandatory training and phishing campaigns measuring individual developments. The cyber-risk management system was recently enhanced, with the adoption of new preventive measures (infrastructure specifically designed to prevent "denial of service" attacks, roll-out of the self-care mechanism, data anonymity, encryption of audio communications, improved workstation security, stricter access controls for sensitive networks, definition of cyber-policies, management, etc.).

Security weaknesses have been detected in subsidiaries' information systems, particularly in Brazil, but are being rapidly resolved following local audit recommendations issued by the head office and the improved efficiency of local teams.

Given the increase in cyber-crime and the widespread roll-out of working from home arrangements since March 2020, intruder risk in CNP Assurances' systems remains a major source of concern. In response to this risk, the necessary preventive measures have been deployed at CNP Assurances level. These include:

- ▶ strengthening the security of mail servers, using the latest versions of standards and protocols available on the market;
- ▶ improving Active Directory protections by implementing the solution recommended by France's IS security agency, ANSSI. The Active Directory is the central component of any organisation, making it the preferred target of any hacker attempting to access the entire information system. Its protection therefore plays a major role in information systems security;
- ▶ rolling out to the whole organisation the EBIOS Risk Manager method recommended by ANSSI for risk analyses.

Bimonthly reports have been introduced to keep the business units and corporate functions up to date about the maturity of their application security. In addition, an independent audit was carried out in 2021 to assess the maturity of CNP Assurances' systems security. The audit identified the main strengths in this area but also the areas for improvement, particularly affecting CNP Assurances' smaller entities.

As a life insurer that holds insureds' medical data, CNP Assurances is heavily exposed to the risk of personal data breaches due to the large volume of information on policies and policyholders that is processed automatically or manually. A cross-functional compliance project was carried out within CNP Assurances in preparation for the application of the new General Data Protection Regulation (GDPR).

In terms of organisation and governance, information systems risk is monitored at the highest level of the organisation and is integrated into the general risk management policy. The system includes:

- ▶ the Information Systems Security Committee, which comprises the Chief Systems Security Officer, the Group Administrative Officer and the Group Chief Risk Officer. Meetings of the Committee are held at monthly intervals and

are led by the CSSO. Its main tasks are to review the latest key risk indicators, discuss the main events during the month in terms of systems security and agree on the decisions to be taken;

- ▶ the Group Risk Committee, chaired by the Chief Executive Officer and made up of members of the Executive Committee. The agendas of its meetings are set by the Group Risk Management Department and cover all the key events relating to IS risk;
- ▶ annual (or more frequent) presentations of systems security reports to the boards of directors of all CNP Assurances entities;
- ▶ inclusion of systems security risks in the operational risk section of the quarterly risk reports produced by the Group Risk Department and presented to CNP Assurances' Executive Committee and Audit and Risk Committee. The report is also sent to La Banque Postale Group's Risk Management Department;
- ▶ organisation of a CSSO community at Group level, composed of the subsidiaries' chief systems security officers;
- ▶ inclusion of systems security risk in CNP Assurances' operational risk and internal control policies.

In all, information system risks are considered **Major** at the level of CNP Assurances.

Strategic risk factors

Partnership risk

This risk is defined as the risk of loss of revenue from a partnership (for example, due to termination or refocusing), including the risk of renewal on unfavourable terms, and the risk of a partnership adversely affecting CNP Assurances' results or resulting in the recognition of an impairment loss on goodwill or other intangible assets.

CNP Assurances enters into various strategic partnerships, directly or through subsidiaries, to strengthen its presence in certain markets. These partnerships represent a means of sharing the business and financial risk with the partners concerned. They may simply be commercial arrangements, such as a distribution agreement, or involve the investment of capital in a joint subsidiary.

Integrating these partnerships or joint subsidiaries into CNP Assurances can sometimes take longer, be more difficult and require bigger teams of employees and managers than originally expected, and this may negatively affect consolidated earnings. The constantly evolving nature of the business means that there is always some uncertainty about the future financial performance of acquirees or partners compared with the business plans on which the original investment decision was based. Underperformance may result in impairment losses being recognised on goodwill or other intangible assets that will negatively affect CNP Assurances' financial position.

It may be necessary to rethink a partnership in the event of changes to the project itself, the local political and economic situation, the partner's own financial situation, or because of a disagreement between partners.

The bancassurance business model relies on the continued implementation of its partnership agreements and their renewal. For this reason, CNP Assurances pays close attention to the imminent expiry of its strategic partnerships and the risk that they will not be renewed.

In order to limit these risks, strategic partnerships are integrated into CNP Assurances' risk management and monitoring systems. This ensures that their performance is monitored and that the partnership is refocused if – and to the extent – necessary, with the participation of the distribution partner as appropriate. Other risk-mitigating actions include establishing a high quality governance system when the partnership is set up, notably by appointing members of the entity's existing management to the new governance bodies, and including an earn-out clause in the partnership agreement to ensure that the partners have a shared interest in meeting the business plan objectives.

In 2021, over three-quarters of IFRS premium income was generated through CNP Assurances' five main distribution partners (La Banque Postale for 25%, BPCE for 19%, Caixa Seguridade for 20%, Banco UniCredit for 10% and Banco Santander for 3%).

Highlights of CNP Assurances' international and domestic development in 2021 included:

- ▶ Securing the partnership in Brazil, with the finalisation on 30 March 2021 of the new partnership arrangements between CNP Assurances and Caixa Seguridade. These arrangements concern distribution of consórcios products in the CEF network, as authorised by the Brazilian Central Bank (BACEN) on 29 July 2021.
- ▶ Expanding CNP Assurances' presence in Italy, with the acquisition on 1 December 2021 of Aviva's Italian life insurance business – 51% of CNP Vita Assicura (formerly Aviva S.p.A), a joint venture that is 49%-owned by Banco UniCredit, and 100% of CNP Vita Assicurazione (formerly Aviva Life S.p.A). The acquisition has enabled CNP Assurances to double its market share in this country. It will also strengthen the partnership between CNP Assurances and UniCredit S.p.A through CNP Vita Assicura S.p.A (49%-owned by Banco UniCredit), alongside their existing partnership through CNP UniCredit Vita S.p.A.

► Strengthening CNP Assurances' position in France, notably through:

- Deeper industrial partnerships between La Banque Postale and the BPCE group, notably leading to the planned extension until 2035 of the savings and personal risk distribution agreements between CNP Assurances and BPCE, currently in force until 2030.

This project is part of La Banque Postale's plan to buy out BPCE's 16.1% stake in CNP Assurances, completed in December 2021, and to file a simplified tender offer for the 21.1% of CNP Assurances' capital not already held.

The project will reinforce CNP Assurances' ties with La Banque Postale, which will become its sole shareholder. It will enable CNP Assurances to reaffirm its growth strategy based on a full-service, multi-partner and international insurance model serving all its partners and customers.

- The buyout of the minority interests in MF Prévoyance in July 2021, making CNP Assurances the sole shareholder of this subsidiary.

CNP Assurances' business model depends to a considerable extent on the continuation of its existing partnerships and its ability to establish new ones. Its exposure to partnership risk is therefore considered as **Critical**.

Country risk

Country risk is the risk of loss due to political, economic or social factors in a host country, or to local regulations and controls.

CNP Assurances has operations in many countries, in Europe and Latin America. The sustainability and development of its businesses depends in part on these countries' economic health and political stability.

More specifically, the financial viability of certain businesses may depend on local regulations and government commitments in our host countries, especially in cases where it is called on to advance funds on behalf of the State. Regulatory changes (for example, the statutory increases in life annuities introduced in 2017) or a government decision to renege on its commitments may lead to litigation, with a significant adverse effect on CNP Assurances' earnings if the courts rule against it. This could be the case in Brazil, where Caixa Seguradora has advanced funds on behalf of the State under the local administered insurance system.

CNP Assurances is thereby bound by local regulations and subject to audits carried out by the competent local authorities. In Brazil, for example, any dividends received by CNP Assurances must be approved by the Brazilian Central Bank and any brokerage activities carried out by Wiz Soluções e Corretagem de Seguros (a CNP Assurances Group subsidiary in which CNP Seguros Holding Brasil SA holds a 25% minority stake), listed on BOVESPA (Brazil's São Paulo stock market), are supervised by the Brazilian Securities Commission (CVM), the equivalent of the AMF in France.

CNP Assurances has large subsidiaries in Brazil and Italy (accounting for 20% and 10% of its consolidated premium income, respectively, in 2021). France remains CNP Assurances' largest market, accounting for over 60% of its premium income in 2021.

Close-up on France

France is the country where CNP Assurances' headquarters are located and it accounts for nearly 82% of CNP Assurances' consolidated solvency capital requirement. It is considered a low-risk country⁽⁴⁰⁾ by the various country risk rating agencies, a view that is confirmed by the country's relatively positive metrics at the end of 2021. The economy rebounded strongly in the second half of the year, thanks in particular to accelerated implementation of the vaccination campaign during the summer and the easing of certain COVID-19 restrictions.

France's economy is among the most stable in the eurozone and the growth outlook is better than that of Germany. The recovery is expected to be driven by rising domestic demand and supported by the rapid and effective implementation of stimulus and investment plans. Like other developed countries, France has a fairly significant untapped growth reserve in the shape of the "excess" savings accumulated by French households since the beginning of the crisis.

Although inflation is rising due mainly to higher energy prices, it is below the European average. However, the political and social climate in France is a factor of uncertainty in the run-up to the presidential elections scheduled for May 2022.

For CNP Assurances, the government's decision to create a major state-owned financial group, leading to the integration of CNP Assurances into La Banque Postale Group, has opened up promising opportunities.

(40) Euler Hermes country ratings.

Close-up on Italy

As of end-2021, Italy had recorded some 139,000 COVID-19-related deaths, slightly more than France (around 129,000)⁽⁴¹⁾ with a smaller but older population. The pandemic situation is improving, thanks to the success of the vaccination campaign; more than 90% of the population aged 50 or older had been fully vaccinated by the end of the year.

The Italian economy expanded rapidly in 2021. Under the impetus of the government led by Mario Draghi and supported by the European recovery plan, the growth and investment outlook for 2022 is good. The government is expected to stick to its expansionary fiscal policy and economic activity should gradually return to normal, helping to drive a forecast growth rate of almost 4.6%. Inflation is rising, largely driven by the surge in energy prices.

Lastly, the country is benefiting from a revival of consumer confidence and private investment should remain dynamic.

As of end-2021, the Euler Hermès country risk rating for Italy was moderate.

Close-up on Brazil

By the end of 2021, Brazil had recorded close to 620,000⁽⁴²⁾ COVID-19-related deaths since the start of the pandemic, making it the second worst affected country in the world after the United States. Nevertheless, by the end of November the pandemic situation had improved, with a sharp rise in the vaccination rate (as of mid-November, some 60% of the population had been fully vaccinated) helping to drive a steady reduction in COVID-19 deaths.

However, the political climate remains tense in the run-up to the presidential elections scheduled for October 2022.

On the economic and financial front, accelerating inflation is hampering the recovery of trade. Consumer and business confidence has been dented by Brazilians' declining purchasing power and rising interest rates, slowing the rebound in domestic demand. Uncertainty about government policies and the increased fiscal risk are also weighing on the exchange rate, driving up imported inflation.

In addition, with regard to operational currency risk, i.e., a loss resulting from an unfavourable change in exchange rates for the Brazilian real against the euro impacting the CNP Assurances Group's operating profit, the risk is hedged against the risk of a fall in the real through a recurring currency hedging programme that is renewed and adjusted each year.

The growth outlook is fairly poor and any improvement is dependent on a recovery of the labour market and the government's ability to bring inflation back under control⁽⁴³⁾.

As of end-2021, Brazil was still rated high risk by Euler Hermès.

In light of this, CNP Assurances' exposure to country risk is considered as **major**.

Regulatory risk

Regulatory risk is the risk of a future change in regulations, including industry practices, and the introduction of new regulations that may have an adverse effect on a company's business model or involve costly adaptation of the Company's information systems.

The introduction of new regulations in Europe or its other host countries could prove both complex and costly for CNP Assurances. Many different departments may be concerned by the change, information systems may have to be adapted and significant costs may have to be incurred for staff training to ensure compliance with the new regulatory framework. In recent years, for example, CNP Assurances has had to implement major projects to comply with the new General Data Protection regulation (GDPR), the Insurance Distribution directive (IDD), the PACTE and Sapin II laws and successive European directives dealing with money laundering and the financing of terrorism (AML-CFT).

In addition, new regulations may be adopted that affect CNP Assurances' business model. New IFRS 17 and IFRS 9 accounting standards, which are due to come into effect on 1 January 2023, could change the presentation of the business indicators published each quarter and impact CNP Assurances' investment strategy. Similarly, the revised version of Solvency II could lead to a decrease in CNP Assurances' consolidated solvency ratio. Lastly, if adopted, the proposed capping of life insurance commission rates in Germany and Poland, effective from 2022, risks having a material impact on CNP Santander Insurance's business in this country.

Regulatory changes covering prudential, accounting, compliance, legal and tax issues, as well as ESG risks, are specifically monitored through the quarterly risk reports, which are presented to CNP Assurances' Executive Committee and communicated to La Banque Postale Group's Risk Management Department. CNP Assurances and its subsidiaries

(41) Statistics compiled by the European Centre for Disease Prevention and Control (<https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases>).

(42) Statistics compiled by the European Centre for Disease Prevention and Control (<https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases>).

(43) OECD Economic Outlook (by country) 2021 Volumes Number 2: preliminary version.

also actively monitor the issues discussed above, to ensure that regulatory changes are foreseen and applied on a timely basis.

All told, CNP Assurances' exposure to this risk is considered as **major**.

Business model risk

Business model risk is the risk to the company's financial or business model.

A sustainable business model is one that satisfies all stakeholders, generates sufficient profit over the long term to fund the Company's solvency capital requirements and business development plans, and ensures that risks are controlled to an appropriate extent.

At end-2021, CNP Assurances' gross exposure to business model risk can be considered as Critical due to the challenges of transforming technical provisions and tilting the business model more in favour of the personal risk/protection business.

Business model risk is monitored in detail via the ORSA (Own Risk and Solvency Assessment) solvency capital projections. Action is taken when the projected solvency ratio reaches the alert threshold.

CNP Assurances' residual exposure to business model risk is considered as **major**.

Climate risk factors

CNP Assurances is exposed to climate change risks through its investing activity, insurance activity and internal operations.

These risks may take several different forms:

- ▶ physical risks, i.e., risks resulting from damage caused directly by climate phenomena;
- ▶ transition risks, i.e., risks resulting from the effects of deploying a low-carbon business model. Climate risk includes regulatory risk (risk of a change in government policies such as a ban or restrictions on certain activities, for example through the imposition of quotas; introduction of carbon taxes, fines, environmental levies or other new tax measures), technological risk (risks resulting from the introduction of innovations or disruptive technologies that help combat climate change), market risk (changes in the balance of corporate and consumer supply and demand), liability risk (increase in claims and litigation) and reputational risk (changed perception of a company by customers and stakeholders).

Responding to the compelling need to reduce the current and future effects of climate change, CNP Assurances set up a Climate Risk Committee in 2019. The committee meets each quarter to review the roadmap to be implemented to manage climate risks across all aspects of the business. Its members include representatives of the General Secretariat, the Risk department, the Investment department, the Technical and Innovation department and the CSR department. Since 2021, the remit of Climate Risk Committee has been extended to include monitoring the progress of subsidiaries' work on climate risk management.

Physical risk

Several studies on the physical risks associated with the investment portfolio have highlighted the exposure of certain countries, companies, buildings or forests to various climate hazards. CNP Assurances' objective, based on the studies and data currently available, is to limit this exposure through appropriate investment decisions. It will nonetheless be important to regularly measure the investment portfolio's exposure and vulnerability to various climate risks in the coming decades as accurately as possible, based on different global warming scenarios.

CNP Assurances' business consists mainly of writing personal insurance and the risks associated with the effects of climate change primarily concern mortality and morbidity rates. CNP Assurances takes this aspect into account in the measurement and management of underwriting risks, especially mortality and morbidity risks covered by personal risk contracts and term creditor insurance.

In 2019, CNP Assurances performed an initial measurement of the potential consequences of physical risks on its insurance liabilities by simulating the effects of higher-than-expected mortality rates due to climate change on all of its businesses. The exposure of liabilities to climate risk has been mapped since 2020.

As part of the process, CNP Assurances volunteered to take part in the 2020 climate stress test exercise conducted by the ACPR and Banque de France. This stress test covered different transition scenarios. For personal insurers like CNP Assurances, the unfavourable scenario of a sharp rise in temperatures would lead to a heightened incidence of claims due to an increase in pollution and vector-borne diseases affecting:

- ▶ death benefits under death/disability and term creditor insurance policies;
- ▶ loss of income payments under death/disability and term creditor insurance policies;

- ▶ coverage of medical costs under health insurance policies.

The exercise served to quantify CNP Assurances' exposure to the climate scenarios proposed by the ACPR, particularly the potential increase in death/disability and term creditor insurance claims. It also highlighted the resilience of its liabilities in the face of climate risk. The potential increase in loss ratios caused by the occurrence of physical risk could be offset to some extent by an increase in premium rates for death/disability and term creditor insurance policies. Moreover, CNP Assurances' exposure to mortality risk through its death/disability and term creditor insurance policies is partly offset by its exposure to longevity risk through its pension contracts.

When renewing its reinsurance coverage each year, CNP Assurances is also exposed to various climate risks, including the risk of an increase in the price of reinsurance and/or a decrease in the availability of natural disaster cover, or a mismatch between the duration of the reinsurance cover – generally one year – and that of the insurance cover which may extend over several years.

CNP Assurances' offices and employees are located in countries (75% in Europe and 25% in Latin America) which, due to their level of development, are not considered as being the most vulnerable to climate events likely to severely disrupt their operations. It will nonetheless be important to reliably measure the exposure and vulnerability of production resources to various climate risks in the coming decades, based on different global warming scenarios.

Transition risk

In 2015, CNP Assurances demonstrated its support for the energy transition by adopting a low carbon strategy for its investment portfolio, and in 2019, it joined the Net-Zero Asset Owner Alliance and committed to ensuring that its investment portfolio is carbon neutral by 2050. To get on track to meet this objective, in 2021 CNP Assurances set ambitious new targets for 2025 in line with current scientific knowledge. They included reducing the carbon footprint (scopes 1 and 2) of its directly held equity and corporate bond portfolio by a further 25% between 2019 and 2024 and the carbon footprint (scopes 1 and 2) of its directly held real estate portfolio by an additional 10% over the same period.

To limit the risk of assets being overlooked in the investment portfolio, in 2020, a plan was drawn up to banish from the portfolio all thermal coal sector investments in the European Union and OECD countries by 2030, and in the rest of the world by 2040. Alongside these commitments, in 2021 a policy was adopted that restricts investments in unconventional oil and gas.

CNP Assurances' insurance business may be adversely affected by various transition risks, including:

- ▶ changes in customers' savings behaviour (changes in the savings rate or surrender rate) affecting the net inflow of new money into pension savings contracts;
- ▶ the introduction of stricter environmental regulations that could disrupt the housing market or household incomes, with an adverse effect on the term creditor insurance business and loan guarantee business.

For more detailed information, see Section 5.3.4.1 "Combating global warming" of CNP Assurances' 2021 Universal Registration Document.

4.7.1.2.2 Insurance Division

La Banque Postale's Non-Life Insurance Division risks are classified in seven risk families aligned with the risk classification in Solvency II and the conglomerate risk map:

- ▶ strategy and business risks;
- ▶ credit and counterparty risks;
- ▶ market risks;
- ▶ liquidity risks;
- ▶ operational risks;
- ▶ insurance technical risks;
- ▶ other risks.

Market risk

Assets at cost, excluding unit-linked portfolios (IFRS, in € millions)	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	30 June 2022
Bonds and other fixed-income securities	2,034	2,217	2,417	2,399
Equities and other variable-income securities	93	74	63	58
Investment property and property funds	0	0	0	0
Property-related loans and receivables	0	0	0	0
Derivative instruments	0	0	0	0
Other loans and receivables	0	0	0	0
TOTAL	2,127	2,292	2,480	2,457

These amounts concern La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé.

The insurance subsidiaries are exposed to the following market risks:

- ▶ interest rate risk;
- ▶ equities risk;
- ▶ credit spread risk;
- ▶ property risk;
- ▶ foreign exchange risk;
- ▶ volatility risk;
- ▶ unlisted securities valuation risk;
- ▶ concentration risk on underlyings;
- ▶ liquidity risk.

Interest rate risk

Given that most of the portfolio consists of fixed-income products, interest rate risk represents the main exposure on the asset portfolio: a rise in interest rates would have an immediate impact on the level of unrealised capital gains or losses on fixed-income assets, while a fall in interest rates would dilute the assets' overall rate of return due to lower actuarial rates upon the purchase of bonds.

Equities risk

Equities risk is the risk of loss resulting from unfavourable changes in market inputs such as share price, share volatility, etc.

Property risk

Property risk is the risk of a change in the value of property investments not used in operations (e.g., investments in innovation funds).

Through direct investments in equities and equities investment funds, equities-type portfolios are sensitive to fluctuations in equities markets and to the risk of a loss of value caused by a fall in prices of property and infrastructure assets.

Credit spread risk

Credit spread risk is the risk of loss resulting from unfavourable changes in credit-related market inputs such as credit spread, spread volatility, etc.

Foreign exchange risk

Indirect currency risk exposure may arise from amounts invested in funds able to invest in securities denominated in a foreign currency. Currency risk is the risk of:

- ▶ loss (in the income statement) resulting from unfavourable changes in exchange rates that affect the mark-to-market value of foreign currency assets and liabilities;
- ▶ loss resulting from unfavourable changes in exchange rates that affect operating profit (operational currency risk);
- ▶ loss resulting from unfavourable changes in exchange rates that affect the economic value of equity (structural currency risk).

Concentration risk on underlyings

This is the risk of loss resulting from unfavourable changes in market inputs associated with a combination of exposures concentrated in a single market segment (security, issuer, risk factor, etc.).

Liquidity risk

For the insurance subsidiaries, liquidity risk is the risk of being unable to realise their investments and other assets in order to meet their financial obligations as they fall due.

Payment projections by maturity – Insurance Division at 31 December 2021

(in € millions)	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 to 15 years	Due beyond 15 years
Insurance and financial liabilities (incl. linked liabilities)	111.4	543.5	321.8	285.7	661.5

Future cash flow projections – Insurance Division assets at 31 December 2021

Intended holding period (in € millions)	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 to 15 years
Available-for-sale financial assets	563.3	749.1	1,189.1	229.3
Assets held for trading and measured at fair value through other comprehensive income	67.5	0.0	0.0	0.0
Held-to-maturity investments	0.0	0.0	0.0	0.0
Loans and receivables	0.0	0.0	0.0	0.0

Contracts with an immediate surrender option – Insurance Division at 30 June 2022

(in € millions)	30 June 2022
Contracts with immediate surrender option	806.4
Contracts with no immediate surrender option	1,093.8

The values concern only La Banque Postale Prévoyance and correspond to gross reserves.

Counterparty risk

The scope of counterparty risk includes contracts with provision for risk mitigation, such as reinsurance contracts, securitisations and derivatives, and receivables due from intermediaries and insured parties. In order to manage market risks, strategic and tactical investment allocation guidelines are defined annually by the insurance subsidiaries in La Banque Postale's Non-Life Insurance Division. These guidelines specify targets for portfolio distribution by asset class, preferred maturities and interest rates for fixed-income investments, and objectives in terms of financial risk hedging.

Implementation of these guidelines is monitored by assessing compliance with the limits set for each asset class, portfolio sensitivity and liquidity levels.

Credit risk on reinsured business at 30 June 2022

Rating	Amounts (in € millions)	%
AAA	0	0.0%
AA+	0	0.0%
AA	28	6.3%
AA-	1	0.3%
A+	224	51.1%
A	179	41.0%
A-	0	0.0%
BBB	0	0.0%
Unrated	6	1.4%
TOTAL	438	100.0%

Credit risk on sovereign debt and equivalents at 30 June 2022

Rating (in € millions)	Bond portfolio at market value	%
AAA	139.7	12.8%
AA	822.5	75.3%
A	97.6	8.9%
BBB	32.2	3.0%
< BBB	0.0	0.0%
TOTAL	1,092.1	100.0%

These amounts concern La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé.

Analysis of the Insurance Division asset portfolio at 30 June 2022

Assets at cost, excluding unit-linked portfolios (IFRS, in € millions)	31 Dec. 2021	30 June 2022	Year-on-year change
Bonds and other fixed-income securities	2,417	2,399	(18)
Equities and other variable-income securities	63	58	(5)
UCITS	310	290	(20)
Investment property and property funds	0	0	0
Property-related loans and receivables	0	0	0
Derivative instruments	0	0	0
Other loans and receivables	0	0	0
TOTAL	2,790	2,748	(42)

These amounts concern La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé.

Analysis of the Insurance Division bond portfolio by rating at 30 June 2022

Rating	Bond portfolio at market value (in € millions)	%
AAA	163.8	7.4%
AA	952.9	43.1%
A	751.1	34.0%
BBB	343.0	15.5%
< BBB	0.0	0.0%
TOTAL	2,210.7	100.0%

These amounts concern La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé.

Insurance technical risks

Due to their activities in Property & Casualty insurance and in Health & Personal Risk insurance, the insurance subsidiaries of La Banque Postale are exposed to underwriting risk and catastrophe risk, associated with changes to the features of portfolios of insured parties.

Underwriting risk is the risk which the insurer takes in writing insurance contracts for individuals or legal entities.

Underwriting risk encompasses the risks described below.

- ▶ **Life catastrophe risk** is the risk of loss or of an unfavourable change in the value of insurance commitments attributable to the occurrence of extreme, uncertain and one-off events causing serious harm to the individuals and/or property insured, and which result from a natural phenomenon, human action or a combination of the two.
- ▶ **Termination (surrender) risk** is the risk of loss or of an unfavourable change in the value of insurance commitments resulting from changes in the surrender behaviour of insured parties (termination, renewal, surrender). This risk may also result from permanent changes in surrender rates, widespread and one-off surrenders, and inaccurate estimates of surrender rates. Two types of surrender can be modelled: structural surrenders (which depend on the average characteristics of the buyers in the portfolio) and economic surrenders (which depend on the economic environment).
- ▶ **mortality risk** is the risk of loss or of an unfavourable change in the value of insurance commitments resulting from an increase in mortality rates. This risk is broken down between several sub-factors within La Banque Postale Group:
 - a trend factor, i.e., a rise in general mortality;
 - a level factor, i.e., deviation in a portfolio's mortality relative to general mortality;
 - a volatility factor, i.e., volatility of data used to measure a portfolio's mortality rate.
- ▶ **Longevity risk** is the risk of a long-term loss resulting from the financial risk on insurance obligations, caused by individuals living significantly longer than expected on average.
- ▶ **Morbidity risk** is the risk of loss or of an unfavourable change in the value of insurance obligations, resulting from fluctuations affecting the level, trend and/or volatility of disability, sickness and morbidity rates.

- ▶ **Revision risk** is the risk of loss or an unfavourable change in the value of insurance obligations resulting from fluctuations affecting annuity rate revisions due to a change in the law or the insured's state of health.
- ▶ **Pricing and reserve risk** is the premium-related risk corresponding to the risk of loss or of an unfavourable change in the value of insurance obligations resulting from fluctuations affecting the date of occurrence, frequency and severity of insured events, as well as the amount of claim settlements.
- ▶ **Surrender risk** is the risk of loss resulting from under-estimates of future surrenders or over-estimates of policy renewals by the policyholder or the insurer.
- ▶ **Catastrophe risk** is the risk of loss or of an unfavourable change in the value of insurance obligations attributable to the occurrence of extreme, uncertain and one-off events causing serious harm to the individuals and/or property insured, which result from a natural phenomenon, human action or a combination of the two.
- ▶ **Expense risk** is the risk of loss or of an unfavourable change in the value of insurance obligations resulting from the volatility of expenses incurred in managing insurance and reinsurance contracts.

Through their underwriting policies, the non-life insurance subsidiaries define their requirements in terms of controls, management and monitoring of underwriting risk, in line with the features of the portfolios insured. The applicable rules aim to hedge the expected level of technical risk. Underwriting limits have been defined for each risk.

Operational and compliance risks

Operational and compliance risks correspond to unforeseen losses resulting from inadequate or flawed internal processes, personnel, internal systems or external events. Operational risk includes legal risks, but does not include risks stemming from strategic decisions.

Operational risks are described in Section 4.6 "Operational risks" of this document. Compliance risks are described in Section 4.8.2 "Compliance risks" of this document.

4.7.2 Additional oversight of the La Banque Postale conglomerate

As a financial conglomerate, La Banque Postale is subject to additional oversight pursuant to European Directive No 2002/87/EU and Regulation (EC) No 342/2014, transposed into French law by the government order of 3 November 2014.

Since 1 January 2014, La Banque Postale has benefited from the exemption provided for in Article 49 of Regulation (EU) No 575/2013, whereby it may choose not to deduct from its capital on a consolidated basis its holdings in the insurance companies CNP Assurances, La Banque Postale Prévoyance, La Banque Postale IARD and La Banque Postale Assurance Santé, and to treat them as weighted exposures, provided that its risk management and internal control procedures are satisfactorily integrated.

Each individual entity is required to comply with the regulations applicable to the sector in which it operates (Capital Requirements Regulation and Internal Control government order for credit institutions, and government orders related to Solvency II for the insurance sector), along with regulations on additional supervision.

4.7.2.1 Insurance risk governance and monitoring, and additional oversight of the conglomerate

As a conglomerate, La Banque Postale has set up an appropriate insurance risk governance structure within its wider risk management system, to ensure effective supervision of the insurance business.

Insurance risks are monitored by:

- ▶ the Group Risk Management Committee (GRMC), which deals with these risks based on the insurance risk tables included in the RAD and also examines specific insurance-related issues when necessary;
- ▶ the Insurance Risk Committee, which monitors risks for La Banque Postale Group's Insurance Division subsidiaries;
- ▶ the Conglomerate Committee, as part of its specific cross-business monitoring of the Group's control functions (risk, compliance, internal control and periodic control) and finance functions, and the additional supervision required at the level of the conglomerate.

The Committee met six times in 2021. During the year, the main topics discussed by the Committee concerned corporate control functions.

Governance arrangements at La Banque Postale are described in Chapter 2, "Corporate Governance", while risk management and internal control are discussed in Chapter 4, "Risk Factors".

Governance, risk management and internal control at CNP Assurances are described in more detail in CNP Assurances' 2021 Universal Registration Document.

4.7.2.2 Additional supervision obligations applicable to La Banque Postale Group

La Banque Postale Group, and particularly its insurance subsidiaries, are subject to additional supervision in the following areas:

- ▶ capital adequacy;
- ▶ concentration risk supervision;
- ▶ intragroup position supervision.

4.7.2.2.1 Capital adequacy of the conglomerate

The update to the Group's internal standard on financial conglomerates concerned the additional oversight provision applicable to La Banque Postale as a financial conglomerate. It was approved by the Risk Management Rules Validation Committee in May 2020 and applies from the same year. In light of the increase in La Banque Postale Group's stake in CNP Assurances and the new risk profile of the financial conglomerate, an accounting consolidation method is now used to calculate the conglomerate's capital adequacy ratio, as opposed to the "deduction and aggregation" method previously used.

The capital of the financial conglomerate meets the solvency requirements for banking and insurance activities. The conglomerate's ratio was 151% at 31 December 2021.

(in € millions)	31 Dec. 2021	30 June 2021	31 Dec. 2020
Financial conglomerate's additional capital requirement (amount)	24,305	21,100	20,077
Capital adequacy ratio of the financial conglomerate (%)	151%	159%	168%

4.7.2.2.2 Monitoring of concentration risk

La Banque Postale must ensure that its information is complete and comprehensive to provide oversight of concentration risk. La Banque Postale has all the information required to monitor concentration risk.

In accordance with oversight requirements for conglomerates, La Banque Postale is responsible for identifying and monitoring risk concentrations using a specific risk management procedure. The procedure is part of the Conglomerate reporting system that is specific to financial conglomerates. La Banque Postale monitors concentration risk that may arise on exposures held by its entities regarding a given counterparty.

4.7.2.2.3 Monitoring of intra-group position risk

La Banque Postale monitors intra-group positions between its insurance entities and credit institutions.

Intra-group exposure is limited to the guarantees provided by CNP Assurances or its subsidiaries (CNP Caution) on home loans and the amount of fees received. There are no refinancing dependencies (senior or subordinated) between the two sectors.

4.8 OTHER RISKS

4.8.1 Legal and tax risks

The Group Legal Department has a dual role in terms of managing legal risk. It advises La Banque Postale's departments, enabling them to measure the legal risk inherent to their activities, and it also defends La Banque Postale Group's interests.

Legal risk is managed across La Banque Postale Group through a Legal Department at the level of the Group. As from 2020, the scope of La Banque Postale Group and of its Legal Department also includes CNP Assurances, following the Group's acquisition of a controlling interest in CNP Assurances on 4 March 2020. Given that the subsidiaries' legal officers report to the Head of La Banque Postale Group's Legal Department, the Legal Department provides consolidated reporting and management of major legal risks that could impact the subsidiaries.

The Group Legal Department also contributes to the work performed by La Banque Postale's various committees:

- ▶ within the Regulatory Oversight Committees, the Legal Department defines, disseminates and ensures the implementation of the policy positions concerning the laws and regulations which affect La Banque Postale's business activities;
- ▶ within the New Products Review Committee, the Legal Department analyses the cases presented and issues opinions;
- ▶ within the Disputes & Provisions Committee, the Legal Department discusses the litigation in progress and the provisions to be booked in this respect.

In first-half 2022, the Group's exposure to legal risks was affected by the following legal proceedings or rulings:

- ▶ In late November 2020, Brazil's federal police disclosed details of accusations made in connection with a criminal investigation. The investigation concerns alleged misappropriations of funds at WIZ, a company that is 25%-owned by CNP Seguros Holding Brasil, which may also have been a victim of fraud. The investigation is still in progress. In December 2020, CNP Seguros Holding Brasil's Board of Directors set up a Special Investigation Committee that is independent from the Company's management to conduct its own investigation in the CNP Seguros Holding Brasil companies. This committee is being assisted in its work by a law firm that has set up a multidisciplinary forensic team. No conclusive elements were identified during these investigations. The allegations concern facts and amounts that are not material at the level of CNP Seguros Holding Brasil and even less so at that of CNP Assurances and La Banque Postale Group, and no items have been identified that could call into question the reliability of the financial statements of CNP Assurances' Brazilian subsidiaries;
- ▶ In the EIC case initiated in 2005, the Paris Court of Appeal ruled on 2 December 2021 that the agreement signed between the banks on cheque imaging exchange had no anti-competitive purpose or effect. As a result, the €32.8 million previously paid by La Banque Postale was reimbursed to it. The Competition Authority lodged an appeal on 31 December 2021 but this is without suspensive effect. La Banque Postale has therefore set aside a provision to cover this risk, for the same amount of €32.8 million.

There are no other administrative, governmental, legal or arbitration proceedings, including any proceedings of which the Company is aware, whether pending or threatened, that are likely to have, or have had during the last 12 months, a significant impact on the financial position or profitability of the Company and/or Group. CNP Assurances' exposure to legal risks is presented in its 2021 Universal Registration Document.

La Banque Postale's tax risks are managed by the Tax Department which reports to the Group's Finance Department. This Department manages tax matters relating to La Banque Postale and provides centralised tax advice for all of La Banque Postale's different business lines and subsidiaries. It helps these different stakeholders prevent and control tax risks.

The Tax Department participates in and issues its opinion within the different internal committees, namely:

- ▶ the Product Review Committee;
- ▶ the Prudential Technical Accounting Committee;
- ▶ the Retail Banking, Asset Management and Financial Markets Regulatory Oversight Committee;
- ▶ the Cross-Entity Savings Committee.

In the first half of 2022, there were no significant events that could give rise to a tax risk at the level of La Banque Postale Group.

4.8.2 Compliance risk

Compliance risk is defined by the government order of 3 November 2014 as “*the risk of legal, regulatory or disciplinary sanctions, or significant financial loss or reputational damage, due to failure to comply with provisions relating to banking and financial activities, regardless of whether these provisions are legal or regulatory, directly applicable national or European provisions, professional or ethical standards or instructions from the persons who effectively run the undertaking issued in accordance with the guidelines of the supervisory body.*”

The Group Compliance Department is responsible for ensuring that the compliance risk management system also complies with regulatory requirements. To this end, it defines and implements compliance risk management and control procedures and risk anticipation processes. It also provides compliance advice regarding ethical, bribery and corruption, financial security (AML-CFT procedures, application of asset freezes and international sanctions), fraud, customer protection and investment services compliance matters. The Group Compliance Department also manages KYC and regulatory training programmes.

The compliance risk management system is governed by the French Prudential Supervision and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution – ACPR*) for banking and insurance businesses, the French Monetary and Financial authority (*Autorité des Marchés Financiers – AMF*) for investment services and the French Anti-Corruption Agency (*Agence Française Anticorruption – AFA*) for prevention of bribery and corruption.

The compliance risk management system is also based on the principle of accountability of businesses for the identification, measurement, hedging and monitoring of their compliance risks. It is supported by the Business Line Compliance Officers (CIB, Retail Banking, Head Office functions, Subsidiaries).

The Group Compliance Department also contributes to mitigating conduct risk, which was added to the Risk Management Policy in 2017, and is defined as the current or potential risk of losses resulting from the inappropriate provision of financial services, including cases of improper conduct, whether voluntary or out of negligence.

A monitoring system based on qualitative and quantitative indicators from several sources has been implemented. It draws on financial and non-financial ratings, complaints, analyses of disputes, customer and social media surveys, fraud analyses and penalties, and is rounded out by independent analyses of similar issues encountered by peers.

This risk is considered to be an integral part of the operational risk family and therefore is managed as such.

4.8.2.1 Overview of the Group Compliance Department

The Group Compliance Department is responsible for:

- ▶ ensuring that compliance procedures and projects take account of the latest regulatory developments;
- ▶ identifying and assessing compliance and reputation risks, and implementing the appropriate risk management system (procedures, checks, training, etc.);
- ▶ drafting a formal set of compliance procedures at Group level, rolled out to each business and subsidiary where appropriate (Code of Ethics, Anti-corruption Code, Compliance section of the Internal Rules, Policies and Procedures);
- ▶ coordinating the whistleblowing system (optimisation, anticipation);
- ▶ expressing opinions and giving advice on compliance issues;
- ▶ training employees and raising their awareness of compliance issues;
- ▶ performing compliance checks.

To this end, the Group Compliance Department is organised around business line Compliance Departments (CIB, Retail Banking, Head Office functions, Subsidiaries). These departments are supported by Compliance units organised by topic (financial security, financial services, banking services, anti-corruption/ethics, fraud). All of these units report to the Group's Chief Compliance Officer.

Since November 2021, the Group Chief Compliance Officer, who is tasked with leading the Compliance organisation, reports to the Deputy Managing Director in charge of risks, compliance and supervision of the conglomerate.

To manage compliance risk more effectively, the Group Compliance Department is organised around three areas:

1. Expert departments covering financial security (see Section 4.8.2.3), fraud prevention (see Section 4.8.2.4), customer protection (see Section 4.8.2.5), investment services compliance (see Section 4.8.2.6). Since 2020, La Banque Postale has also had an Ethics and Anti-Bribery and Corruption Department, which issues and monitors compliance with rules of ethics (including the Code of Conduct), as well as the rules governing the circulation of information and bribery and corruption prevention measures. The department anticipates and manages conflicts between La Banque Postale's interests and the personal interests of employees in all Group entities. It is also responsible for managing the whistleblowing procedure.

2. Business line Compliance Departments, each covering one of La Banque Postale Group's business areas: CIB, Retail Banking, Head Office functions, Subsidiaries. They roll down the procedures and ensure they are operational, advise and train business line teams, issue formal opinions on compliance issues and participate in governance bodies for their respective business lines. They also help to identify and assess compliance risks, define plans of controls along with action plans where the control findings are unsatisfactory.

For example, Retail Banking Compliance covers: The La Poste Network Banking Services Department and the Customer Relationship and Experience Department. Compliance activity is developing around:

- Network Compliance Officers throughout the La Poste Network, who implement the procedures rolled down by the Business Line Compliance Officers. They also approve the operating procedures (operating methods, scores, etc.) drafted by the Network employees to ensure compliance with the procedures set down by Compliance teams. They support the Network by fast-tracking local decisions on compliance issues. Lastly, based on the results of permanent and periodic controls and analyses of incident reports, they define and implement corrective measures (training) in the sectors concerned,
- Compliance Officers in the Customer Experience and Relationship Department, who roll down procedures and ensure they are implemented, advise and train the department's teams, issue opinions on compliance issues and take part in the department's governance bodies,
- A Remote Banking Compliance Officer, who supports remote banking services in all areas, provides opinions, advice and training, and participates in governance bodies,
- The manager responsible for the "Guichet Unique Bancaire", an application available notably to employees in customer-facing positions, which can be used to submit all of their questions on legal or compliance issues. Depending on the technical complexity of the question, one of the expert departments may be consulted.

The Subsidiary Compliance Officer, whose main role is to lead the Compliance organisation and relations with the subsidiaries, is the contact person for the subsidiaries' Compliance Managers concerning the organisation and management of compliance issues (regulatory reporting, compliance risk mapping, monitoring of compliance projects, etc.). The Compliance Officer responsible for the subsidiaries also leads meetings of the Compliance organisation's committees. He/she is supported by the subsidiaries' Compliance Officers, supported by a team where appropriate; these officers are responsible for rolling down the procedures and adapting them to their subsidiary's business, advising and training employees on compliance issues, issuing formal opinions on compliance issues and participating in their subsidiary's governance bodies. Depending on how the subsidiary is organised, they may also be in charge of compliance controls. Alongside this organisation, CNP Assurances' Chief Compliance Officer reports directly to its Group Administrative Officer and on a dotted-line basis to La Banque Postale Group's Chief Compliance Officer.

3. The Transformation Department (see Section 4.8.2.7).

Lastly, the Group Compliance Department also leads the following two programmes:

- ▶ KYC programme: in 2020, La Banque Postale launched the KYC Retail and KYC Corporates programmes, to align procedures governing new customer relationships and the updating of knowledge about existing customers with the applicable regulations,
- ▶ Training programme (see Section 4.8.2.8).

The Group Compliance Department employed 205 people at end-May 2022.

To identify and control compliance risk, the Group Compliance Department is organised around seven pillars:

1. Regulatory oversight: the Group Compliance Department is supported by the Legal Department's regulatory oversight processes (see Section 4.8.2.9 "Regulatory oversight");
2. Compliance risk assessments: the Group Compliance Department has set up a specific project organisation to improve the methodology for assessing the compliance risks to which La Banque Postale Group is exposed. This methodology is based on the work carried out by the Wolfsberg Group, using both qualitative and quantitative questions in order to limit reliance on expert judgement as far as possible. The assessment is then incorporated into the Group's risk map;
3. Compliance standards: continuous efforts are made to develop compliance procedures that ensure operational staff understand the checks they have to implement in the course of their work;
4. Training and awareness-raising: this subject is discussed in Section 4.8.2.8 "Training";
5. Compliance advice and opinions: the Group Compliance Department has positioned its team of compliance officers as close as possible to the departments, the network and the subsidiaries in order to respond pragmatically and quickly to operational problems;
6. Control: the Group Compliance Department has signed a service agreement with the Permanent Control Department;
7. Reporting: compliance issues are periodically presented to the Executive Board, the Group Risk Management Committee (GRMC) and the Supervisory Board Risk Committee.

4.8.2.2 Ethics and anti-corruption measures

Anti-corruption measures

Corruption risk is classified as an operational risk and has been the subject of a specific risk map since the entry into force of the "Sapin II" law in France in 2017. Based on the corruption risk scenarios pre-identified by the Group Compliance Department and the Operational Risk Department, the head office departments and subsidiaries specify, complement and document the risks relating to their activities and the associated systems for managing those risks. All risks validated by each entity are documented in an annual countrywide risk map, which is then submitted for review by the Group Compliance Department. The mapping of corruption and influence peddling risks for La Banque Postale Group aims to identify the main areas of risk (gross risks) and the existing control mechanisms, in order to identify and rate the residual risks. Where appropriate, countrywide action plans are put in place.

The main risks identified are the subject of ongoing in-depth analyses.

The Anti-Corruption Committee verifies that the anti-corruption risk management system complies with the "Sapin II" law. It monitors the development and execution of action plans in response to the requirements in terms of bribery and corruption and conflict of interest prevention set out by the Chairman of La Banque Postale's Executive Board in his letter to the members of the Executive Committee dated 18 January 2021. It also monitors execution of the action plans developed in response to the recommendations of internal or external auditors (La Banque Postale/Caisse des dépôts/La Poste auditors, etc.).

This Committee is chaired by the Anti-Bribery and Corruption and Ethics Officer. Meetings of the Committee are attended by the ABC officers in La Banque Postale's business lines and departments and the subsidiaries' ABC officers. Since the beginning of 2022, the Anti-Corruption Committee meets every four months.

The work of the committee is regularly monitored by the Executive Board and Supervisory Board. To this end, a status report on the main action plans is presented periodically to the two Boards.

During 2022, La Banque Postale's body of compliance standards on this subject was expanded with the publication and dissemination within the Group of the Third Party Assessment Policy.

In addition, training and awareness-raising sessions were held for the employees concerned. Two e-learning training sessions on ethics and bribery and corruption prevention have also been rolled out, one for all La Banque Postale employees and the other for the employees who are the most exposed to corruption risk.

Ethics

The Ethical Conduct Code, together with the Anti-Corruption code of conduct, compiles and details all relevant ethics and anti-corruption principles and rules, and is applicable to all La Banque Postale employees and to all employees of La Poste acting in the Group's name and on its behalf. The Ethical Conduct Code was updated in 2021 and distributed to all employees. In addition, the public version of the Code of Conduct has been published on La Banque Postale's institutional website. La Banque Postale's Code of Conduct is a key reference document to guide actions and decisions in compliance with the principles of probity. La Banque Postale's subsidiaries base their own ethics rules and procedures on this Code.

Ethics risks are mapped by the management of the businesses lines and by the subsidiaries in a similar manner to corruption risks, based on the four areas identified by the Group Compliance Department. All risks validated by each entity are documented in La Banque Postale's risk map. Where appropriate, countrywide action plans are put in place.

The Ethics and Anti-Corruption Committee, comprising the La Poste Network, the Financial Services unit, La Banque Postale's departments and the subsidiaries, provides the governance structure for ethics matters. This committee deals with current ethical and anti-corruption issues and various projects.

Preventing and managing conflicts of interest

The system for preventing and managing conflicts of interest, set out in the Code of Conduct, is designed to identify situations that could give rise to a conflict of interests with regard to customers, employers and/or third parties. Conflict-of-interest prevention rules are set out for those who act in the name of and on behalf of La Banque Postale.

When the conflict of interests concerns one or more customers, and the measures taken cannot guarantee that the risk of harming the customer's interest will be avoided, La Banque Postale clearly informs the customer(s) concerned of the nature and source of these conflicts of interest.

Potential or known conflicts of interest concerning employees are reported to the Ethics Officer, who keeps a record of such conflicts and advises the employees concerned on the action to be taken. Conflicts of interest that could have a negative impact on La Banque Postale's image or reputation are reviewed together with the Executive Board. The employee concerned is required to strictly comply with the decision taken in this regard.

A new conflict-of-interest prevention and management policy was approved at the end of 2020, and rolled out in January 2021 to all employees as well as members of Executive Management.

This policy has been broken down into several procedures for different areas of activity: investment services, insurance sales and banking. The purpose of these procedures is to define potential situations and sources of conflicts of interest,

describe the roles and responsibilities of the Business Lines and the Compliance organisation concerning the detection and management of these conflicts and the process for dealing with them. A specific procedure covering the prevention and management of conflicts of interests involving Supervisory Board members is being drafted.

In addition, two maps have been drawn up to identify:

- ▶ Potential or actual conflicts of interest arising in the course of all of the Bank's activities, based on regulatory criteria and categories (as defined in MiFID and DDA in particular).
- ▶ Existing risk control mechanisms to eliminate/mitigate potential conflicts of interests.

The Risk Assessments are incorporated in the Compliance Risk Assessment.

Finally, a register of conflicts of interest, shared by the Chief Compliance and Ethics Officers, is used to:

- ▶ collect information about actual instances of conflicts of interest;
- ▶ analyse them (this task is performed by the Chief Ethics Officer, the Investment Services Compliance Department or the Banking Services Compliance Department depending on the nature of the conflict and the activity in question);
- ▶ manage corrective action and ensure the traceability of the system.

The Approval Manager application deployed in April 2022 is used to generate conflict of interest reports for the Executive Board and the Supervisory Board, at least once a year.

Ethics alerts, withdrawal of accreditations and whistleblowing system

The system for managing ethics risks is based on two major processes:

- ▶ Whistleblowing procedure: La Banque Postale has implemented a bribery and corruption and ethics whistleblowing system to allow people to question or report situations of which they are personally aware. All employees are aware that they may flag up any issues to their line manager or the person in charge of ethics within their respective entity. Employees can also leave a message on a secure site, which will be handled directly and confidentially by the Ethics Officer. This procedure was strengthened as part of the anti-corruption and whistleblower protection measures provided for by the "Sapin II" law. A dedicated whistleblowing system is available for all La Banque Postale and La Poste employees working on behalf of or in the name of La Banque Postale, but also for any external or temporary staff, as well as, within the scope of the "Potier" law on the duty of care, for employees of suppliers and subcontractors.
- ▶ Misappropriation or Ethical Breach Alerts: the system for circulating and monitoring these alerts must provide La Banque Postale with (i) information on any misappropriations or ethical breaches by La Banque Postale's employees, or persons acting in its name and on its behalf, and (ii) details of how the alerts are followed up by management and the consistency of the measures taken in this regard.
- ▶ Disqualification: depending on the severity of the ethics breach, the Ethics Officer may launch the process to disqualify the person concerned from working in the name or on behalf of La Banque Postale. An investigation is carried out systematically before any such action is taken.

4.8.2.3 Financial security

The Financial Security Department defines the Group's procedure for combating money laundering and the financing of terrorism (AML-CFT), and for executing asset freezes and international sanctions. It leads the system for processing Financial Sanction and AML-CFT alerts, focusing on optimising the system and applying a proactive approach supported by big data and artificial intelligence. It is organised around three units: Risks and Procedures, AML-CFT and Financial Sanctions.

Risks and Procedures

The Risks and Procedures team is notably responsible for classifying and mapping AML-CFT risks, and for drafting Group AML-CFT policies and procedures. It also approves the implementation of these procedures in each business line and subsidiary.

AML-CFT Department

The AML-CFT team brings together employees in charge of analysing AML-CFT-sensitive transactions, drafting and reporting suspicious transactions to Tracfin, responding to the rights of communication and calls for vigilance, assisting businesses in rolling out their AML-CFT procedures, and monitoring developments in scenarios and tools used as inputs in the management of AML-CFT risk.

Financial Sanctions

The Financial Sanctions team coordinates the operational implementation of obligations relating to financial sanctions and to the identification of "politically exposed persons" (PEPs).

Given the risk presented by this type of customer and in accordance with the regulations, La Banque Postale has set up a dedicated system covering new and ongoing banking relationships with Politically Exposed Persons (PEPs). The system is designed to detect PEPs before the account opening process is completed and to identify any customers who become PEPs during the relationship. This allows additional due diligence procedures to be carried out so that the new business relationship (or continuation of the existing relationship) can be validated by the Group Compliance Director on behalf of the Executive Board. These customers are then subject to increased vigilance.

4.8.2.4 System to combat fraud

A dedicated Fraud Prevention unit has been set up within the Compliance Department, with responsibility for the management and operational supervision of the fraud risk management system covering all of the Group's departments and subsidiaries.

To this end, the Fraud Prevention unit operates on a broad scale, targeting both retail customers and companies. It is supported by a network of Fraud Correspondents located in the business lines, the distribution channels (Network, Financial Centres) and the subsidiaries.

The main missions of the five Fraud Prevention teams (Retail/Corporates/Management and Steering of the PGF/Prevention & Training/Studies and tools) are to:

1. reduce the financial damage caused by fraud through prevention, awareness-raising and training;
2. define fraud prevention rules and provide advice on potential fraud risks prior to the launch of new processes, products and services;
3. manage, coordinate and lead La Banque Postale's fraud prevention system.

4.8.2.5 Customer protection

The Banking Services Compliance Department defines La Banque Postale Group's standards and helps to identify, manage and monitor compliance risks in terms of customer protection for both its banking and insurance activities. In this capacity, it is responsible for the following three main tasks: banking and insurance product governance, the review of marketing and sales materials and customer complaint processing.

Product governance

In accordance with Article 35 of the government order of 3 November 2014, amended by the government order of 25 February 2021, along with MiFID II, the Insurance Distribution directive and the EBA's guidelines on product oversight and governance arrangements for Retail Banking products, the Product Review Committee's opinion is sought for new products or products designed or distributed by La Banque Postale that have changed significantly.

The Committee reviews:

- ▶ new products, i.e., contracts launched on the market for the first time, which did not previously exist or did not exist in their current form. This may concern two existing contracts that have been merged into a single contract, or a completely new contract;
- ▶ products which have undergone significant change, where the change concerns:

- one or more essential or key characteristics of a product already marketed, notably following customer complaints, outsourced management, new regulations or changes in case law,
- the product's distribution model,
- the target customers.

The Product Oversight Committee set up in 2021 conducts an *ex-post* review of product marketing in the target markets defined during the product approval process.

Review of marketing documentation

As part of managing its reputational risk, La Banque Postale still closely monitors the quality of its communications with its customers. The Banking Services Compliance Department reviews all marketing and advertising documentation with the Legal Department. As well as verifying compliance with applicable laws and regulations, the Department also ensures that the messages conveyed in advertising media are consistent with La Banque Postale's values.

The Banking Services Compliance Department also support the different business lines with projects that impact customer protection, and with their operational implementation of the texts and recommendations issued by the supervisory authorities.

Processing of customer complaints

Analysing complaints is also an important aspect of the compliance and reputational risk management system. The Banking Services Compliance Department processes all customer complaints forwarded by the ACPR and works closely with the Customer Experience Department, which coordinates customer claims management for La Banque Postale.

Each year, this Department also carries out in-depth analyses together with management of the business lines, in order to improve and resolve any issues that may have caused customer complaints.

This approach complies with the ACPR's recommendation on processing complaints.

The Group Compliance Department's Compliance and Complaints Control unit follows up complaints passed on by the ACPR, La Banque Postale's mediator and the AMF and all other customer complaints.

4.8.2.6 Investment services compliance

The Investment Services Compliance Department is made up of the Investment Services Compliance Officers. These Compliance Officers ensure that La Banque Postale complies with the regulatory requirements set out in the French Monetary and Financial Code (*Code monétaire et financier*), the AMF General Regulation and associated regulations (MiFID II, MAR/MAD, etc.). Their main role is to:

- ▶ define internal rules and draft the associated compliance procedure;
- ▶ organise training/awareness-raising sessions covering laws and regulations applicable to investment services;
- ▶ verify that La Banque Postale complies with laws and regulations applicable to investment services, through its reports to the internal governance body and the AMF;
- ▶ advise and assist the business lines with their current and future activities.

Unlike other departments, due to its roles and responsibilities, the Investment Services Compliance Department has a dedicated team which performs controls corresponding to the second line of defence. It is supported for these controls by the Permanent Control Department for investment services provided by the La Poste Network, the Business Centres and LBP Chez Soi.

Highlights of first-half 2022 included:

- ▶ reinforcement of controls and training related to the Market Abuse Regulation and Market Abuse Directive;
- ▶ improvements to the identification and assessment of compliance risks related to the provision of investment services.

4.8.2.7 Transformation Department

The Transformation Department is responsible for the Group Compliance Department's projects and tools. To strengthen AMF-CFT risk systems, it pursues development work on the proprietary Big Data and artificial intelligence-based Compliance 2.0 application.

4.8.2.8 Training

As compliance regulations grow ever stricter, La Banque Postale has increased its training on regulatory matters. The processes related to regulatory training had to become more fluid and reliable.

La Banque Postale has a Regulatory Training Programme led by a Process Owner from the Group Compliance Department, bringing together players from its *École de la Banque et du Réseau* banking school, its Human Resources Department and its business lines.

Besides formal monitoring of regulatory training, in its general training courses for employees of its Banking Advice Line, La Banque Postale makes sure that trainees acquire a good understanding of the essential compliance procedures (e.g., KYC, priority given to customer interests, formalising customer relationships and traceability of advice), as well as of commercial matters.

4.8.2.9 Regulatory oversight

The Legal Department's regulatory oversight process contributes to the Group's risk culture by increasing the awareness of regulatory changes among employees and management, providing guidance on their implementation and ensuring that they are taken into account in the risk map. The regulatory oversight is performed on behalf of La Banque Postale SA, its consolidated subsidiaries and its Monaco branch. It covers hard and soft laws, regulations, international law, European and French law in all areas covered by La Banque Postale Group's business.

The regulatory oversight is organised in four stages:

- ▶ identifying texts that have an operational impact;
- ▶ monitoring the regulatory drafting process, summarising and analysing the final adopted texts;
- ▶ circulating these analyses, highlighting their expected practical impacts based on the information in the Regulatory Oversight unit's possession;
- ▶ monitoring implementation of the new regulations within the Group, through the reports presented by the regulatory oversight managers during meetings of their unit's Compliance Risk Committee (CRC). The CRC meetings are an opportunity for the Compliance Department to obtain assurance that all new regulations have been duly implemented. Each business line or subsidiary represented at the CRC meetings analyses and interprets the operational impacts of new regulations on its existing procedures.

In light of La Banque Postale Group's diversified business base, the approach is based on fortnightly meetings of Regulatory Oversight Committees for each corporate department and business line (except for the Digital Oversight Committee which meets at quarterly intervals), i.e.,

- ▶ the Retail Banking Regulatory Oversight Committee;
- ▶ the Asset Management and Financial Markets Regulatory Oversight Committee;
- ▶ the Accounting, Prudential and Governance Regulatory Oversight Committee;
- ▶ the Insurance Regulatory Oversight Committee;
- ▶ the Digital Regulatory Oversight Committee.

4.8.3 Non-financial risks

General principles

In addition to all the work carried out by La Banque Postale in the area of CSR since its creation, as described in Chapter 6 “Non-Financial Information Statement – Corporate Social Responsibility (CSR)” of its 2021 Universal Registration Document, and following the signature of the Paris Agreement in 2015, the Group has been committed to participating in transforming the financial environment so that it contributes to a just transition. These commitments, which are supported at La Banque Postale level by the Community Engagement Department and all the business lines, are reflected immediately in La Banque Postale's risk management system.

The Group treats ESG risk as a risk area in its own right, but also as a risk factor for existing risk areas (credit, operational, market, etc.).

Types of risk covered and benchmarks

The Group's overall exposure to ESG risk has been assessed by experts as Moderate, due to the nature of La Banque Postale's businesses and its strong commitment to managing these risks.

ESG risks are broken down into three main categories that are monitored using several metrics at different levels of the organisation.

Environmental and climate risk

This category corresponds to financial risks resulting from climate events or increased external environmental stresses affecting La Banque Postale directly and indirectly through its exposures. This risk category is broken down into the following two categories:

- ▶ **physical risk:** risks that refer to the financial effects of climate change (such as increased extreme weather events and gradual climate change) and environmental deterioration (such as air, water and land pollution, water stress, biodiversity loss and deforestation).
- ▶ **transition risk:** the risk of financial loss that an institution may incur, directly or indirectly, as a result of the process of adapting to a low-carbon and more environmentally-sustainable economy. These risks may arise, for example, from the relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

The indicators used by La Banque Postale to manage this risk are described in Chapter 6. The main indicators concern the portfolios' carbon intensity, the Group's exposure to the most carbon-intensive sectors, and the level of alignment with SBTi low-carbon trajectories.

Social and societal risks

This category concerns risks arising from social issues that may have a negative impact on the financial performance or solvency of La Banque Postale, including:

- ▶ **social risks:** impact of the deteriorating social climate at La Banque Postale on the Group's activities;
- ▶ **societal risks:** risks of financial loss linked to the transition towards a fairer and more inclusive society (speed of regulatory changes addressing social injustice, changes in consumer behaviour and markets, etc.)

The indicators monitored by La Banque Postale Group to manage this risk are described in chapter 6 of the 2021 Universal Registration Document. They include the proportion of Group employees given training in psycho-social risks, the number of positions that remain vacant for more than four months and customer satisfaction ratings.

Governance risk

This risk category concerns the risk of financial loss and/or damage to La Banque Postale's image resulting from the failure of the rules and procedures set up to manage, administer and control the Group in accordance with sound environmental and social principles. La Banque Postale makes a distinction between:

- ▶ Risk of financial loss due to failure to take into account environmental and social risks in the Group's strategy and organisation;
- ▶ Image and reputational risks related to the failure of La Banque Postale to meet its commitments resulting from poor implementation of the strategy decided by the Group and its subsidiaries, and deficiencies in the control processes ensuring its correct implementation.

The indicators monitored by La Banque Postale Group to manage this risk are described in chapter 6 of the 2021 Universal Registration Document. They primarily concern the gender equality index and the proportion of women among the members of the Executive Committee and the Supervisory Board.

Risk governance and monitoring

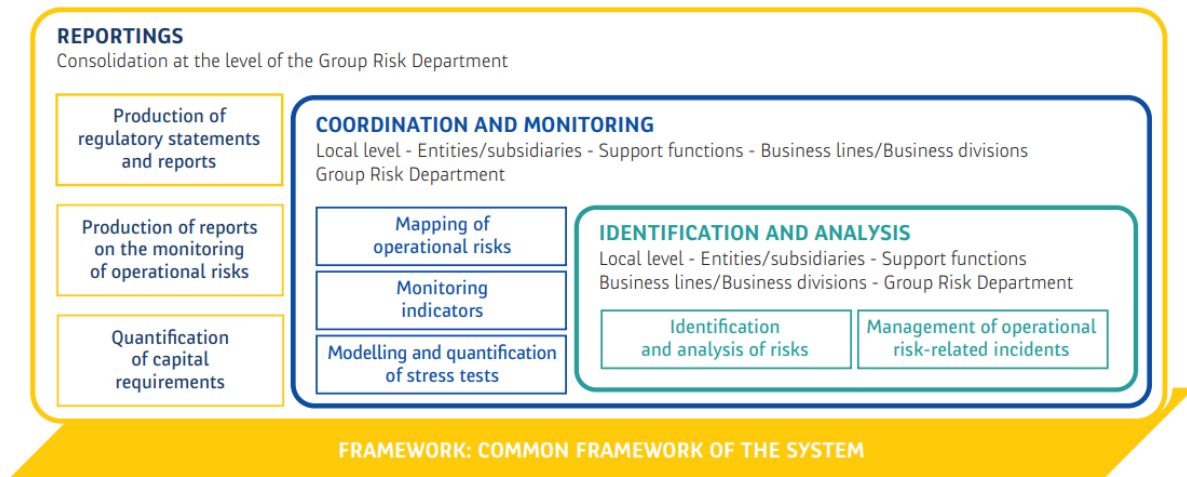
Since 2021, ESG risk has been fully integrated into La Banque Postale Group's risk governance, by inserting it in existing organisations and bodies rather than by creating specific governance bodies, in order to make ESG risk management an integral part all the Group's risk control and management systems.

This means that the principles applicable to the Group's risk appetite system apply seamlessly to the management of climate and environmental risks.

ESG risk is controlled in the same way as other risks, as follows:

- ▶ based on applicable regulations and external and internal sources of expertise (Community Commitment Department), the Group Risk Department defines the general ESG risk management framework and submits it for approval to the Executive Board and the Supervisory Board;
- ▶ all the documentation, standards and methods produced within La Banque Postale to identify, measure and manage ESG risk are subject to the Risk organisation's validation process (GRMC, RMRVC, etc.);
- ▶ the Climate and Environmental Risk unit of the Group Risk Department verifies the proper implementation of these level 2 processes, performs studies and analyses to obtain assurance that the level of exposure to ESG risks is acceptable and complies with the commitments given by La Banque Postale, and reports on this work to the Group's Executive Board and Supervisory Board.

The following diagram provides an overview of the risk management system deployed by La Banque Postale for all risks including ESG risks:



The Community Engagement Department is responsible for steering the operational roll-out of the community aspects of the 2030 Strategic Plan and especially the ESG component. Its role mainly includes supporting all Group entities in the implementation of an offer that takes climate issues into account and, in particular, to manage La Banque Postale's commitments in relation to the Paris Agreement objectives. It supports the Group Risk Department, sharing its expertise in the area of sustainable finance.

2021 highlights

After initial work carried out in 2020, La Banque Postale's Risk Department set up a specific ESG risk management system in 2021, with a strong initial focus on environmental and climate change issues.

Work carried out by the Group Risk Department in 2021 included the following:

- ▶ Firstly, a long-term roadmap was prepared and validated by the Group Risk Management Committee (GRMC), setting out all the work to be carried out to build an appropriate ESG risk management system (development of standards, governance arrangements, methodologies, reporting systems and processes);
- ▶ The above ESG risk definitions were then embedded in the entire ESG risk management system, in the Group risk map and the Risk Appetite Statement approved by the Risk Committee of the Supervisory Board. In addition, a specific Risk Management Policy was drawn up for climate and environmental risk, to be implemented under the responsibility of the Executive Board;
- ▶ The Group Risk Department's climate and environmental risk unit also assisted the Community Engagement Department in drawing up internal policies that considerably limit the financing provided to the fossil fuel sector (coal and oil and gas policies). It carried out extensive work to quantify La Banque Postale's exposure to certain risks and according to different benchmarks (in particular, the European Taxonomy, for which an initial estimate of La Banque Postale's eligible assets is presented in Chapter 6 of its 2021 Universal Registration Document);

- ▶ The Group Risk Management Department, in common with all banks in France, responded to requests for information from the European supervisor on the status of its work on climate risk management. It also contributed to the discussions among banking industry players, including in work groups organised by Fédération Bancaire Française, aimed at agreeing on common ESG risk assessment methodologies.

Lastly, the Group Risk Department is supporting the Community Engagement Department in designing and implementing La Banque Postale's proprietary Impact Weighting Factor (2IG), which is intended for gradual deployment across all the Group's lending activities.

4.9 REMUNERATION POLICY

Information about the Group's remuneration policy is provided in Chapter 2 of this Universal Registration Document, in Section 2.2 "Remuneration".

Selected quantitative information on remuneration policy is also provided in the tables below, in accordance with Regulation (EU) No 2019/876 (CRR2):

Remuneration awarded for the financial year (EU REM1)

(in units, €)

	Supervisory function	Management function	Other senior management	Other identified staff
Number of identified staff	5	5	33	90
Total fixed remuneration	342,531	1,528,664	7,959,082	11,579,153
Fixed remuneration				
of which: cash-based	342,531	1,528,664	7,959,082	11,579,153
of which: shares or equivalent ownership interests	0	0	0	0
of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
of which: other instruments	0	0	0	0
of which: other forms	0	0	0	0
Number of identified staff	5	5	33	90
Total variable remuneration	43,284	37,326	2,335,234	3,528,587
Variable remuneration				
of which: cash-based	43,284	37,326	2,335,234	3,528,587
of which: shares or equivalent ownership interests	N/A	N/A	N/A	N/A
of which: share-linked instruments or equivalent non-cash instruments	N/A	N/A	N/A	N/A
of which: other instruments	N/A	N/A	N/A	N/A
of which: other forms	N/A	N/A	N/A	N/A
TOTAL REMUNERATION	385,815	1,565,990	10,294,316	15,107,740

Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM2)

(in €)	Supervisory function	Management function	Other senior management	Other identified staff
GUARANTEED VARIABLE REMUNERATION AWARDS				
Number of identified staff	0	1	1	1
Total amount	0	23,790	40,000	35,000
of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	23,790	40,000	35,000
SEVERANCE PAYMENTS AWARDED IN PREVIOUS PERIODS, THAT HAVE BEEN PAID OUT DURING THE FINANCIAL YEAR				
Number of identified staff	0	0	0	0
Total amount	0	0	0	0
SEVERANCE PAYMENTS AWARDED DURING THE FINANCIAL YEAR				
Number of identified staff	0	0	0	2
Total amount	0	0	0	455,941
of which: paid during the financial year	0	0	0	455,941
of which: deferred	0	0	0	0
of which: severance payments paid during the financial year, that are not taken into account in the bonus cap	0	0	0	132,000
of which: highest payment that has been awarded to a single person	0	0	0	250,230

Deferred remuneration (EU REM3)

(in €)	Total amount of deferred remuneration awarded for previous performance periods	of which due to vest in the financial year	of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e., changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
SUPERVISORY FUNCTION	-	-	-	-	-	-	-	-
of which: cash-based	-	-	-	-	-	-	-	-
of which: shares or equivalent ownership interests	-	-	-	-	-	-	-	-
of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
of which: other instruments	-	-	-	-	-	-	-	-
of which: other forms	-	-	-	-	-	-	-	-
MANAGEMENT FUNCTION	-	-	-	-	-	-	-	-
of which: cash-based	-	-	-	-	-	-	-	-
of which: shares or equivalent ownership interests	-	-	-	-	-	-	-	-
of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
of which: other instruments	-	-	-	-	-	-	-	-
of which: other forms	-	-	-	-	-	-	-	-
OTHER SENIOR MANAGEMENT	-	-	-	-	-	-	-	-
of which: cash-based	-	-	-	-	-	-	-	-
of which: shares or equivalent ownership interests	-	-	-	-	-	-	-	-

of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-	-	-
of which: other instruments	-	-	-	-	-	-	-	-	-	-
of which: other forms	-	-	-	-	-	-	-	-	-	-
OTHER IDENTIFIED STAFF	-	-	-	-	-	-	-	-	-	-
of which: cash-based	-	-	-	-	-	-	-	-	-	-
of which: shares or equivalent ownership interests	-	-	-	-	-	-	-	-	-	-
of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-	-	-
of which: other instruments	-	-	-	-	-	-	-	-	-	-
of which: other forms	-	-	-	-	-	-	-	-	-	-
TOTAL AMOUNT	-	-	-	-	-	-	-	-	-	-

Remuneration of €1 million or more per year (EU REM4)

(in units, €)

Identified staff members remunerated at €1 million or more per financial year

1,000,000 to below 1,500,000
1,500,000 to below 2,000,000
2,000,000 to below 2,500,000
2,500,000 to below 3,000,000
3,000,000 to below 3,500,000
3,500,000 to below 4,000,000
4,000,000 to below 4,500,000
4,500,000 to below 5,000,000
5,000,000 to below 6,000,000
6,000,000 to below 7,000,000
7,000,000 to below 8,000,000

0
0
0
0
0
0
0
0
0
0
0

4

Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EU REM5)

(in units, €)	Management body remuneration			Business areas						
	Supervisory function	Management function	Total	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff	5	5	10	52	13	2	20	34	2	133
of which: members of the supervisory or management function	5	5	5	0	0	0	0	0	0	10
of which: other senior management	0	0	0	11	9	1	5	5	1	32
of which: other identified staff	0	0	0	41	4	1	15	29	1	96
Total remuneration of identified staff	385,815	1,565,990	1,951,805	10,287,547	3,127,046	751,713	4,666,465	6,014,267	555,018	27,353,861
of which: variable remuneration	43,284	37,326	80,610	2,784,974	667,439	229,531	902,752	1,160,417	118,708	5,944,431
of which: fixed remuneration	342,531	1,528,664	1,871,194	7,502,574	2,459,607	522,183	3,763,713	4,853,850	436,310	21,409,430

4.10 PILLAR III CORRELATION TABLE

CRR Article	Subject	Chapter 4 – Risk Factors	Page	Or Universal Registration Document page
90	Return on assets			Chapter 3, page 43
431	Disclosure requirements and policy	Statement concerning Pillar III information; Statement by the person responsible for Pillar III information	Pages 211 <i>et seq.</i>	
435	Risk management objectives and policies	Governance and risk management system	Pages 92 <i>et seq.</i>	
436	Scope of application	Scope of application	Pages 64 <i>et seq.</i>	
437	Own funds	Breakdown of regulatory own funds	Pages 71 <i>et seq.</i>	
438	Capital requirements	Regulatory framework for capital requirements	Pages 79 <i>et seq.</i>	
439	Exposure to counterparty credit risk	Exposure to credit risk	Pages 114 <i>et seq.</i>	
440	Capital buffers	Regulatory framework for capital requirements	Pages 79 <i>et seq.</i>	
441	Indicators of global systemic importance	Indicators of global systemic importance	Page 91	
442	Credit risk adjustments	Breakdown of exposures in default	Pages 117 <i>et seq.</i>	
443	Unencumbered assets	Encumbered/unencumbered assets	Pages 151 <i>et seq.</i>	
444	Use of external ratings agencies	Use of external credit rating agencies	Page 130	
445	Exposure to market risk	Market risk	Pages 153 <i>et seq.</i>	
446	Operational risk	Operational risks	Pages 163 <i>et seq.</i>	
447	Exposures in equities not included in the trading book	Equity exposures not included in the trading book	Page 162	
448	Exposures to interest rate risk on positions not included in the trading book	Banking portfolio interest rate risk	Pages 140 <i>et seq.</i>	
449	Exposures to securitisation positions	Securitisation	Pages 136 <i>et seq.</i>	
450	Remuneration policy		Pages 204 <i>et seq.</i>	
451	Leverage	Leverage ratio	Pages 85 <i>et seq.</i>	
452	Use of the IRB approach for credit risk		N/A	N/A
453	Use of credit risk mitigation techniques	Credit risk mitigation techniques	Pages 128 <i>et seq.</i>	
454	Use of the advanced measurement approaches for operational risk		N/A	N/A
455	Use of internal market risk models		N/A	N/A

4.11 STATEMENT CONCERNING PILLAR III INFORMATION

La Banque Postale publishes information regarding Pillar III in this document.

La Banque Postale considers that the risk management systems currently in place through the various risk identification, measurement and management procedures (by type, activity and entity), together with its cross-entity and prospective procedures, ensure that the Group has a comprehensive vision of its risk profile and enables it to put in place the appropriate preventive or corrective actions, as necessary.

To ensure that the published Pillar III information is appropriate and complies with regulatory requirements, preparation of this chapter is coordinated by the Financial Communication Department, which is part of the Finance Department. The information set out herein was produced and documented by the Accounting Department, the Balance Sheet Management Department, the Tax Department (all reporting to the Finance Department), the Group Risk Department, the Group Legal Department and the Group Compliance Department. Information relating to the remuneration policy was produced jointly by the Company Secretary and the Human Resources Department.

A specific process exists to ensure that published information is both reliable and formally approved. The process is organised in several steps:

4.11.1 Analysis of changes in the information

Upstream from the production of published information, the Financial Communication Department draws up a reporting timeline for contributions to this chapter, based on senior management's publication objectives. The timeline is prepared with the statutory auditors, so that they can plan their audit procedures.

The Financial Communication Department identifies the necessary changes to Pillar III information, based on:

- ▶ regulatory changes;
- ▶ AMF recommendations;
- ▶ the statutory auditors' recommendations.

Following the identification of information needs, the Financial Communication Department defines the components of this chapter and identifies the contributors for each component.

4.11.2 Data collection

Upstream from the production of this chapter, the Financial Communication Department asks the identified contributors for their respective contributions.

The requests are sent by e-mail, with the lead director concerned included in copy. The e-mail includes a copy of the most recent published information and details of proposed improvements in the current reporting period and the production timeline.

Prior to receiving the updated information, the Financial Communication Department asks the contributors to send, by return e-mail, written evidence that the information has been approved by the lead director. The lead director may suggest including additional information about the area under his or her responsibility, in order to provide a comprehensive view of La Banque Postale's risk profile.

On receipt of the contributions, the Financial Communication Department checks that they have been approved in writing by the lead director. The Department then confirms receipt and validates the contributions.

4.11.3 Review and approval

The Financial Communication Department reads all of the updated and validated information. As part of its review, the Financial Communication Department contacts the contributors to ensure that all necessary procedures have been carried out to ensure that the submitted information is reliable. When discrepancies are identified, the Financial Communication Department informs the contributors concerned so that they can analyse and correct them.

As part of its review of this chapter, the Financial Communication Department organises several meetings with all the contributors and directors concerned, to ensure that the published information has been properly updated.

Following the Financial Communication Department's review, the chapter presenting Pillar III information is submitted for approval to the Group Chief Risk Officer, who is also a member of La Banque Postale Group's Executive Committee. Any comments by the Group Chief Risk Officer are duly taken into account by the Financial Communication Department.

After being approved by the Group Chief Risk Officer, the chapter is given to the Company Secretary, who submits it to various governance bodies for validation (Executive Board, Supervisory Board's Financial Statement Committee, Supervisory Board's Group Risk Committee, Supervisory Board). Following their review, these bodies express an opinion on the financial information and their comments, if any, are taken into account by the Financial Communication Department.

Lastly, the chapter is signed off by the Chairman of La Banque Postale's Executive Board (in his capacity as a member of the management body), who certifies in writing that La Banque Postale has published the required Pillar III information in accordance with the written policies, procedures, systems and internal controls. The Chairman of the Executive Board's statement is presented in Section 4.12 "Statement by the person responsible for Pillar III information".

This chapter is also examined in full by the statutory auditors as part of their review of this Universal Registration Document.

4.12 STATEMENT BY THE PERSON RESPONSIBLE FOR PILLAR III INFORMATION

Person responsible for Pillar III information

Philippe Heim
Chairman of the Executive Board
La Banque Postale

Statement by the person responsible for the Pillar III information

I hereby declare that, to the best of my knowledge and having made all reasonable efforts to ensure that this is the case, La Banque Postale has published the information at 30 June 2022 that is required by this section in accordance with written policies, procedures, systems and internal controls.

Paris, 05 August 2022
Philippe Heim
Chairman of the Executive Board

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5.1 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

(in € millions)	Notes	First-half 2022	First-half 2021
Interest income	5.1	3,718	2,630
Interest expense	5.1	(1,163)	(977)
Fee and commission income	5.2	1,120	1,127
Fee and commission expense	5.2	(1,850)	(1,651)
Net gain or loss on financial instruments at fair value through profit or loss	5.3	(12,195)	8,843
Net gain or loss on financial instruments at fair value through other comprehensive income	5.4	(1,174)	(349)
Net gain or loss on derecognised financial assets at amortised cost	5.5	18	-
Income from other activities	5.6	20,998	17,210
Expenses from other activities	5.6	(6,851)	(22,151)
Impact of the overlay approach (gross impact)	6.3	1,559	(707)
NET BANKING INCOME		4,182	3,974
General operating expenses	5.7	(2,940)	(2,801)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(315)	(341)
GROSS OPERATING PROFIT		926	831
Cost of risk	5.8	(90)	(98)
OPERATING PROFIT		837	733
Share of profits of equity-accounted companies	4.7	14	30
Net gain or loss on other assets	5.9	29	2
PRE-TAX PROFIT		880	765
Income tax	5.10	(263)	(300)
NET PROFIT		617	465
Non-controlling interests		155	183
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		462	282

Net profit (loss) relating to the insurance joint ventures is presented net of deferred participation in net banking income as from 2022, whereas it was presented in "Share of profits of equity-accounted companies" until 31 December 2021. It represents a net profit of €11 million in first-half 2022 versus a net profit of €21 million one year earlier.

Consolidated balance sheet

(in € millions)	Notes	30 June 2022	31 Dec. 2021
Cash, central banks		46,596	50,812
Financial assets at fair value through profit or loss	4.1	215,488	231,502
Hedging derivatives		807	1,022
Financial assets at fair value through OCI	4.2	206,272	228,513
Securities at amortised cost	4.3	25,071	23,480
Loans and advances to credit institutions at amortised cost	4.4	67,073	67,840
Loans and advances to customers at amortised cost	4.5	129,661	123,152
Revaluation differences on portfolios hedged against interest rate risks		210	101
Current tax assets		577	669
Deferred tax assets		1,868	549
Accruals and other assets	4.6	40,019	33,415
Non-current assets held for sale	4.7	2,054	178
Deferred participation	4.13	2,734	-
Investments in equity-accounted companies	4.8	987	948
Investment property		5,638	3,393
Property, plant and equipment		1,366	1,254
Intangible assets		5,821	5,326
Goodwill	4.9	157	156
TOTAL ASSETS		752,398	772,310
Financial liabilities at fair value through profit or loss	4.1	5,886	4,335
Hedging derivatives		1,201	333
Liabilities due to credit institutions	4.10	32,685	30,393
Customer deposits	4.11	241,228	235,038
Debt securities		20,482	21,693
Revaluation differences on portfolios hedged against interest rate risks		150	422
Current tax liabilities		99	166
Deferred tax liabilities		845	1,205
Accruals and other liabilities	4.12	25,484	21,364
Liabilities related to non-current assets held for sale	4.7	1,983	-
Insurance company technical provisions and shadow accounting reserves	4.13	386,341	414,398
Provisions	4.14	1,091	1,075
Subordinated debt	4.15	10,479	10,110
EQUITY	4.16	24,444	31,779
Non-controlling interests		6,788	10,208
Equity attributable to owners of the parent		17,657	21,571
Share capital		6,585	6,585
Reserves and retained earnings		13,131	13,505
Gains and losses recognised directly in equity		(2,521)	844
Profit attributable to owners of the parent		462	636
TOTAL LIABILITIES AND EQUITY		752,398	772,310

Consolidated statement of net profit and gains and losses recognised directly in equity

(in € millions)	First-half 2022	First-half 2021
NET PROFIT	617	465
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Translation adjustments	840	412
Remeasurement of financial assets at fair value through OCI	(4,182)	(727)
<i>Revaluation difference for the period</i>	(5,363)	(1,078)
<i>Reclassified to profit or loss</i>	1,181	352
Remeasurement of derivatives that hedge items that may be reclassified to profit or loss	55	24
<i>Revaluation difference for the period</i>	138	50
<i>Reclassified to profit or loss</i>	(83)	(26)
Impact of the overlay approach	(1,559)	707
Share of gains and losses of equity-accounted companies recognised directly in equity that may be reclassified to profit or loss*	(6)	0
Deferred taxes	1,639	95
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
Actuarial gains and losses on defined-benefit obligations	(0)	(15)
Remeasurement of own credit risk on financial liabilities designated as at fair value through profit or loss	20	2
Remeasurement of equity instruments at fair value through other comprehensive income (excluding instruments sold during the year)	-	(1)
Share of gains and losses of equity-accounted companies recognised directly in equity that will not be reclassified to profit or loss*	16	6
Other movements	(1)	0
Deferred taxes	(5)	4
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	(3,184)	507
NET PROFIT AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	(2,567)	972
Of which net profit and gains and losses recognised directly in equity attributable to owners of the parent	(2,904)	458
Of which net profit and gains and losses recognised directly in equity attributable to non-controlling interests	337	514

* Amounts presented net of deferred taxes.

Consolidated statement of changes in equity

	Share capital ⁽¹⁾	Additional paid-in capital	Legal reserves, retained earnings and other reserves	Consolidated reserves	Perpetual subordinated notes classified in equity	Gains and losses net of tax recognised directly in equity			Attributable net profit	Attributable equity	Non-controlling interests	Total consolidated equity
						Actuarial gains and losses	Translation reserves ⁽²⁾	Changes in fair value of financial instruments				
(in € millions)												
IFRS equity at 31 December 2020	6,585	246	1,980	5,434	744	(110)	(357)	912	4,155	19,590	12,854	32,444
Appropriation of 2020 net profit	-	-	(410)	4,565	-	-	-	-	(4,155)	0	(0)	0
Dividends	-	-	(171)	-	-	-	-	-	-	(171)	(596)	(767)
Issuance of shares	-	-	-	-	-	-	-	-	-	-	0	0
Remuneration of subordinated notes (equity instruments)	-	-	-	(33)	-	-	-	-	-	(33)	(11)	(44)
Sub-total – transactions with owners	-	-	(581)	4,532	-	-	-	-	(4,155)	(204)	(607)	(811)
Changes in gains and losses recognised directly in equity	-	-	-	-	-	(7)	108	72	-	173	329	502
First-half 2021 net profit	-	-	-	-	-	-	-	-	282	282	183	465
Sub-total	-	-	-	-	-	(7)	108	72	282	455	511	966
Share in the changes in equity of equity-accounted companies	-	-	-	0	-	4	0	0	-	4	2	6
Effect of acquisitions and disposals on non-controlling interests	-	-	-	(0)	-	-	-	(0)	-	(0)	(0)	(0)
Other movements	-	-	-	1	-	-	(0)	(1)	0	0	6	6
IFRS equity at 30 June 2021	6,585	246	1,399	9,967	744	(113)	(249)	983	282	19,844	12,767	32,611
Dividends	-	-	-	-	-	-	-	-	-	-	(49)	(49)
Issuance of shares	-	-	-	(0)	(0)	-	-	-	-	(0)	(0)	(0)
Issues/Redemptions of subordinated notes (equity instruments)	-	-	-	-	744	-	-	-	-	744	-	744
Remuneration of subordinated notes (equity instruments)	-	-	-	(35)	-	-	-	-	-	(35)	(12)	(47)
Sub-total – transactions with owners	-	-	-	(35)	744	-	-	-	-	709	(61)	648
Changes in gains and losses recognised directly in equity	-	-	-	(0)	-	(3)	(89)	175	-	83	(191)	(108)
Second-half 2021 net profit	-	-	-	-	-	-	-	-	354	354	303	658
Sub-total	-	-	-	(0)	-	(3)	(89)	175	354	437	113	550
Share in the changes in equity of equity-accounted companies	-	-	-	1	-	(10)	(0)	(0)	(0)	(10)	4	(6)
Effect of acquisitions and disposals on non-controlling interests	-	-	-	431	0	(19)	(98)	269	-	583	(3,044)	(2,461)
Other movements	-	-	(193)	201	-	0	0	(0)	(0)	8	430	438
IFRS equity at 31 December 2021	6,585	246	1,206	10,565	1,488	(145)	(437)	1,426	636	21,571	10,208	31,779

	Share capital ⁽¹⁾	Additional paid-in capital	Legal reserves, retained earnings and other reserves	Consolidated reserves	Perpetual subordinated notes classified in equity	Gains and losses net of tax recognised directly in equity			Attributable net profit	Attributable equity	Non-controlling interests	Total consolidated equity
						Actuarial gains and losses	Translation reserves ⁽²⁾	Changes in fair value of financial instruments				
<i>(in € millions)</i>												
IFRS equity at 31 December 2021	6,585	246	1,206	10,565	1,488	(145)	(437)	1,426	636	21,571	10,208	31,779
Appropriation of 2021 net profit	-	-	1,156	(519)	-	-	-	-	(636)	-	-	-
Dividends	-	-	(1,542)	0	-	-	-	-	-	(1,542)	(256)	(1,798)
Issuance of shares	-	-	-	-	-	-	-	-	-	-	(0)	(0)
Remuneration of subordinated notes (equity instruments)	-	-	-	(59)	-	-	-	-	-	(59)	-	(59)
Sub-total – transactions with owners	-	-	(386)	(578)	-	-	-	-	(636)	(1,601)	(257)	(1,857)
Changes in gains and losses recognised directly in equity	-	-	-	-	-	-	328	(3,499)	-	(3,171)	(26)	(3,197)
First-half 2022 net profit	-	-	-	-	-	-	-	-	462	462	155	617
Sub-total	-	-	-	-	-	-	328	(3,499)	462	(2,709)	130	(2,579)
Share in the changes in equity of equity-accounted companies	0	0	-	1	-	6	(2)	(4)	(0)	2	8	10
Effect of acquisitions and disposals on non-controlling interests ⁽³⁾	-	-	-	593	0	(25)	(70)	(101)	-	398	(3,470)	(3,073)
Other movements	-	-	-	(4)	-	(0)	(0)	(0)	0	(4)	169	165
IFRS equity at 30 June 2022	6,585	246	820	10,577	1,488	(164)	(180)	(2,177)	462	17,657	6,788	24,444

(1) At 30 June 2022, La Banque Postale's capital consisted of 80,309,149 shares with a par value of €82.

(2) Translation reserves concern consolidated foreign subsidiaries of the CNP Assurances group.

(3) The effect of acquisitions and disposals on non-controlling interests corresponds mainly to the buyout of CNP Assurances shares targeted by the simplified tender offer launched on 2 May 2022 and the earlier acquisitions carried out in the first half of the year (€389 million increase in attributable equity and €3,462 million reduction in non-controlling interests – see Note 1.1 "Significant events of the period").

Consolidated statement of cash flows

The statement of cash flows is presented using the indirect method.

Cash flows from investing activities represent cash flows from acquisitions and disposals of consolidated subsidiaries, associates or joint ventures as well as from acquisitions and disposals of property, plant and equipment and intangible assets.

Cash flows from financing activities result from transactions with shareholders and transactions involving subordinated debt and bonds.

Cash flows from operating activities consist of all cash flows that fall outside the above two categories. They correspond to La Banque Postale Group's revenue-generating activities.

Income taxes paid are presented in full in cash flows from operating activities.

(in € millions)	First-half 2022	First-half 2021
Pre-tax profit	880	765
+/- Net depreciation and amortisation of property, plant and equipment and intangible assets	479	546
- Changes in goodwill and impairment of other non-current assets	39	(2)
+/- Net changes in provisions and impairment charges	15	22
+/- Net changes in insurance technical provisions	(8,691)	7,633
+/- Share of profits/losses of equity-accounted companies	(25)	(30)
+/- Net losses/gains on investing activities	1,157	364
+/- Other movements	22,003	(3,034)
= Total of non-cash items included in pre-tax profit and other adjustments	14,978	5,499
+/- Net cash from/used in transactions with credit institutions	1,307	4,070
+/- Net cash from/used in customer transactions	(2,417)	4,696
+/- Net cash from/used in other transactions impacting financial assets or liabilities	(10,222)	4,730
+/- Net cash from/used in other transactions impacting non-financial assets or liabilities	(4,713)	(2,128)
- Taxes paid	(401)	81
Net increase (decrease) in assets and liabilities from operating activities	(16,447)	11,449
NET CASH FROM/USED IN OPERATING ACTIVITIES (A)	(589)	17,712
+/- Net cash from/used in sales and purchases of financial assets and equity investments	(2,740)	(41)
+/- Net cash from/used in sales and purchases of investment property	(315)	(79)
+/- Net cash from/used in sales and purchases of property, plant and equipment and intangible assets	(262)	(142)
NET CASH FROM/USED IN INVESTING ACTIVITIES (B)	(3,317)	(262)
+/- Net cash from/used in transactions with owners	(1,955)	(811)
+/- Other cash flows from/used in financing activities	306	549
NET CASH FROM/USED IN FINANCING ACTIVITIES (C)	(1,649)	(261)
Effect of changes in exchange rates on cash and cash equivalents (D)	(4)	7
Net increase (decrease) in cash and cash equivalents (A+B+C+D)	(5,559)	17,196
Opening cash and cash equivalents	52,017	44,258
Cash, central banks (assets and liabilities)	50,812	1,783
Accounts (assets and liabilities) with credit institutions and interbank overnight loans and borrowings	1,205	42,475
Closing cash and cash equivalents	46,458	61,454
Cash, central banks (assets and liabilities)	46,596	60,824
Accounts (assets and liabilities) with credit institutions and interbank overnight loans and borrowings	(138)	631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,559)	17,196

5.2 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 LEGAL AND FINANCIAL FRAMEWORK

1.1 Significant events of the period

1.1.1 Credit risk

Information on changes in credit risk loss allowances and the cost of risk related to retail and corporate customers over the first half of the year (macro-economic developments, monitoring of COVID-19 and government-backed loans, changes in models, etc.) is provided in Note 3.1 "Credit risk".

1.1.2 Subordinated notes issues

On 27 January 2022, CNP Assurances carried out a €500 million Restricted Tier 3 issue. The seven-year notes due 27 January 2029 pay interest at 1.25%.

They qualify as debt based on IFRS criteria.

1.1.3 Changes in CNP Assurances' ownership structure

As announced on 28 October 2021, La Banque Postale filed a simplified tender offer for the shares of CNP Assurances with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) on 16 March 2022.

The offer was declared compliant by the AMF on 26 April 2022. It was open from 2 May 2022 to 31 May 2022 inclusive, at a price of €20.90 per share (€1 dividend coupon detached), representing a premium of 36% over the pre-announcement share price. The offer was considered in the interests of CNP Assurances, its shareholders and its employees by the Board of Directors of CNP Assurances.

As the non-controlling shareholders represented less than 10% of the share capital and voting rights of CNP Assurances following the offer, La Banque Postale implemented a mandatory squeeze-out procedure. At 30 June 2022, La Banque Postale therefore held 100% of the shares of CNP Assurances. CNP Assurances' first-half earnings are attributed to La Banque Postale according to the timing of the acquisition of CNP's capital during the period.

In accordance with IFRS 3, the acquisition of shares from the non-controlling shareholders of CNP Assurances has no impact on the control of the company already held by La Banque Postale. In the consolidated financial statements, the corresponding non-controlling interest in equity has been reclassified as attributable equity at book value. The difference between the price paid and the share of net assets acquired increased attributable equity by €389 million. The transaction led to a decrease of €3,462 million in non-controlling interests.

1.1.4 CNP Assurances acquires a portfolio of over 7,600 housing units from CDC Habitat

On 9 March 2022, CNP Assurances acquired from CDC Habitat a portfolio of over 7,600 affordable housing units of high environmental quality worth €2.4 billion. This portfolio is carried in the books of Lamartine, a company created for this transaction and managed by Ampère Gestion, a subsidiary of CDC Habitat. The company's capital is 85%-owned by CNP Assurances and 15%-owned by CDC Habitat, and is fully consolidated as of 30 June 2022.

1.1.5 CNP Assurances announces the signing of a share purchase agreement with Mediterráneo Vida relating to its subsidiary CNP Partners

On 5 May 2022, CNP Assurances signed an agreement to sell its Spanish life insurance subsidiary CNP Partners to Mediterráneo Vida.

CNP Partners is a life insurance company mainly dedicated to traditional savings products in Spain and Italy in an open model. At 31 December 2021, its premium income and net profit represented 0.75% and 0.01% respectively of the CNP Assurances Group's total.

The completion of this transaction remains subject to various conditions precedent, including the obtaining of authorisation from the competent authorities in prudential matters. Subject to these authorisations being obtained, the transaction is expected to be completed in the second half of 2022.

The proposed sale of this entity, which is fully consolidated and reported within the International Bancassurance segment, meets the criteria for application of IFRS 5. It is therefore presented on the "Non-current assets held for sale" and "Liabilities related to non-current assets held for sale" lines in the consolidated balance sheet at 30 June 2022. Given the proposed sale price, and in accordance with IFRS 5, an unrealised loss has been recognised in the income statement under "Net gain or loss on other assets".

1.1.6 Changes in interests in AEW Europe SA and Ostrum Asset Management

On 13 May 2022, La Banque Postale and the BPCE group announced the completion by Natixis Investment Managers of the acquisition of the non-controlling interests held by La Banque Postale in AEW Europe SA (40%) and Ostrum Asset Management (45%). They also announced that they had extended their industrial partnerships in asset management until the end of 2030. Following these operations, Natixis IM holds 100% of the capital of the management companies AEW Europe SA and Ostrum Asset Management.

These two stakes are therefore presented on the line "Non-current assets held for sale" in the consolidated balance sheet at 31 December 2021. The impact of these disposals on pre-tax profit is €59.8 million in first-half 2022.

1.1.7 Inaugural green bond issue

La Banque Postale Home Loan SFH, a La Banque Postale subsidiary dedicated to refinancing home loans granted by its network in France, successfully placed its first green covered bond issue on 4 May 2022. A total of €750 million worth of 8-year covered bonds were issued with a final spread of MS +4 bps and a coupon of 1.625%.

They qualify as debt based on IFRS criteria.

1.1.8 IBOR reform

The beginning of 2022 marked an important step in the process of replacing interbank offered rates (IBOR) with alternative reference rates (ARRs).

Since 1 January 2022, all new variable-rate transactions have been carried out on the basis of the new ARR, barring exceptional cases defined by the authorities for USD LIBOR. Furthermore, the GBP and JPY LIBOR settings (one-, three- and six-month maturities) are no longer supplied by banks and are now published on a "synthetic" basis solely for the purpose of managing the transition to the new rates.

The European EONIA index was last published on 3 January 2022.

As there have been no announcements regarding a forthcoming replacement of the EURIBOR index, the latter has been excluded from the quantitative data provided.

At 30 June 2022, La Banque Postale Group is exposed to USD LIBOR as follows:

- ▶ a nominal amount of €1,075 million on derivatives;
- ▶ a carrying amount of €223 million on financial assets and of €538 million on financial liabilities.

Publication of the USD LIBOR rates (overnight, one-, three-, six- and 12-month maturities), in the format supplied by banks, must be discontinued as from the end of June 2023. La Banque Postale Group intends to migrate the contracts concerned by this date at the latest.

1.2 Post-balance sheet events

1.2.1 CNP Assurances pursues its international growth strategy and signs an agreement with UniCredit to rationalise the organisation of CNP Assurances' Italian operations

Following its acquisition of Aviva's life insurance businesses in Italy last year, CNP Assurances is pressing ahead with its international growth strategy by signing an agreement with UniCredit, its historical partner, including the following components:

- ▶ acquisition by CNP Assurances of UniCredit's 49% stake in CNP Vita Assicura S.p.A. for €500 million, enabling CNP Assurances to increase its stake in CNP Vita Assicura S.p.A to 100%;
- ▶ sale of 6.5% of CNP UniCredit Vita S.p.A. to UniCredit for €70 million, with CNP Assurances keeping a controlling stake of 51% in CNP UniCredit Vita S.p.A.

This transaction allows CNP Assurances to rationalise the organisation of its Italian operations and pursue its development in the country.

The acquisition price for 49% of CNP Vita Assicura S.p.A will be financed by CNP Assurances using its own resources.

Completion of the transaction is subject to obtaining the requisite approvals from the competent authorities.

1.2.2 CNP Assurances acquires Swiss Life's minority stake in Assuristance, a holding company of Filassistance International

In accordance with the provisions of the shareholders' agreement, CNP Assurances is to acquire Swiss Life France's 34% equity stake in Assuristance, the holding company of Filassistance International.

Subject to obtaining the requisite regulatory approvals, CNP Assurances, which already held 66% of Assuristance's share capital, will become the sole shareholder by autumn 2022.

The acquisition includes a commitment to continue the partnership between Swiss Life France and Filassistance International.

La Banque Postale Group has not identified any other events occurring after the reporting date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Regulatory framework

Regulation (EC) No 1606/2002 of 19 July 2002 requires companies whose debt securities are listed on a regulated market to apply the accounting basis established by the International Accounting Standard Board (IASB). Accordingly, since 1 January 2007, La Banque Postale Group has prepared its consolidated financial statements under International Financial Reporting Standards (IFRS) as approved by the European Union (carve-out version providing for certain exceptions to the application of IAS 39 to portfolio hedging transactions).

The full set of standards adopted in the European Union can be consulted on the European Commission's website at the following address:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

La Banque Postale Group also applies regulation 2016-09 of 2 December 2016 of the French accounting standards authority (*Autorité des normes comptables* – ANC), which transposes into French law some of the provisions of European Directive No 2013/34 relating to the transactions to be disclosed in the notes to the consolidated financial statements in accordance with IFRS.

The consolidated financial statements are presented in millions of euros.

Presentation of the financial statements

In the absence of a model imposed by the IFRS framework, the Group uses the financial statement templates proposed in ANC recommendation 2017-02 of 2 June 2017. La Banque Postale has chosen to present disclosures that are specific to the insurance business in the notes to the consolidated financial statements, in line with the option proposed in the recommendation. As of 1 January 2023, recommendation 2022-01 of 8 April 2022 will cancel and replace recommendation 2017-02 of 2 June 2017. This new recommendation is designed to ensure that insurance activities in the financial statements of banks are presented in line with the first-time application of IFRS 17.

Statement of compliance

The condensed interim consolidated financial statements have been drawn up in compliance with IAS 34 – Interim Financial Information. They include selected notes explaining material events and transactions that enable users of the financial statements to understand the changes that have occurred in the Group's financial position and performance since the last annual consolidated financial statements for the year ended 31 December 2021. The condensed interim consolidated financial statements do not include all the information that would be disclosed in annual consolidated financial statements prepared in accordance with IFRS. They should be read together with the consolidated financial statements for the year ended 31 December 2021.

These condensed interim consolidated financial statements were prepared under the responsibility of the Executive Board on 26 July 2022.

Main accounting policies

The accounting methods used by the Group in the condensed interim consolidated financial statements are identical to those used in the consolidated financial statements for the year ended 31 December 2021, with the exception of the amendments to IFRSs applied by the Group from 1 January 2022 (see Note 2.2 below).

2.2 Standards, interpretations or amendments applied by the Group from 1 January 2022

Compared with the consolidated financial statements for the year ended 31 December 2021, the following standards, interpretations and amendments applicable in the European Union from 1 January 2022 have been adopted by the Group:

Standard, interpretation or amendment	Date adopted by the EU
Amendments to IFRS 3 – References to the conceptual framework	28 June 2021
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	28 June 2021
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	28 June 2021
IFRS annual improvements 2018-2020 cycle: amendments to IFRS 1 – Subsidiary as a First-time Adopter	28 June 2021
IFRS annual improvements 2018-2020 cycle: IFRS 9 – Derecognition of a Financial Liability: Fees Included in the '10 per cent' Test	28 June 2021
IFRS annual improvements 2018-2020 cycle: amendments to IFRS 16 – Lease Incentives	28 June 2021
IFRS IC interpretation – TLTRO III Transactions	N/A
IFRS IC interpretation – Demand Deposits with Restrictions on Use	N/A
IFRS IC interpretation – Configuration or Customisation Costs in a Cloud Computing Arrangement	N/A

The amendment to IFRS 3 – References to the Conceptual Framework, amends a reference to the conceptual framework but has no impact for the Group.

The amendment to IAS 16 – Proceeds from Intended Use clarifies the accounting for net proceeds from the sale of any items produced during the design phase for an item of property, plant and equipment. Such proceeds are to be recognised in net profit (and not as a deduction from the cost of the property, plant and equipment before they are ready for use). The Group does not carry out any such sales and is not concerned by this amendment.

As regards the amendment to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract and the analysis for determining whether a contract is onerous, the new amendment clarifies that the cost of fulfilling a contract should include both the incremental costs of fulfilling that contract and an allocation of other costs directly related to fulfilling contracts. The Group is not concerned by onerous contracts.

The amendment to IFRS 1 – Subsidiary as a First-time Adopter establishes that a subsidiary adopting IFRSs after its parent and applying paragraph D16(a) will be able to measure cumulative translation differences using the amounts reported by its parent, as from the parent's date of transition.

Under IFRS 9, a financial liability is derecognised either when it is extinguished or when the terms of that liability are substantially modified. To determine whether a modification is substantial, both a quantitative and a qualitative assessment are required. The quantitative assessment is satisfied (i.e., the terms of the liability are substantially different) if the present value of the cash flows (including fees) under the new terms is at least 10% different from the present value of the cash flows of the original financial liability. The amendment to IFRS 9 – Derecognition of a Financial Liability: Fees Included in the '10 per cent' Test clarifies that the fees to be included in the 10% test are only fees paid, net of fees received, between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf. Fees relating to counterparties other than the entity and the lender are therefore excluded from the test.

The amendment to IFRS 16 – Lease Incentives amends illustrative example 13 of IFRS 16 – Leases by removing from the example the illustration of the reimbursement by the lessor of leasehold improvements made by the lessee, which had previously led to confusion. This amendment has no impact on the Group's current practices.

At its March 2022 meeting, the IASB Committee endorsed the final decision of the February 2022 Interpretations Committee (IC) on the accounting for TLTRO III transactions. This decision concerns whether or not the probability of achieving the ECB's targets should be taken into account when calculating the effective interest rate (EIR) at the initial recognition date. The IFRS IC responded that this issue will be included in the IFRS 9 Post Implementation Review. The Committee recalls that subsequent changes in cash flows are to be accounted for in accordance with IFRS 9. This decision does not result in any change to the Group's practices as the rate subsidy has historically been included in the EIR for the period.

At its April 2022 meeting, the IASB Committee endorsed the final decision of the March 2022 Interpretations Committee on the classification of a demand deposit subject to contractually agreed terms of use as "cash and cash equivalents". In the Committee's view, the deposit restrictions do not change the nature of the "cash and cash equivalents" component in the cash flow statement. Since the Group does not have any such deposits, it is not affected by the decision.

In April 2021, the IASB Committee endorsed the final decision of the March 2021 Interpretations Committee on accounting for configuration and customisation costs in a cloud-computing arrangement by clarifying the criteria for capitalising the costs of such arrangements. This decision does not change the Group's practices.

2.3 Standards, interpretations or amendments not yet applied

The IASB and IFRS IC have issued standards, interpretations and amendments that were not applicable at 30 June 2022. Standards, interpretations or amendments published by the IASB but not yet adopted by the European Union will be applicable only once they have been adopted.

Standard, interpretation or amendment	Date adopted by the EU	Effective date*
IFRS 17 – Insurance Contracts	19 November 2021	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	2 March 2022	1 January 2023
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	2 March 2022	1 January 2023
Amendment to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Not adopted	1 January 2024
Amendment to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Not adopted	1 January 2023
Amendments to IAS 12 – Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Not adopted	1 January 2023

* Subject to adoption by the European Union. Applicable in accounting periods beginning on or after the date indicated.

IFRS 17 – Insurance Contracts was published on 18 May 2017, and an amended version was published on 25 June 2020. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. It replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023 (with comparative information for 2022 to be presented on the same basis).

IFRS 17 will apply to:

- ▶ written insurance and reinsurance contracts;
- ▶ all reinsurance contracts giving rise to a significant insurance risk;
- ▶ investment contracts with a discretionary participation feature.

The new standard requires the insurance component of each contract to be recognised separately from the other components, such as:

- ▶ certain embedded derivatives;
- ▶ separate investment components;
- ▶ other performance obligations, for example a promise to transfer non-insurance goods or services.

These components will be recognised and measured separately in accordance with the standard that would apply to them if they were separate contracts.

When an insurance or reinsurance contract is written, the liability will be measured according to the Building Block Approach (BBA), based on the following blocks:

- ▶ discounted present value of future cash flows that relate directly to the fulfilment of the contractual obligations (fulfilment cash flows);
- ▶ a risk adjustment reflecting the uncertainty about the amount and timing of these cash flows;
- ▶ a Contractual Service Margin (CSM).

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. It is included in deferred revenue on the liabilities side of the balance sheet and recognised in income as the services are provided. If the group of insurance contracts is expected to generate a loss, rather than recording a negative CSM, the expected loss is recognised immediately in profit or loss when the contracts are written.

A second model – the Variable Fee Approach (VFA) – is applicable to insurance contracts with direct participation features that contain the following conditions:

- ▶ the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- ▶ the entity expects to pay the policyholder an amount equal to a substantial share of the fair value of returns from the underlying items;
- ▶ a substantial proportion of the cash flows the entity expects to pay to the policyholder are expected to vary in line with changes in the fair value of the underlying items.

In addition to the General Model (BBA), IFRS 17 also includes an optional simplified measurement approach – the Premium Allocation Approach (PAA) – which may be applied to:

- ▶ all insurance contracts other than those with direct participation features, provided that the PAA produces a measurement of the liability that would not be materially different from that produced applying the BBA;
- ▶ contracts with a short duration (coverage period of one year or less).

For the purpose of applying the PAA, the initial liability corresponds to the premiums received at initial recognition and no CSM is calculated. Acquisition costs may be deferred in assets or recognised as an expense.

Under IFRS 17, insurance liabilities will be measured at a more granular level. Specifically, they will be divided into portfolios, as follows:

- ▶ each portfolio will comprise contracts subject to similar risks that are managed together. A portfolio will not contain contracts written more than one year apart;
- ▶ each portfolio will be divided into three accounting groups when the contracts are initially recognised, for the calculation and tracking of the CSM. The groups are as follows:
 - contracts that are onerous at initial recognition,
 - contracts that at initial recognition have no significant possibility of becoming onerous,
 - other contracts.

Application of IFRS 17 will have a significant impact on La Banque Postale Group's consolidated financial statements:

- ▶ it will modify the presentation of the balance sheet and the notes;
- ▶ the consolidated income statement will be renamed the statement of financial performance and will comprise two key indicators:
 - insurance service result, corresponding to insurance revenue less amortisation of the CSM and the risk adjustment, the experience adjustment (difference between expected claims and expenses and paid claims and expenses) and expenses on onerous contracts,
 - investment income or expense;
- ▶ it would also lead to a major reorganisation of management processes, including statutory accounting, account closing, management accounting and internal and external reporting systems;
- ▶ actuarial modelling tools would also be affected;
- ▶ in addition, the internal organisation of accounting processes will need to be adjusted, with the introduction of new measurement, consolidation and reporting processes.

The effects of applying IFRS 17 are currently being analysed by the Group.

IFRS 17 was adopted by the European Union (EU) on 19 November 2021. The EU provides an optional exemption from applying the annual cohort requirement. La Banque Postale Group will use this exemption.

In 2021 and first-half 2022, La Banque Postale's IFRS 17 implementation project mainly involved:

- ▶ continuing to assess how best to present the insurance business in the banking group's consolidated financial statements;
- ▶ stabilizing the main methodological options (accounting models, yield curve, risk adjustment, restatement of the bow wave effect, etc.);
- ▶ continuing to design target accounts production processes;
- ▶ carrying out preliminary work to prepare for the production and compilation of the opening IFRS 17 balance sheet.

2.4 Use of estimates and judgements

Preparation of the interim consolidated financial statements requires management to exercise its judgement, to make the best possible estimates, and to make assumptions that have an impact on the application of accounting methods and on the reported amounts of assets and liabilities and income and expenses. Actual amounts may be different from these estimates and have an impact on the financial statements.

During the preparation of the condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting methods and the main sources of estimation uncertainty are identical to those that affected the consolidated financial statements for the year ended 31 December 2021.

Since March 2020, the health crisis has affected the Group's business and the method of estimating credit and other risks. In February 2022, Russia invaded Ukraine. The main impacts of these two crises are presented in Note 3. Other risks are described in Chapter 4 of La Banque Postale's 2021 Universal Registration Document and its amendment.

2.5 Basis of consolidation

The consolidated financial statements include the financial statements of La Banque Postale and the financial statements of material subsidiaries and associates controlled by the Group or over which the Group exercised significant influence at 30 June 2022. Subsidiaries and associates are excluded from the scope of consolidation when their total assets, net banking income or net profit represents a non-material percentage of the Group's consolidated assets, net banking income or net profit, or due to their long-term financial trajectory.

3.1 Credit risk

During the first half of 2022, the macro-economic conditions in which La Banque Postale Group operates changed compared to the environment at the end of 2021. While economists had predicted that the waning of the COVID-19 pandemic would be followed by several years of sustained economic recovery (accompanied by accommodative monetary policies and promotion of the environmental transition), the outbreak of armed conflict in Europe between Ukraine and Russia in first-quarter 2022 has plunged the global economy back into uncertainty. The measures taken to hedge credit risk are intended to reflect this environment.

The information presented in this note also factors in these developments.

3.1.1 Developments in the geopolitical and macro-economic environment

The invasion of Ukrainian territory by Russian troops on 24 February 2022 led to significant pressure on agricultural raw materials and energy prices. Straight away, investors became more risk averse and began to question the robustness of the global recovery. This situation exacerbated the inflationary pressures that were already present in the post-pandemic environment due to the recovery in economic activity accompanied by a digital revolution, pent-up demand following periods of forced saving during successive lockdowns, and severe supply chain problems.

The main central banks responded to this inflationary environment by announcing interest rate hikes, calibrated in each case with their local macro-economic and budgetary situation.

The impacts of this situation for La Banque Postale are as follows:

- ▶ Fairly limited impact in terms of the risk arising directly from the Ukraine-Russia conflict: La Banque Postale's loanbook has no exposure to Ukraine and Russia. Its subsidiary CNP Assurances has minor exposure. The main area for attention in terms of the loanbook results from the indirect consequences of the situation on French corporate customers financed by La Banque Postale who do a significant portion of their business with Russia, in particular.
 - *N.B.:* A system coordinated at several levels (the La Poste group and La Banque Postale Group) is in place to constantly monitor the evolving situation and regularly assess the potential consequences on the loanbook and assets under management of market risk and operational risk (cyber threat). Measures have been taken by the Group Compliance Department to identify and monitor accounts, assets and transactions relating to retail and corporate customers affected by sanctions.
- ▶ A potentially significant (albeit not yet visible to date) deterioration in the credit quality of loanbooks due to the negative external impacts of the conflict, namely the sharp increase in inflation and its impact on the broader interest rate environment and the rest of the macro-economy.

The potential impacts of this deterioration in the macro-economic environment can be summed up as follows:

- ▶ **Corporate customers:** increase in business failures among the most fragile customers. The size of companies and their business sector are two of the main factors used for assessing this risk. To address these factors, La Banque Postale continued to adopt a prudent approach to determining provisions at 30 June. All the existing measures concerning industry risk provisions were maintained in the most sensitive sectors, comprising the Private Passenger Transport industry – with a particular focus on Airlines – the Automotive industry, Tourism and Hospitality, Retail and Commercial Property, with provision rates reflecting the fact that some of these sectors are potentially even more at risk in the current environment. In addition, a new industry risk provision was booked for the agricultural industry, to anticipate possible raw materials shortages following the outbreak of the Russia-Ukraine conflict.
- ▶ **Retail customers:** job stability and the stability of savings and disposable incomes net of inflation represent structural factors taken into account to assess the credit risk represented by retail customers who have obtained loans from the Bank. Government support packages, price freezes and the French unemployment system all help to delay or even offset the occurrence of this risk, but La Banque Postale's customers with low incomes are nonetheless expected to experience difficulties, as they are particularly vulnerable to sharp price increases on basic and everyday consumer products. For this reason, at 30 June, La Banque Postale set aside provisions covering part of the inflation risk for vulnerable customers with consumer loans or low income homebuyer loans (*Prêts à l'Accession Sociale*).

Specific information on the macro-economic scenarios used to prepare the financial statements at 30 June 2022:

The Group Risk Department decided not to update the scenarios used in the calculation of its statistical provisions at 30 June 2022, in terms of either its risk parameters or its forward-looking calculations⁽⁴⁴⁾, in accordance with IFRS 9. This reasons for this decision are as follows:

- ▶ a full modelling and validation cycle prior to the implementation of new risk parameters in the Group's calculations could not be completed for the 30 June 2022 period-end;
- ▶ the scenarios available at the modelling stage, developed at the beginning of the Russia-Ukraine conflict, were not a good reflection of the expected macro-economic outlook at 30 June 2022;
- ▶ there have been prudential buffers in the financial statements for the Corporates segment since 31 December 2021, when it was decided to maintain stressed risk parameter levels (whereas the scenarios and parameters were updated for all other segments at the end of 2021). These buffers are able to absorb an increase in claims linked to the macro-economic environment.

Furthermore, as detailed below, the Group Risk Department has taken other measures enabling it to anticipate the initial impacts of the economic crisis in a targeted manner on certain customer categories.

Accordingly, the macro-economic assumptions underlying the risk parameters used to calculate statistical provisions at 30 June 2022 are those detailed in the notes to La Banque Postale Group's consolidated financial statements at 31 December 2021.

3.1.2 COVID-19 impacts

Like all credit institutions, La Banque Postale has been dealing with the economic and operational consequences of the COVID-19 pandemic since the beginning of 2020.

Between March 2020, when the World Health Organisation declared that the COVID-19 epidemic had become a pandemic, and the date when this document was prepared, France experienced seven waves of COVID-19 infections. Each time, the French government responded by imposing a lockdown, the closure of non-essential public places and the cancellation of all cultural and sporting events. These measures inevitably had major consequences on the economy and La Banque Postale mobilised its resources alongside the government to support customers experiencing financial hardship during these periods.

Several practical initiatives were organised around exceptional government measures to support corporate and retail customers, and remained in place at 30 June 2022:

- ▶ distribution of government-backed loans ("PGE"): at 30 June 2022, these loans represented a residual outstanding amount of €915 million (of which €804 million due in more than two years);
- ▶ distribution of stimulus loans ("PPR"): these loans were granted by La Banque Postale and other French banks between April 2021 and June 2022. In 2022, 12 loans were contracted for a total amount of €2.6 million. The loans represented a residual outstanding amount of €8.2 million at 30 June 2022.

At the date of preparation of this report, the epidemic appears to have entered a second phase. The health situation has gradually returned to normal, albeit with new waves of COVID-19 infections occurring from time to time. The variants observed during this new phase are significantly less dangerous and cause significantly less disruption to the economy thanks to the deployment of mass vaccination strategies over the last two years.

However, the World Health Organisation is still very cautious when it comes to predicting the end of the pandemic, and a new outbreak of the virus would increase the uncertainties and potential difficulties for the Bank's clients, as mentioned in the paragraph on developments in the geopolitical and macro-economic environment.

3.1.3 Impact of the macro-economic crisis on the measurement of credit risk

After gradually returning to a normal level in 2021 with cost of risk at €268 million, cost of risk stood at €90 million in first-half 2022, with the loss ratio largely unchanged, reflecting:

- ▶ the high quality of the Group's assets in Retail and CIB banking books;
- ▶ limited exposure to the sectors hardest hit by the crisis;
- ▶ La Banque Postale's conservative policy concerning loss allowances across all customer categories.

(44) Note that La Banque Postale's forward-looking models are obtained by means of calculating the expected credit loss (ECL) under three scenarios with different probabilities of occurrence and differentiated risk parameters.

Non-performing loans remained stable compared to 2021 at 0.55% of gross customer loans, and the coverage rate for these loans was also stable at 41.8% at 30 June 2022.

The classification and provisioning of the Group's exposures at 30 June 2022 continuing to be based on:

- ▶ automatic processes for identifying potential significant increases in credit risk and for classifying or proposing classification in "buckets" in accordance with IFRS 9;
- ▶ control and approval processes performed by the Group Risk Department and individual or collective adjustment decisions taken as part of the exposure monitoring process (Watchlists, sector-based measures, etc.).

At 30 June 2022, in the absence of revised macro-economic scenarios and associated risk parameters used to determine statistical provisions (see above), the impact of the uncertainty caused by the crisis (and its macro-economic consequences) on the assessment of credit risk is measured in La Banque Postale's financial statements through measures adapted to each major customer segment. „These measures were taken by the Group Risk Department after reviewing the entire loanbook.

Corporate customers

First-half 2022 cost of risk for Corporate and Investment Banking customers results from:

- ▶ La Banque Postale's exposure monitoring process, which results in several individual allocations to provisions amplified by the geopolitical and macro-economic context, or by specific situations;
- ▶ specific provisioning decisions made by dedicated committees for outstanding loans under surveillance (included on the Watchlist and/or credit impaired loans classified in Bucket 2 and defaulted loans classified in Bucket 3 under IFRS 9);
- ▶ application of sector-specific or other general loss provisioning principles.

After observing the effects of the crisis, La Banque Postale chose to maintain or step up⁽⁴⁵⁾ the policy adopted in late 2020 concerning general loss allowances and to extend the policy into 2021 and 2022. Sector-specific loss allowances were recorded on exposures in the following sectors at 30 June 2022:

- ▶ Tourism, Hospitality and Leisure;
- ▶ Private Air and Land Passenger Transport;
- ▶ the Photovoltaic Energy sector in France, due to a review of pricing conditions;
- ▶ certain segments of the Retail sector;
- ▶ the Automotive sector;
- ▶ Commercial Real Estate other than city centre locations;
- ▶ Agriculture (sector added at 30 June 2022) in order to anticipate the likely difficulties to come for certain customers affected by the raw materials shortages and disruptions to their supply chains since the start of the armed conflict between Russia and Ukraine.

The related exposures were reclassified to IFRS 9 "Bucket 2" as La Banque Postale considered that there had been an increase in their credit risk since they were added to the loanbook.

In first-half 2022, the Corporate and Investment Banking cost of risk was a positive €5 million, reflecting net provision reversals. The cost of risk is the result of:

- ▶ an additional €41 million set aside to provisions, mainly reflecting the "natural" deterioration of the loanbook (loss allowance decisions taken in respect of loans included on the Watchlist or in the Special Cases category for €30 million), and monitoring measures implemented ahead of a potential deterioration in certain macro-economic markers (industry risk provision for €11 million in respect of sectors extended in the period and a reduction in certain other sectors due to a base effect and an improvement in the rating); and

(45) Solar power, with general loss allowances increased to take into account the French government's recent decision to revise feed-in tariffs under solar power purchase agreements.

- ▶ work aimed at improving the quality of certain information impacting La Banque Postale's statistical provisions (in particular, corrective action on the value of collateral received), offsetting all of the amounts provisioned during the first half of the year (reducing cost of risk by €40 million).

Retail customers

During the first half of 2022, the following adjustments were made to reflect the impact of the crisis on the loanbook's retail customers:

- ▶ the reclassification as sound of retail credit exposures in the Caribbean region, due to the improvement in the health, economic and labour environment;
- ▶ a gradual write-back of the allowance set aside in 2021 as it was used to cover the risk of rating migration within the performing loan portfolio as part of a prospective approach designed to prepare for a possible return to a distribution more representative of the structural composition of the loanbook;
- ▶ the overlay (multiplying factor) for calculating loss given default (LGD) for home loans guaranteed by sureties was maintained;
- ▶ the downgrading to "Bucket 2" of an "at-risk" category of customers particularly affected by the inflationary environment.

Taking these factors into account, the cost of risk for retail customers in first-half 2022 amounts to €70.5 million (excluding online banking), of which €27.5 million relates to the consumer credit business and €33 million to the home loan business. The monitoring measures implemented for this scope by La Banque Postale's Group Risk Department on vulnerable customers represent €51 million.

3.2 Exposure to credit risk

a. Change in carrying amounts and allowances for credit losses over the period

Allowances for credit losses correspond to impairment of financial assets and off-balance sheet commitments recorded in the income statement under "Cost of risk".

The following tables present a reconciliation of opening and closing loss allowances recorded in "Cost of risk" and the associated carrying amounts, by accounting category and type of instrument.

The line "Modification of cash flows not resulting in derecognition" shows the effect of a loan restructuring on the gross carrying amount and the loss allowance during the period.

Financial assets at amortised cost

(in € millions)	30 June 2022			
	Notes	Gross carrying amount	Allowance for credit losses	Net carrying amount
Securities at amortised cost	4.3	25,112	(41)	25,071
Loans and advances to credit institutions at amortised cost	4.4	67,077	(4)	67,073
Loans and advances to customers at amortised cost	4.5	131,032	(1,371)	129,661
TOTAL FINANCIAL ASSETS AT AMORTISED COST		223,221	(1,417)	221,804

(in € millions)	31 Dec. 2021			
	Notes	Gross carrying amount	Allowance for credit losses	Net carrying amount
Securities at amortised cost	4.3	23,516	(37)	23,480
Loans and advances to credit institutions at amortised cost	4.4	67,846	(6)	67,840
Loans and advances to customers at amortised cost	4.5	124,499	(1,346)	123,152
TOTAL FINANCIAL ASSETS AT AMORTISED COST		215,861	(1,390)	214,472

(in € millions)

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Credit-impaired assets (Bucket 3)		Total		
	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount (a)	Allowance for credit losses (b)	Net carrying amount (a)+(b)
At 31 December 2021	205,649	(189)	8,586	(532)	1,627	(669)	215,861	(1,390)	214,472
Transfers of assets during their lifetime from one bucket to another	(2,920)	10	2,749	(43)	171	(37)	-	(69)	(69)
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	(5,372)	18	5,372	(126)	-	-	-	(108)	(108)
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	2,517	(10)	(2,517)	72	-	-	0	62	62
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	(165)	2	-	-	165	(30)	(0)	(28)	(28)
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)	-	-	(186)	17	186	(44)	(0)	(28)	(28)
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	101	(0)	-	-	(101)	16	-	15	15
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)	-	-	80	(5)	(80)	22	0	17	17
Total after transfers	202,729	(179)	11,334	(575)	1,798	(706)	215,861	(1,459)	214,403
Changes in gross carrying amounts and allowances for credit losses	6,648	11	925	11	(184)	20	7,390	42	7,432
New production, purchase, issuance, origination, etc.	56,528	(109)	2,609	(138)	332	(68)	59,468	(315)	59,153
Derecognition: disposal, repayment, maturity, etc.	(49,820)	122	(1,683)	149	(471)	49	(51,974)	319	(51,656)
Write-offs	-	-	-	-	(40)	38	(40)	38	(2)
Modification of cash flows not resulting in derecognition	-	-	-	-	(4)	-	(4)	-	(4)
Change in credit risk parameters over the period	-	-	-	-	-	-	-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-	-
Changes in scope of consolidation	40	-	-	-	-	-	40	-	40
Other	(100)	(1)	-	0	-	1	(100)	0	(100)
Total	209,377	(167)	12,260	(564)	1,614	(686)	223,251	(1,417)	221,834
Impacts of changes in fair value of hedged instruments	(30)	-	-	-	-	-	(30)	-	(30)
At 30 June 2022	209,347	(167)	12,260	(564)	1,614	(686)	223,221	(1,417)	221,804

Financial assets at fair value through OCI reclassifiable to profit or loss

	30 June 2022		
	Notes	Fair value	Of which allowance for credit losses
(in € millions)			
Debt instruments at fair value through other comprehensive income	4.2	205,857	(472)
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE		205,857	(472)

	31 Dec. 2021		
	Notes	Fair value	Of which allowance for credit losses
(in € millions)			
Debt instruments at fair value through other comprehensive income	4.2	228,121	(465)
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE		228,121	(465)

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Credit-impaired assets (Bucket 3)		Total	
	Fair value	Of which allowance for credit losses	Fair value	Of which allowance for credit losses	Fair value	Of which allowance for credit losses	Fair value	Of which allowance for credit losses
(in € millions)								
AT 31 DECEMBER 2021	227,742	(456)	379	(9)	-	-	228,121	(465)
Transfers of assets during their lifetime from one bucket to another	-	-	-	-	-	-	-	-
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	-	-	-	-	-	-	-	-
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	-	-	-	-	-	-	-	-
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	-	-	-	-	-	-	-	-
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)	-	-	-	-	-	-	-	-
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	-	-	-	-	-	-	-	-
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)	-	-	-	-	-	-	-	-
TOTAL AFTER TRANSFERS	227,742	(456)	379	(9)	-	-	228,121	(465)
Changes in gross carrying amounts and allowances for credit losses	(22,162)	(10)	(102)	3	-	-	(22,264)	(7)
New production, purchase, issuance, origination, etc.	37,852	-	88	-	-	-	37,941	-
Derecognition: disposal, repayment, maturity, etc.	(32,155)	-	(178)	-	-	-	(32,333)	-
Write-offs	-	-	-	-	-	-	-	-
Modification of cash flows not resulting in derecognition	-	-	-	-	-	-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Other	(27,860)	(10)	(12)	3	-	-	(27,871)	(7)
AT 30 JUNE 2022	205,579	(466)	278	(6)	-	-	205,857	(472)

Off-balance sheet (financing commitments and guarantee contracts)

30 June 2022				
	Notes	Gross carrying amount	Allowance for credit losses	Net carrying amount
(in € millions)				
Financing commitments and guarantee contracts	7	30,423		
Loss allowance for financing commitments and guarantee contracts	4.14		(110)	
TOTAL FINANCING COMMITMENTS AND GUARANTEE CONTRACTS		30,423	(110)	30,313

31 Dec. 2021				
	Notes	Gross carrying amount	Allowance for credit losses	Net carrying amount
(in € millions)				
Financing commitments and guarantee contracts	7	31,389		
Loss allowance for financing commitments and guarantee contracts	4.14		(97)	
TOTAL FINANCING COMMITMENTS AND GUARANTEE CONTRACTS		31,389	(97)	31,292

(in € millions)

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Credit-impaired assets (Bucket 3)		Total		
	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount (a)	Allowance for credit losses (b)	Net carrying amount (a)+(b)
AT 31 DECEMBER 2021	30,448	(52)	907	(40)	33	(5)	31,389	(97)	31,292
Transfers of assets during their lifetime from one bucket to another	(1,865)	1	1,865	(3)	-	(0)	-	(3)	(3)
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	(2,025)	2	2,025	(9)	-	-	-	(6)	(6)
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	161	(2)	(161)	5	-	-	(0)	3	3
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	(5)	0	-	-	5	(0)	0	(0)	(0)
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)	-	-	(3)	0	3	(0)	-	(0)	(0)
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	4	(0)	-	-	(4)	0	-	0	0
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)	-	-	4	(0)	(4)	0	-	0	0
TOTAL AFTER TRANSFERS	28,583	(51)	2,772	(43)	33	(5)	31,389	(100)	31,289
Changes in gross carrying amounts and allowances for credit losses	(19)	(0)	(947)	(9)	(0)	(1)	(966)	(10)	(977)
New production, purchase, issuance, origination, etc.	12,852	(32)	1,109	(42)	12	(3)	13,973	(77)	13,896
Derecognition: disposal, repayment, maturity, etc.	(12,871)	32	(2,056)	33	(13)	2	(14,939)	67	(14,872)
Write-offs	-	-	-	-	-	-	-	-	-
Modification of cash flows not resulting in derecognition	-	-	-	-	-	-	-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-
Other	-	0	0	0	(0)	0	(0)	0	0
AT 30 JUNE 2022	28,564	(51)	1,826	(53)	33	(6)	30,423	(110)	30,313

b. Concentration of credit risk by economic agent

Financial assets at amortised cost

(in € millions)	30 June 2022			
	Carrying amount			
	Performing assets (with or without credit deterioration)		Credit-impaired assets (Bucket 3)	Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
Retail ⁽¹⁾	70,212	7,139	1,046	78,398
Government	97,090	244	4	97,338
Central banks	-	-	-	-
Credit institutions	3,314	-	0	3,314
Finance companies	12,160	287	1	12,448
Non-financial sector companies	26,572	4,589	563	31,724
Loss allowances	(167)	(564)	(686)	(1,417)
TOTAL CARRYING AMOUNT	209,180	11,696	928	221,804

(1) Excluding loans granted to non-trading property companies (SCIs), which are presented in Retail loans in the balance sheet and in Non-financial sector companies in the breakdown by economic agent.

(in € millions)	31 Dec. 2021			
	Carrying amount			
	Performing assets (with or without credit deterioration)		Credit-impaired assets (Bucket 3)	Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
Retail ⁽¹⁾	70,081	4,725	1,049	75,855
Government	97,291	101	4	97,396
Central banks	-	-	-	-
Credit institutions	2,756	50	0	2,806
Finance companies	8,839	293	0	9,132
Non-financial sector companies	26,682	3,417	573	30,672
Loss allowances	(189)	(532)	(669)	(1,390)
TOTAL CARRYING AMOUNT	205,460	8,054	958	214,472

(1) Excluding loans granted to non-trading property companies (SCIs), which are presented in Retail loans in the balance sheet and in Non-financial sector companies in the breakdown by economic agent.

Financial assets at fair value through OCI reclassifiable to profit or loss

(in € millions)	30 June 2022			
	Fair value			
	Performing assets (with or without credit deterioration)		Credit-impaired assets (Bucket 3)	Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
Retail	-	-	-	-
Government	111,919	21	-	111,940
Central banks	3,072	-	-	3,072
Credit institutions	43,706	3	-	43,710
Finance companies	6,938	54	-	6,991
Non-financial sector companies	39,945	200	-	40,144
TOTAL FAIR VALUE	205,579	278	-	205,857
<i>Of which loss allowances</i>	<i>(466)</i>	<i>(6)</i>	<i>-</i>	<i>(472)</i>

	31 Dec. 2021			
	Fair value			
	Performing assets (with or without credit deterioration)		Credit-impaired assets (Bucket 3)	Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € millions)				
Retail	-	-	-	-
Government	127,888	21	-	127,908
Central banks	1,785	-	-	1,785
Credit institutions	47,299	7	-	47,306
Finance companies	6,144	51	-	6,195
Non-financial sector companies	44,626	301	-	44,927
TOTAL FAIR VALUE	227,742	379	-	228,121
<i>Of which loss allowances</i>	<i>(456)</i>	<i>(9)</i>	<i>-</i>	<i>(465)</i>

Off-balance sheet (financing commitments and guarantee contracts)

	30 June 2022			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Credit-impaired commitments (Bucket 3)	Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
(in € millions)				
Retail	11,575	580	23	12,178
Government	5,217	23	-	5,240
Central banks	1	-	-	1
Credit institutions	2,328	104	-	2,432
Finance companies	1,795	111	0	1,906
Non-financial sector companies	7,648	1,007	9	8,665
Loss allowances ⁽¹⁾	(51)	(53)	(6)	(110)
TOTAL	28,513	1,773	27	30,313

⁽¹⁾ Expected or incurred losses on off-balance sheet commitments are covered by loss allowances recorded in liabilities.

	31 Dec. 2021			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Credit-impaired commitments (Bucket 3)	Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
(in € millions)				
Retail	11,425	352	22	11,799
Government	5,965	3	-	5,968
Central banks	0	-	-	0
Credit institutions	3,047	26	-	3,073
Finance companies	1,244	0	0	1,244
Non-financial sector companies	8,767	527	11	9,305
Loss allowances ⁽¹⁾	(52)	(40)	(5)	(97)
TOTAL	30,397	867	28	31,292

⁽¹⁾ Expected or incurred losses on off-balance sheet commitments are covered by loss allowances recorded in liabilities.

NOTE 4 NOTES TO THE BALANCE SHEET

4.1 Financial assets at fair value through profit or loss

	30 June 2022				TOTAL
	Financial assets held for trading	Designated as at fair value	Non-SPPI fair value and equity instruments	Assets backing unit-linked contracts	
(in € millions)					
Derivative instruments	5,556				5,556
Interest rate	4,110				4,110
Foreign exchange	228				228
Credit	5				5
Equity and index	1,212				1,212
Debt instruments	812	5,433	86,353	72,623	165,221
Government paper and equivalents	21	3,436	815	19,203	23,475
Bonds and other fixed-income securities	791	1,997	19,093	9,648	31,529
UCITS	-	-	66,445	43,772	110,217
Equity instruments	-	-	34,288	4,289	38,578
Equities and other variable-income securities	-	-	34,288	4,289	38,578
Loans and advances	576	-	5,558		6,134
Credit institutions	-	-	-		-
Customers	576	-	5,558		6,134
FINANCIAL ASSETS AT FAIR VALUE THROUGH	6,944	5,433	126,199	76,913	215,488
Derivative instruments	3,456				3,456
Interest rate	2,187				2,187
Foreign exchange	920				920
Credit	5				5
Equity and index	338				338
Other	5				5
Debt securities		2,430			2,430
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH	3,456	2,430	-	-	5,886

(in € millions)

31 Dec. 2021					
	Financial assets held for trading	Designated as at fair value	Non-SPPI fair value and equity instruments	Assets backing unit-linked contracts	TOTAL
Derivative instruments	2,303				2,303
Interest rate	1,295				1,295
Foreign exchange	188				188
Credit	2				2
Equity and index	818				818
Debt instruments	1,442	5,717	96,389	73,742	177,291
Government paper and equivalents	-	3,438	878	15,725	20,041
Bonds and other fixed-income securities	1,442	2,279	18,203	9,079	31,003
UCITS	-	-	77,309	48,938	126,247
Equity instruments	0	-	39,364	4,737	44,101
Equities and other variable-income securities	0		39,364	4,737	44,101
Loans and advances	2,201	-	5,607		7,807
Credit institutions	-	-	-		-
Customers	2,201		5,607		7,807
FINANCIAL ASSETS AT FAIR VALUE THROUGH	5,946	5,717	141,360	78,479	231,502
Derivative instruments	2,288				2,288
Interest rate	791				791
Foreign exchange	853				853
Credit	13				13
Equity and index	627				627
Other	4				4
Debt securities		2,047			2,047
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH	2,288	2,047	-	-	4,335

Derivatives held for trading

(in € millions)	30 June 2022	
	Assets	Liabilities
Interest rate instruments	4,110	2,187
FRA	-	422
Interest rate swaps	1,705	1,445
Options, caps, floors, collars	2,405	321
Forex instruments	228	920
Currency futures	228	920
Credit instruments	5	5
Equity and index instruments	1,212	338
Other instruments	-	5
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	5,556	3,456

(in € millions)	31 Dec. 2021	
	Assets	Liabilities
Interest rate instruments	1,295	791
FRA	-	-
Interest rate swaps	686	480
Options, caps, floors, collars	608	311
Forex instruments	188	853
Currency futures	188	853
Credit instruments	2	13
Equity and index instruments	818	627
Other instruments	-	4
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	2,303	2,288

4.2 Financial assets at fair value through other comprehensive income

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(in € millions)	30 June 2022							
	Fair value				Of which loss allowances			
	B1	B2	B3	TOTAL	B1	B2	B3	TOTAL
Financial assets at fair value through OCI not reclassifiable to profit or loss				414				
Equity instruments				414				
Equities and other variable-income securities				189				
Other securities held as long-term investments				1				
Investments in non-consolidated companies				225				
Financial assets at fair value through OCI reclassifiable to profit or loss	205,579	278	-	205,857	(466)	(6)	-	(472)
Debt instruments	205,579	278	-	205,857	(466)	(6)	-	(472)
Government paper and equivalents	108,282	-	-	108,282	(83)	-	-	(83)
Bonds and other fixed-income securities	97,298	278	-	97,576	(383)	(6)	-	(389)
Loans and advances to credit institutions	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI				206,272				(472)

(in € millions)	31 Dec. 2021							
	Fair value				Of which loss allowances			
	B1	B2	B3	TOTAL	B1	B2	B3	TOTAL
Financial assets at fair value through OCI not reclassifiable to profit or loss				392				
Equity instruments				392				
Equities and other variable-income securities				189				
Other securities held as long-term investments				-				
Investments in non-consolidated companies				203				
Financial assets at fair value through OCI reclassifiable to profit or loss	227,742	379	-	228,121	(456)	(9)	-	(465)
Debt instruments	227,742	379	-	228,121	(456)	(9)	-	(465)
Government paper and equivalents	122,875	-	-	122,875	(71)	-	-	(71)
Bonds and other fixed-income securities	104,867	379	-	105,246	(385)	(9)	-	(394)
Loans and advances to credit institutions	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI				228,513				(465)

Financial assets at fair value through OCI not reclassifiable to profit or loss

(in € millions)	30 June 2022	
	Fair value	Unrealised gains/losses
Equities, other variable-income securities and other securities held as long-term investments	189	-
Investments in non-consolidated companies	225	(19)
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI NOT RECLASSIFIABLE TO PROFIT OR LOSS	414	(19)
Tax		1
Gains and losses recognised directly in OCI on financial assets at fair value through OCI not reclassifiable to profit or loss (net of tax)		(18)

(in € millions)	31 Dec. 2021	
	Fair value	Unrealised gains/losses
Equities, other variable-income securities and other securities held as long-term investments	189	0
Investments in non-consolidated companies	203	(19)
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI NOT RECLASSIFIABLE TO PROFIT OR LOSS	392	(19)
Tax		1
Gains and losses recognised directly in OCI on financial assets at fair value through OCI not reclassifiable to profit or loss (net of tax)		(18)

Investments in financial assets at fair value through OCI not reclassifiable to profit or loss that were derecognised during the period

(in € millions)	30 June 2022	
	Fair value at the date of derecognition	Cumulative realised gains/losses*
Equities and other variable-income securities	-	-
Investments in non-consolidated companies	-	-
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI NOT RECLASSIFIABLE TO PROFIT OR LOSS	-	-
Tax		-
Gains and losses recognised directly in OCI on financial assets at fair value through OCI not reclassifiable to profit or loss (net of tax)		-

* Realised gains and losses are transferred to consolidated reserves at the time of derecognition of the instrument in question.

(in € millions)	31 Dec. 2021	
	Fair value at the date of derecognition	Cumulative realised gains/losses*
Equities and other variable-income securities	0	-
Investments in non-consolidated companies	1	1
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI NOT RECLASSIFIABLE TO PROFIT OR LOSS	1	1
Tax		-
Gains and losses recognised directly in OCI on financial assets at fair value through OCI not reclassifiable to profit or loss (net of tax)		1

* Realised gains and losses are transferred to consolidated reserves at the time of derecognition of the instrument in question.

Financial assets at fair value through OCI reclassifiable to profit or loss

(in € millions)	30 June 2022	
	Fair value	Unrealised gains/losses
Government paper and equivalents	108,282	
Bonds	97,576	
Total debt instruments	205,857	(28,246)
Total loans and receivables	-	
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE TO PROFIT OR LOSS	205,857	(28,246)
Tax		7,720
Gains and losses recognised directly in OCI on financial assets at fair value through OCI reclassifiable to profit or loss (net of tax)		(20,526)

(in € millions)	31 Dec. 2021	
	Fair value	Unrealised gains/losses
Government paper and equivalents	122,875	
Bonds	105,246	
Total debt instruments	228,121	(1,094)
Total loans and receivables	-	
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE TO PROFIT OR LOSS	228,121	(1,094)
Tax		581
Gains and losses recognised directly in OCI on financial assets at fair value through OCI reclassifiable to profit or loss (net of tax)		(513)

4.3 Securities at amortised cost

(in € millions)	30 June 2022						
	Gross carrying amount			Loss allowances			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Government paper and equivalents	23,584	10	-	(3)	(0)	-	23,591
Bonds and other fixed-income securities	1,349	162	-	(11)	(27)	-	1,473
Subordinated securities	6	-	-	(0)	-	-	6
SECURITIES AT AMORTISED COST	24,939	172	-	(14)	(27)	-	25,071

(in € millions)	31 Dec. 2021						
	Gross carrying amount			Loss allowances			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Government paper and equivalents	22,145	10	-	(3)	(0)	-	22,153
Bonds and other fixed-income securities	1,101	254	-	(8)	(26)	-	1,321
Subordinated securities	6	-	-	(0)	-	-	6
SECURITIES AT AMORTISED COST	23,252	265	-	(10)	(26)	-	23,480

4.4 Loans and advances to credit institutions

(in € millions)	30 June 2022						
	Gross carrying amount			Loss allowances			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Demand deposits with credit institutions	2,555	-	-	(0)	-	-	2,555
Current accounts in debit	2,550	-	-	(0)	-	-	2,550
Overnight accounts and loans	-	-	-	-	-	-	-
Suspense accounts	5	-	-	-	-	-	5
Term loans and advances to credit institutions	64,443	-	-	(4)	-	-	64,439
Loans and advances	390	-	-	(0)	-	-	389
Deposits centralised with Caisse des dépôts	63,649	-	-	(2)	-	-	63,647
Securities and other assets purchased under collateralised reverse repurchase agreements	405	-	-	(2)	-	-	403
Subordinated loans	78	-	-	(0)	-	-	78
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	67,077	-	-	(4)	-	-	67,073

(in € millions)	31 Dec. 2021						
	Gross carrying amount			Loss allowances			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Demand deposits with credit institutions	2,261	-	-	(0)	-	-	2,261
Current accounts in debit	2,257	-	-	(0)	-	-	2,257
Overnight accounts and loans	-	-	-	-	-	-	-
Suspense accounts	4	-	-	-	-	-	4
Term loans and advances to credit institutions	65,507	-	-	(6)	-	-	65,501
Loans and advances	122	-	-	(0)	-	-	122
Deposits centralised with Caisse des dépôts	65,049	-	-	(2)	-	-	65,047
Securities and other assets purchased under collateralised reverse repurchase agreements	336	-	-	(4)	-	-	332
Subordinated loans	78	-	-	(0)	-	-	78
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	67,846	-	-	(6)	-	-	67,840

4.5 Loans and advances to customers

(in € millions)	30 June 2022						
	Gross carrying amount			Loss allowances			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Loans and advances to customers	4,198	1,058	156	(14)	(21)	(91)	5,286
Retail current accounts in debit	433	43	80	(5)	(6)	(68)	478
Corporate current accounts in debit	171	813	20	(1)	(2)	(15)	987
Factoring accounts	3,454	200	49	(8)	(14)	(5)	3,677
Suspense accounts	85	-	2	-	-	(2)	85
Other loans and advances to customers repayable on demand	54	2	4	-	-	(0)	60
Term loans and advances to customers	109,984	10,682	1,362	(129)	(503)	(558)	120,838
Corporate	27,967	3,586	379	(55)	(276)	(118)	31,482
Short-term credit facilities	7,017	897	266	(9)	(49)	(90)	8,031
Real estate loans	12,005	1,363	45	(9)	(52)	(13)	13,339
Equipment loans	6,713	706	15	(17)	(83)	(6)	7,328
Loans to financial sector customers	538	206	0	(4)	(21)	(0)	718
Other loans	1,695	414	54	(17)	(71)	(9)	2,066
Retail	71,977	7,097	982	(71)	(227)	(440)	79,318
Short-term credit facilities	4,282	1,074	385	(31)	(74)	(224)	5,412
Home loans	67,696	6,023	597	(40)	(153)	(216)	73,907
Securities and other assets purchased	10,040	-	-	(3)	-	-	10,037
Subordinated loans to customers	7	0	0	(0)	(0)	-	8
Finance lease transactions	3,141	347	96	(6)	(12)	(37)	3,529
Equipment leasing	1,574	201	23	(4)	(6)	(8)	1,780
Real estate leasing	1,567	146	73	(2)	(7)	(28)	1,749
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST	117,331	12,087	1,614	(149)	(536)	(686)	129,661

(in € millions)	31 Dec. 2021						
	Gross carrying amount			Loss allowances			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Loans and advances to customers	5,216	112	155	(15)	(21)	(83)	5,364
Retail current accounts in debit	412	38	73	(5)	(5)	(60)	452
Corporate current accounts in debit	477	7	18	(1)	(1)	(14)	486
Factoring accounts	4,187	66	59	(9)	(16)	(5)	4,282
Suspense accounts	70	-	3	-	-	(3)	70
Other loans and advances to customers repayable on demand	70	2	3	-	-	(1)	74
Term loans and advances to customers	106,161	7,965	1,375	(152)	(474)	(551)	114,325
Corporate	27,313	3,269	381	(76)	(284)	(107)	30,498
Short-term credit facilities	6,476	765	243	(11)	(40)	(78)	7,354
Real estate loans	11,932	1,138	63	(17)	(66)	(13)	13,037
Equipment loans	6,701	818	15	(27)	(85)	(7)	7,415
Loans to financial sector customers	328	206	0	(1)	(20)	(0)	513
Other loans	1,876	343	60	(19)	(72)	(8)	2,179
Retail	71,916	4,696	994	(75)	(190)	(444)	76,896
Short-term credit facilities	4,308	883	389	(32)	(68)	(223)	5,256
Home loans	67,608	3,813	605	(43)	(122)	(221)	71,640
Securities and other assets purchased	6,932	-	-	(1)	-	-	6,931
Subordinated loans to customers	5	0	-	(0)	(0)	-	5
Finance lease transactions	3,169	243	96	(5)	(10)	(35)	3,458
Equipment leasing	1,573	103	22	(4)	(4)	(7)	1,683
Real estate leasing	1,595	140	74	(1)	(6)	(28)	1,775
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST	114,551	8,321	1,627	(172)	(505)	(669)	123,152

4.6 Accruals and other assets

(in € millions)	30 June 2022	31 Dec. 2021
Prepaid expenses and accrued income	1,199	993
Collection accounts	361	15
Other accruals	690	884
Accruals	2,250	1,891
Sundry debtors	8,756	5,086
Securities settlement accounts	0	3
Loss allowances	(65)	(61)
Other assets	8,691	5,027
Reinsurance companies' share of technical provisions	21,009	21,392
Insurance and reinsurance receivables	5,582	2,804
Loans and advances	236	232
Miscellaneous insurance assets	2,251	2,069
Other insurance assets	29,077	26,496
ACCRUALS AND OTHER ASSETS	40,019	33,415

4.7 Non-current assets and liabilities held for sale

On 5 May 2022, CNP Assurances entered into an agreement to sell CNP Partners to Mediterráneo Vida (MedVida). CNP Partners is 99.5% owned by CNP Assurances and 0.5% by CNP Caution (a wholly-owned subsidiary of CNP Assurances).

Completion of the transaction is subject to the customary conditions, including regulatory authorisations.

At 30 June 2022, the main categories of assets and liabilities presented within assets and non-current liabilities held for sale are as follows (amounts are net of intragroup transactions with other La Banque Postale Group entities):

(in € millions)	30 June 2022
ASSETS	
Financial assets at fair value through profit or loss ⁽¹⁾	819
Financial assets at fair value through OCI ⁽¹⁾	1,038
Loans and advances to credit institutions at amortised cost	140
Accruals and other assets	42
Investment property	7
Intangible assets	8
NON-CURRENT ASSETS HELD FOR SALE	2,054
LIABILITIES	
Insurance company technical provisions and shadow accounting reserves	1,952
Other liabilities	31
LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE	1,983

(1) The expected transaction led to the recognition of a €32 million impairment loss against financial assets in first-half 2022.

4.8 Investments in equity-accounted companies

	30 June 2022				
	Sector	% interest	Equity-accounted value	Contribution to LBP Group net profit	Contribution to LBP Group OCI
<i>(in € millions)</i>					
Arial CNP Assurances	Bancassurance France	40.00%	45	0	(2)
Other joint ventures	-		112	14	(4)
Joint ventures			157	14	(6)
Holding d'Infrastructures Gazières	Bancassurance France	53.00%	830	11	16
Insurance joint venture⁽¹⁾			830	11	16
Ostrum Asset Management	Wealth and Asset Management		-	-	(0)
AEW Europe SA	Wealth and Asset Management		-	(0)	0
Joint ventures and associates sold during the period⁽²⁾			-	(0)	0
INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES			987	25	10

(1) Insurance joint venture held under contracts with participating features, whose contribution to net profit is presented net of deferred participation within net banking income in the income statement for first-half 2022.

(2) AEW Europe SA and Ostrum Asset Management were sold on 13 May 2022 (see Note 1.1 "Significant events of the period").

	31 Dec. 2021				
	Sector	% interest	Equity-accounted value	Contribution to LBP Group net profit	Contribution to LBP Group OCI
<i>(in € millions)</i>					
Arial CNP Assurances	Bancassurance France	31.58%	47	1	(1)
CNP Vita Assicura ⁽¹⁾	International Bancassurance	40.26%	-	70	-
CNP Vita Assicurazione ⁽¹⁾	International Bancassurance	78.95%	-	(35)	-
Other joint ventures	-		97	5	(0)
Joint ventures			145	42	(1)
Holding d'Infrastructures Gazières	Bancassurance France	41.84%	803	46	1
Insurance joint venture			803	46	1
Ostrum Asset Management	Wealth and Asset Management	31.50%	115	0	0
AEW Europe SA	Wealth and Asset Management	40.00%	64	10	(0)
Joint ventures and associates held for sale			178	10	0
INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES			1,126	99	0

(1) CNP Vita Assicura and CNP Vita Assicurazione are accounted for by the equity method from 1 to 30 December 2021 and fully consolidated from 31 December 2021.

4.9 Goodwill

Movements during the period

(in € millions)	First-half 2022	Full-year 2021
CARRYING AMOUNT AT BEGINNING OF PERIOD	156	156
Goodwill arising on acquisitions for the period	1	-
Disposals	-	-
Impairment for the period	-	-
Other movements	0	0
CARRYING AMOUNT AT END OF PERIOD	157	156

Analysis of goodwill

(in € millions)	30 June 2022	31 Dec. 2021
Tocqueville Finance	27	27
La Banque Postale Asset Management	34	34
La Banque Postale Prévoyance	94	94
EasyBourse	5	5
SCI Lamartine	1	-
Total gross goodwill	162	160
Impairment	(5)	(5)
TOTAL NET GOODWILL	157	156

4.10 Liabilities due to credit institutions

(in € millions)	30 June 2022	31 Dec. 2021
Current accounts in credit	2,007	1,057
Overnight accounts and borrowings	690	-
Other amounts due	5	8
Demand deposits from credit institutions	2,702	1,065
Term deposits	9,170	8,752
Securities and other assets sold under collateralised repurchase agreements	20,814	20,576
Term liabilities due to credit institutions	29,984	29,328
LIABILITIES DUE TO CREDIT INSTITUTIONS	32,685	30,393

4.11 Customer deposits

(in € millions)	30 June 2022	31 Dec. 2021
<i>Livret A</i>	67,128	65,254
PEL/CEL home savings plans and accounts	29,948	30,624
Other regulated savings accounts	26,008	25,087
Regulated savings accounts	123,085	120,965
Current accounts in credit	88,328	85,436
Overnight accounts and borrowings	2,940	3,314
Other amounts due	1,322	1,040
Customer demand deposits	92,590	89,790
Term deposits	-	753
Term deposit accounts in credit	0	35
Securities sold under collateralised term repurchase agreements	25,554	23,495
Customer term deposits	25,554	24,283
CUSTOMER DEPOSITS	241,228	235,038

4.12 Accruals and other liabilities

(in € millions)	30 June 2022	31 Dec. 2021
Accrued expenses and deferred income	2,076	2,126
Other accruals	1,800	1,558
Accruals	3,875	3,684
Securities-related liabilities	95	95
Guarantee deposits received	2,664	1,036
Other payables	3,407	3,321
Securities settlement accounts	9	6
Other liabilities	6,176	4,459
Insurance and reinsurance payables	15,206	13,001
Other insurance liabilities	226	220
Other insurance liabilities	15,432	13,221
ACCRUALS AND OTHER LIABILITIES	25,484	21,364

4.13 Insurance company technical provisions and shadow accounting reserves

(in € millions)	30 June 2022			31 Dec. 2021		
	Before reinsurance	Reinsurance	Net of reinsurance	Before reinsurance	Reinsurance	Net of reinsurance
Non-life insurance	9,919	891	9,027	9,627	869	8,757
Life insurance	264,800	16,796	248,004	261,941	17,050	244,891
<i>of which life insurance mathematical reserves</i>	249,933	16,300	233,634	248,849	16,656	232,194
Financial instruments with DPF	104,162	3,072	101,090	107,284	3,195	104,089
<i>of which mathematical reserves</i>	94,174	2,814	91,360	97,942	2,942	95,000
Financial instruments without DPF	3,338	249	3,089	3,713	278	3,434
TECHNICAL PROVISIONS	382,218	21,009	361,210	382,564	21,392	361,172

(in € millions)	30 June 2022			31 Dec. 2021		
	Before reinsurance	Reinsurance	Net of reinsurance	Before reinsurance	Reinsurance	Net of reinsurance
Deferred participation reserve	4,123	-	4,123	31,834	-	31,834
SHADOW ACCOUNTING RESERVES - LIABILITIES	4,123	-	4,123	31,834	-	31,834

TOTAL TECHNICAL PROVISIONS AND SHADOW ACCOUNTING RESERVES - LIABILITIES	386,341	21,009	365,333	414,398	21,392	393,006
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(in € millions)	30 June 2022			31 Dec. 2021		
	Before reinsurance	Reinsurance	Net of reinsurance	Before reinsurance	Reinsurance	Net of reinsurance
Deferred participation reserve	2,734	-	2,734	-	-	-
SHADOW ACCOUNTING RESERVES - ASSETS	2,734	-	2,734	-	-	-

The deferred participation reserve results from the use of shadow accounting. It represents the life insurance policyholders' share of unrealised gains and losses and loss allowances recognised on assets whose yields determine the yield paid to policyholders.

4.14 Provisions

(in € millions)	31 Dec. 2021	Charges	Reversals (utilisations)	Reversals (surplus)	Changes in scope of consolidat ion	Translation adjustments	Other	30 June 2022
Provisions for employee benefit liabilities	365	6	(1)	-	-	-	-	370
Provisions for PEL/CEL home loan commitments	186	0	-	(9)	-	-	-	177
Accrued payroll costs and provisions for employee claims	12	5	(5)	(1)	-	-	-	10
Provisions for guarantee commitments	5	23	(20)	-	-	-	(0)	8
Provisions for financing commitments	92	57	(47)	-	-	-	(0)	102
Other provisions for liabilities and charges	415	9	(23)	(7)	-	20	9	423
PROVISIONS	1,075	100	(97)	(17)	-	20	9	1,091

(in € millions)	31 Dec. 2020	Charges	Reversals (utilisations)	Reversals (surplus)	Changes in scope of consolidat ion	Translation adjustments	Other	31 Dec. 2021
Provisions for employee benefit liabilities	345	42	(41)	-	0	-	20	365
Provisions for PEL/CEL home loan commitments	204	2	-	(20)	-	-	-	186
Accrued payroll costs and provisions for employee claims	8	11	(7)	(1)	-	-	0	12
Provisions for guarantee commitments	4	17	(17)	-	-	-	-	5
Provisions for financing commitments	95	61	(64)	-	-	-	-	92
Other provisions for liabilities and charges	369	103	(50)	(15)	7	1	(1)	415
PROVISIONS	1,025	237	(179)	(36)	7	1	19	1,075

4.15 Subordinated debt

(in € millions)	30 June 2022	31 Dec. 2021
Subordinated debt	10,479	10,110
TOTAL	10,479	10,110

The balance sheet value, after hedging and including accrued interest, breaks down as follows:

(in € millions)	Date of issue	Maturity date	Interest rate	Amount in issue currency	Currency	30 June 2022	31 Dec. 2021
Redeemable subordinated notes						9,626	9,306
La Banque Postale	19.11.2015	19.11.2027	2.750%	750	EUR	760	750
La Banque Postale	09.06.2016	09.06.2028	3.000%	500	EUR	465	525
La Banque Postale	05.10.2016	05.10.2028	2.250%	100	EUR	92	102
La Banque Postale	16.01.2017	09.06.2028	3.000%	150	EUR	140	158
La Banque Postale	26.10.2020	26.01.2031	0.875%	500	EUR	467	494
La Banque Postale	02.02.2021	02.08.2032	0.750%	500	EUR	449	486
La Banque Postale	27.04.2021	02.08.2032	0.750%	250	EUR	225	243
CNP Assurances	24.06.2003	23.06.2023	4.7825% until 2013, then 3-month Euribor +200 bps from 24 June 2013	200	EUR	203	204
CNP Assurances	05.06.2014	05.06.2045	4.25% until June 2025, then reset at the 5-year fixed swap rate +360 bps	500	EUR	543	561
CNP Assurances	10.12.2015	10.06.2047	4.5% until June 2027, then 3-month Euribor +460 bps	750	EUR	861	889
CNP Assurances	22.01.2016	22.01.2049	6% until Jan. 2049	500	USD	539	504
CNP Assurances	20.10.2016	20.10.2022	1.875% until Oct. 2022	1,000	EUR	1,019	1,019
CNP Assurances	05.02.2019	05.02.2029	2.75% until Feb. 2029	500	EUR	564	576
CNP Assurances	27.11.2019	27.07.2050	2.00% until June 2030, then 3-month Euribor +300 bps	750	EUR	785	779
CNP Assurances	10.12.2019	15.01.2027	0.80% until Jan. 2027	250	EUR	253	254
CNP Assurances	30.06.2020	30.09.2051	2.5% until June 2031, then 3-month Euribor +365 bps	750	EUR	750	759
CNP Assurances	08.12.2020	08.03.2028	0.375% until Mar. 2028	500	EUR	501	502
CNP Assurances	12.10.2021	12.10.2053	1.875% until Oct. 2033, then 3-month Euribor +270 bps	500	EUR	507	502
CNP Assurances	27.01.2022	27.01.2029	1.25% until Jan. 2029	500	EUR	504	-
Perpetual subordinated notes						853	804
CNP Assurances	15.11.2004		4.93% until 2016, then 3-month Euribor +160 bps from 15 Nov. 2016	90	EUR	88	88
CNP Assurances	15.11.2004		3-month Euribor +70 bp until 2016, then 3-month Euribor +160 bps	93	EUR	91	91
CNP Assurances	07.04.2021		4.875% until April 2031, then 5-year CMT +318.3 bps	700	USD	673	625
SUBORDINATED DEBT						10,479	10,110

4.16 Equity

Composition of share capital

La Banque Postale's share capital amounted to €6,585 million at 30 June 2022, made up of 80,309,149 shares with a par value of €82 each.

Perpetual subordinated notes classified in equity attributable to owners of the parent

(in € millions)	Date of issue	Interest rate	Issue amount	Currency	30 June 2022	31 Dec. 2021
La Banque Postale	20.11.2019	3.875%	750	EUR	744	744
La Banque Postale	29.09.2021	3.000%	750	EUR	744	744
PERPETUAL SUBORDINATED NOTES CLASSIFIED IN EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					1,488	1,488

Perpetual subordinated notes issued by subsidiaries classified in non-controlling interests

(in € millions)	Date of issue	Interest rate	Issue amount	Currency	30 June 2022	31 Dec. 2021
	21.06.2004	TEC 10 +10 bps, capped at 9%	300	EUR	251	251
	11.03.2005	6.25% until 2009, then 4 x (10-year EUR CMS – 2-year EUR CMS), 9% cap and 2.75% floor	24	EUR	24	24
	11.03.2005	6.50% until Mar. 2008, then 3% +2,250 bps x 10-year EUR CMS	225	EUR	220	220
	27.06.2005	7% until June 2010, then 10-year CMS +30 bps	75	EUR	60	60
CNP Assurances	16.05.2006	5.25% until 16 May 2036, then 3-month Euribor +185 bps (including 100 bps call date step-up)	160	EUR	181	181
	20.12.2006	3-month Euribor +95 bps until 20 Dec. 2026, then 3-month Euribor +195 bps	108	EUR	99	99
	18.11.2014	4% until Nov. 2024, then reset at the 5-year fixed swap rate +410 bps	500	EUR	556	556
	27.06.2018	4.75% until 2028, then reset at the 5-year fixed swap rate +391.4 bps	500	EUR	552	552
PERPETUAL SUBORDINATED NOTES CLASSIFIED IN NON-CONTROLLING INTERESTS					1,944	1,944

4.17 Sovereign exposure

The breakdown of direct and indirect sovereign exposures is as follows:

Sovereign exposures at 30 June 2022

(in € millions)	30 June 2022						Exposure in %
	Total Banking Portfolio	Assets at fair value through profit or loss	Total direct exposure ⁽¹⁾	Borrowed securities	Off-balance sheet	Total direct and indirect exposure ⁽²⁾	
Germany	5,868	266	6,135	-	-	6,135	2.5%
Austria	578	15	593	-	-	593	0.2%
Belgium	6,922	264	7,186	1,931	-	9,117	3.7%
Spain	13,206	85	13,291	45	-	13,337	5.4%
France	154,323	3,752	158,076	9,803	1,711	169,590	68.7%
United Kingdom	-	2	2	647	-	649	0.3%
Ireland	70	13	82	186	-	269	0.1%
Italy	13,577	439	14,016	-	-	14,016	5.7%
Luxembourg	78	0	78	122	-	200	0.1%
Netherlands	303	4	307	-	-	307	0.1%
Poland	223	23	246	-	-	246	0.1%
Portugal	2,118	69	2,188	-	-	2,188	0.9%
Romania	124	1	124	-	-	124	0.1%
Other European countries	151	108	259	-	-	259	0.1%
Supranational	6,296	737	7,032	-	-	7,032	2.8%
Total Europe	203,837	5,778	209,615	12,735	1,711	224,061	90.8%
Brazil	2,635	18,616	21,251	-	-	21,251	8.6%
Canada	700	1	702	-	-	702	0.3%
Japan	294	-	294	-	-	294	0.1%
Other	436	48	484	-	-	484	0.2%
Total Rest of World	4,066	18,665	22,731	-	-	22,731	9.2%
TOTAL	207,903	24,442	232,346	12,735	1,711	246,792	100.0%

Identification based on the scope defined by the EBA.

These exposures include deposits centralised with Caisse des dépôts.

⁽¹⁾ Direct exposure: fair value or gross carrying amount of proprietary exposures.

⁽²⁾ Direct and indirect exposures: direct exposures plus indirect exposures arising from securities borrowing transactions, forward purchases and off-balance sheet positions.

Sovereign exposures at 31 December 2021

	31 Dec. 2021						
(in € millions)	Total Banking Portfolio	Assets at fair value through profit or loss	Total direct exposure ⁽¹⁾	Borrowed securities	Off-balance sheet	Total direct and indirect exposure ⁽²⁾	Exposure in %
Germany	5,910	287	6,198	114	-	6,312	2.5%
Austria	543	5	549	-	-	549	0.2%
Belgium	10,173	236	10,408	2,200	-	12,608	4.9%
Spain	14,866	142	15,008	44	-	15,051	5.9%
France	164,472	3,561	168,034	8,018	942	176,993	69.5%
United Kingdom	-	3	3	-	1	3	0.0%
Ireland	88	15	103	-	-	103	0.0%
Italy	14,800	501	15,300	11	-	15,311	6.0%
Luxembourg	37	0	38	-	-	38	0.0%
Netherlands	305	4	309	-	-	309	0.1%
Poland	337	25	362	-	-	362	0.1%
Portugal	1,873	77	1,949	-	-	1,949	0.8%
Romania	174	1	175	-	-	175	0.1%
Other European countries	180	59	239	-	-	239	0.1%
Supranational	5,330	739	6,070	2	-	6,072	2.4%
Total Europe	219,088	5,656	224,743	10,389	943	236,075	92.6%
Brazil	2,176	15,117	17,293	-	-	17,293	6.8%
Canada	750	1	752	-	-	752	0.3%
Japan	105	-	105	-	-	105	0.0%
Other	547	56	603	-	-	603	0.2%
Total Rest of World	3,578	15,174	18,752	-	-	18,752	7.4%
TOTAL	222,666	20,829	243,496	10,389	943	254,827	100.0%

Identification based on the scope defined by the EBA.

These exposures include deposits centralised with Caisse des dépôts.

⁽¹⁾ Direct exposure: fair value or gross carrying amount of proprietary exposures.

⁽²⁾ Direct and indirect exposures: direct exposures plus indirect exposures arising from securities borrowing transactions, forward purchases and off-balance sheet positions.

NOTE 5 NOTES TO THE INCOME STATEMENT

5.1 Interest income and expense

(in € millions)	First-half 2022	Of which negative interest	First-half 2021	Of which negative interest
On financial assets at amortised cost	1,925	184	1,865	191
Transactions with credit institutions ⁽¹⁾	683	125	558	118
Customer transactions	1,019	39	1,074	73
Finance lease transactions	25	-	22	-
On securities at amortised cost	198	20	210	0
On financial assets at fair value through OCI reclassifiable to profit or loss	1,590	-	581	-
Transactions with credit institutions	-	-	-	-
Customer transactions	-	-	-	-
Debt securities	1,590	-	581	-
Accrued interest on hedging instruments	203	-	185	-
Other interest income	-	-	-	-
Interest income	3,718	184	2,630	191
On financial liabilities at amortised cost	(1,085)	(35)	(886)	(36)
Transactions with credit institutions	(115)	(12)	(96)	(13)
Customer transactions	(791)	(23)	(634)	(24)
On debt securities and subordinated debt	(179)	-	(156)	-
Accrued interest on hedging instruments	(78)	-	(91)	-
Other interest expense	-	-	-	-
Interest expense	(1,163)	(35)	(977)	(36)
INTEREST INCOME AND EXPENSE	2,556		1,653	

The amount of interest and remuneration received in respect of centralised *Livret A*, *Livret de développement durable* and *Livret d'épargne populaire* savings deposits amounted to €562 million in first-half 2022, compared with €441 million in first-half 2021.

(1) In 2019, the ECB launched a new series of long-term refinancing operations ("TLTRO III"), comprising ten quarterly drawdowns between September 2019 and December 2021. Each drawdown has a maturity of three years and may be repaid early from September 2021.

The amount that each bank may borrow is based on its loanbook (businesses excluding financial institutions, and retail customers excluding mortgage loans) at 28 February 2019.

La Banque Postale drew down its entire €7.3 billion TLTRO-III allocation in three tranches between December 2019 and March 2021:

- ▶ 30% of its drawdown capacity on 18 December 2019, i.e., €1,322 million;
- ▶ the remaining capacity on 25 March 2020, i.e., €5,291 million;
- ▶ an additional €661 million on 24 March 2021, following the increase in drawing rights from 50% to 55% of the eligible loan amount.

The interest rate over the entire period of the operation is based on a formula that tracks eligible lending volumes. The Group is reasonably certain that it will qualify for the subsidised interest rate and is calculating its interest on this basis.

To encourage the banks to lend during the COVID-19 crisis, the interest rate charged to banks that maintain or increase their lending volumes has been reduced by a further 50 bps. The reduction applied originally to interest rates on refinancing operations between 24 June 2020 and 23 July 2021 and was extended until June 2022 by a decision of the ECB in December 2020.

The Group has taken the reduction into account for the calculation of its effective rate of interest for the period and is recognising it in interest income between June 2020 and July 2022. It represents income of approximately €18 million for the Group at 30 June 2022. It is passed on to customers in the interest rates charged on loans originated during the period.

5.2 Fee and commission income and expense

(in € millions)	First-half 2022		First-half 2021	
	Income	Expenses	Income	Expenses
Fees on cash and interbank transactions	47	(6)	64	(2)
Fees and commissions on customer transactions	563	(2)	543	(2)
Financial services fees	282	(96)	282	(88)
Fees and commissions on securities transactions	187	(134)	172	(126)
Fees and commissions on financial instruments	-	(0)	-	(0)
Insurance fees and commissions	3	(1,609)	12	(1,432)
Other fees and commissions	39	(1)	54	(1)
Fee and commission income and expense	1,120	(1,850)	1,127	(1,651)
NET FEES AND COMMISSIONS		(729)		(524)

5.3 Net gain or loss on financial instruments at fair value through profit or loss

(in € millions)	First-half 2022	First-half 2021
Dividends received	999	902
Unrealised or realised gains or losses on financial assets and liabilities through profit or loss	(13,180)	7,942
Unrealised or realised gains or losses on assets and liabilities held for trading	1,848	(262)
Unrealised or realised gains or losses on debt instruments not meeting SPPI criteria	(8,473)	4,936
Unrealised or realised gains or losses on assets and liabilities designated as at fair value through profit or loss	126	(39)
Unrealised or realised gains or losses on assets backing unit-linked contracts	(6,680)	3,306
Hedging gains and losses	(15)	(0)
NET GAIN OR LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	(12,195)	8,843

Hedging gains and losses break down as follows:

(in € millions)	First-half 2022		
	Gains	Losses	Net
Fair value hedges	1,269	(1,285)	(16)
Changes in fair value of hedged items attributable to the hedged risks	1,227	(384)	842
Changes in fair value of hedging derivatives (including hedge termination)	42	(900)	(858)
Fair value hedges of interest rate risks on a portfolio of financial instruments	403	(402)	1
Changes in fair value of hedged items	403	(21)	381
Changes in fair value of hedging derivatives	-	(380)	(380)
NET HEDGING GAIN OR LOSS	1,672	(1,687)	(15)

(in € millions)	First-half 2021		
	Gains	Losses	Net
Fair value hedges	283	(291)	(8)
Changes in fair value of hedged items attributable to the hedged risks	187	(131)	55
Changes in fair value of hedging derivatives (including hedge termination)	97	(160)	(63)
Fair value hedges of interest rate risks on a portfolio of financial instruments	211	(203)	7
Changes in fair value of hedged items	150	(53)	97
Changes in fair value of hedging derivatives	61	(150)	(90)
NET HEDGING GAIN OR LOSS	494	(495)	(0)

5.4 Net gain or loss on financial instruments at fair value through other comprehensive income

(in € millions)	First-half 2022	First-half 2021
Dividend income from equity instruments at fair value through OCI not reclassifiable to profit or loss	12	3
Gains or losses on disposals of financial assets at fair value through OCI reclassifiable to profit or loss	(1,187)	(352)
On debt securities	(1,187)	(352)
On loans and advances	-	-
Gains or losses on the sale or termination of fair value hedges of debt instruments	0	0
NET GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	(1,174)	(349)

5.5 Gains and losses on derecognition of debt instruments at amortised cost

(in € millions)	First-half 2022		First-half 2021	
	Income	Expenses	Income	Expenses
Gains and losses on derecognition events	18	-	-	-
Debt instruments	18	-	-	-
NET GAIN OR LOSS ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST	18	-	-	-

5.6 Income and expenses from other activities

(in € millions)	First-half 2022		First-half 2021	
	Income	Expenses	Income	Expenses
Ceded income, re-invoiced expenses, expense transfers	12	-	10	-
Other operating income and expenses	287	(261)	264	(238)
Accruals for other operating expenses	23	(7)	13	(9)
Income and expenses from insurance and reinsurance activities	20,677	(6,583)	16,922	(21,904)
Income and expenses from other activities	20,998	(6,851)	17,210	(22,151)
NET INCOME (EXPENSE) FROM OTHER ACTIVITIES	14,148		(4,941)	

5.7 General operating expenses

(in € millions)	First-half 2022	First-half 2021
Payroll costs	(653)	(597)
Taxes other than on income ⁽¹⁾	(189)	(166)
External services	(1,901)	(1,883)
Other expenses	(197)	(156)
Other general operating expenses	(2,287)	(2,204)
GENERAL OPERATING EXPENSES	(2,940)	(2,801)

⁽¹⁾ Including contributions to banking and insurance supervisory costs.

5.8 Cost of risk

(in € millions)	First-half 2022				First-half 2021			
	B1	B2	B3	Total	B1	B2	B3	Total
Financial assets at amortised cost	22	(31)	(56)	(65)	(3)	(36)	(54)	(93)
Financial assets at fair value through OCI	(6)	3		(3)	5	(5)		1
Provisions for off-balance sheet items	0	(13)	(1)	(13)	(0)	12	(2)	9
Net charges to loss allowances	16	(41)	(57)	(82)	1	(29)	(56)	(83)
Recoveries on impaired assets covered by allowances				6				6
Credit losses not covered by allowances				(2)				(3)
Other losses or income ⁽¹⁾				(12)				(19)
COST OF RISK	(90)				(98)			

⁽¹⁾ Including movements on the insurance subsidiaries' deferred policyholders' surplus reserve.

The impact of macro-economic developments, COVID-19, government-backed loans ("PGE") and changes in models are detailed in Note 3.1 "Credit risk".

5.9 Gains and losses on other assets

(in € millions)	First-half 2022	First-half 2021
Gains and losses on disposals of intangible assets and property, plant and equipment	(0)	2
Gains and losses on disposals and remeasurement of consolidated securities	29	0
NET GAIN OR LOSS ON OTHER ASSETS	29	2

Gains and losses on the remeasurement of consolidated securities in first-half 2022 correspond to the capital gain on the disposal of AEW Europe SA and Ostrum Asset Management on 13 May 2022, and to the loss on the disposal of CNP Partners (see Note 1.1 "Significant events of the period").

5.10 Income tax

(in € millions)	First-half 2022	First-half 2021
Current tax	(378)	(421)
Deferred taxes	115	121
INCOME TAX	(263)	(300)

The effective tax rate in first-half 2022 was 30.75% based on pre-tax profit for the period of €855 million as adjusted to exclude the share of profits of equity-accounted companies. The effective rate for first-half 2021 was 40.79%.

NOTE 6 INSURANCE ACTIVITIES

6.1 Insurance investments

(in € millions)	30 June 2022	31 Dec. 2021
Financial assets at fair value through profit or loss (a)	211,490	226,403
Hedging derivatives	163	55
Financial assets at fair value through OCI reclassifiable to profit or loss (b)	193,090	216,584
Securities at amortised cost	101	84
Investment property	5,638	3,393
Investments in equity-accounted companies	987	948
INSURANCE INVESTMENTS	411,469	447,467

(a) Financial assets at fair value through profit or loss

(in € millions)	30 June 2022	31 Dec. 2021
Debt instruments	169,550	180,952
Government paper and equivalents	4,251	4,316
Bonds and other fixed-income securities	21,047	20,439
UCITS	66,071	76,849
Assets backing unit-linked contracts	72,623	73,742
Loans and advances	5,558	5,607
Equity instruments	38,516	44,038
Equities and other variable-income securities	34,227	39,301
Assets backing unit-linked contracts	4,289	4,737
Derivative instruments	3,423	1,413
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	211,490	226,403

(b) Financial assets at fair value through OCI reclassifiable to profit or loss

(in € millions)	30 June 2022		
	Fair value	Of which loss allowances	Unrealised gains/losses
Government paper and equivalents	106,836	(83)	(19,571)
Bonds and other fixed-income securities	86,254	(358)	(8,563)
Total debt instruments	193,090	(440)	(28,134)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE TO PROFIT OR LOSS	193,090	(440)	(28,134)
Tax			7,691
Gains and losses recognised directly in OCI on financial assets at fair value through OCI reclassifiable to profit or loss (net of tax) – insurance investments			(20,443)

(in € millions)	31 Dec. 2021		
	Fair value	Of which loss allowances	Unrealised gains/losses
Government paper and equivalents	121,945	(70)	(1,669)
Bonds and other fixed-income securities	94,639	(359)	492
Total debt instruments	216,584	(430)	(1,178)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE TO PROFIT OR LOSS	216,584	(430)	(1,178)
Tax			603
Gains and losses recognised directly in OCI on financial assets at fair value through OCI reclassifiable to profit or loss (net of tax) – insurance investments			(575)

6.2 Insurance income statement

(in € millions)	First-half 2022	First-half 2021
Written premiums	20,698	16,933
Change in unearned premiums	(224)	(159)
Earned premiums	20,474	16,774
Revenue from other activities	50	44
Other operating income	2	11
Investment income net of expenses	2,940	2,942
Gains and losses on disposals of investments	(1,055)	(289)
Change in fair value of investments recognised at fair value through profit or loss	(13,701)	6,356
Change in impairment losses on investments	(11)	7
Impact of the overlay approach	1,559	(707)
Investment income net of expenses	(10,267)	8,309
Total revenue	10,258	25,138
Claims and benefits expenses	(6,441)	(21,808)
Ceded expenses and income	19	50
Income and expenses from other activities	(22)	0
Acquisition costs	(2,192)	(1,973)
Amortisation of value of In-Force business, distribution agreements and contractual customer relationships	(289)	(275)
Administrative costs	(186)	(147)
Other operating income and expenses	(199)	(165)
Total other income and expenses, net	(9,309)	(24,317)
Recurring operating profit	949	821
Non-recurring operating income and expenses, net	(23)	(4)
Operating profit	926	817
Finance costs	(58)	(49)
Changes in value of intangible assets	(37)	(96)
Share of profits of equity-accounted companies	14	25
Income tax	(213)	(228)
Profit (loss) from assets held for sale discontinued operations	(32)	-
CONSOLIDATED NET PROFIT	601	469
NON-CONTROLLING INTERESTS	148	176
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	452	293

6.3 Impact of applying the overlay approach to La Banque Postale Group's insurance activities

The net impact of applying the overlay approach by type of financial asset is presented below:

(in € millions)	30 June 2022				30 June 2021			
	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact
UCITS	50,134	(452)	208	(244)	47,155	96	(27)	69
Equities and other variable-income securities	32,018	(991)	318	(673)	33,119	664	(99)	564
Bonds	8,715	(83)	22	(61)	6,133	(3)	1	(2)
Other financial assets	10,728	(33)	27	(7)	19,039	(50)	23	(27)
TOTAL	101,596	(1,559)	575	(985)	105,446	707	(103)	605

The impact on the income statement of applying the overlay approach is presented below:

(in € millions)	First-half 2022			First-half 2021		
	IAS 39	IFRS 9	Overlay impact	IAS 39	IFRS 9	Overlay impact
Net banking income excluding overlay	(51)	(1,610)		81	789	-
Overlay impact			1,559	-	-	(707)
Net banking income	(51)	(1,610)	1,559	81	789	(707)
Deferred taxes	15	589	(575)	(34)	(136)	103
NET PROFIT	(36)	(1,021)	985	48	652	(605)

NOTE 7 COMMITMENTS GIVEN AND RECEIVED

Contractual value of commitments given and received

(in € millions)	30 June 2022	31 Dec. 2021
FINANCING COMMITMENTS		
Given to credit institutions	1,233	1,949
Given to customers	26,850	26,992
Total financing commitments given	28,084	28,941
Received from credit institutions	17,446	17,185
Received from customers	1,480	400
Total financing commitments received	18,925	17,585
GUARANTEE COMMITMENTS		
Given to credit institutions	1,199	1,123
Given to customers*	1,140	1,324
Total guarantee commitments given	2,339	2,448
Received from credit institutions	38,753	36,937
Received from customers	6,643	6,980
Total guarantee commitments received	45,396	43,917
SECURITIES COMMITMENTS		
Securities to be delivered	19,408	17,438
Total securities commitments given	19,408	17,438
Securities to be received	566	216
Total securities commitments received	566	216
OTHER COMMITMENTS		
Total other commitments given	50,972	51,044
Total other commitments received	25,570	27,297

* Including capital and performance guarantees given to the holders of UCITS units managed by Group entities.

Crédit Logement commitments

La Banque Postale is committed to maintaining Crédit Logement's Tier 1 capital at a level equivalent to its interest in the company, i.e., 6%, so that the company can maintain its solvency ratio. La Banque Postale is also committed to replenishing Crédit Logement's mutual guarantee fund if required. This fund underwrites borrower defaults on loans guaranteed by the fund. The amount of this commitment, which is calculated by reference to the share of outstanding Crédit Logement loans distributed by La Banque Postale, was €175 million at 30 June 2022 (€184 million at 31 December 2021).

The amount reported for guarantee commitments received from credit institutions primarily corresponds to guarantees received from Crédit Logement.

Other commitments given

Other commitments given by the banking entities mainly concern securities pledged as collateral for the financing commitment received from the ECB and for 3G funding. The commitment is measured at the market value of the pledged securities before taking into account the differentiated haircuts applied to securities and receivables. The €8,886 million commitment has been given in exchange for a 3G financing commitment received from Banque de France (€426 million) and drawdowns of the TLTRO-III allocation from the ECB (€7,275 million).

Other commitments also include €24,291 million in home loans pledged as collateral for covered bond issues by the Group's home loans company (La Banque Postale Home Loan SFH).

Other commitments given by the insurance entities correspond for the most part to securities pledged to reinsurers under the terms of outward reinsurance contracts.

Other commitments received

These consist of securities commitments, corresponding essentially to securities pledged by ceding insurers to CNP Assurances under the terms of inward reinsurance contracts.

NOTE 8 FAIR VALUE OF BALANCE SHEET ITEMS

8.1 Fair value of balance sheet items at amortised cost

The table below shows the fair value of balance sheet items recognised at amortised cost.

	30 June 2022				
	Balance sheet amount	Fair value	Fair value hierarchy		
			Valuation using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
<i>(in € millions)</i>					
ASSETS					
Securities at amortised cost	25,071	22,689	20,960	1,375	355
Demand deposits with credit institutions	2,555	2,555	-	2,301	254
Term loans and advances to credit institutions	64,439	64,514	-	64,399	114
Subordinated loans to credit institutions	78	79	-	79	-
Loans and advances to credit institutions	67,073	67,148	-	66,780	368
Loans and advances to customers repayable on demand	5,286	5,286	-	5,027	260
Term loans and advances to customers	120,838	116,531	-	108,149	8,381
Finance leases	3,529	4,310	-	4,310	-
Subordinated loans to customers	8	7	-	7	-
Loans and advances to customers	129,661	126,135	-	117,494	8,641
Investment property at amortised cost	3,253	3,812	-	3,812	-
LIABILITIES					
Demand deposits from credit institutions	2,702	2,702	-	2,701	1
Term liabilities due to credit institutions	29,984	30,029	-	29,753	277
Liabilities due to credit institutions	32,685	32,731	-	32,454	277
Customer demand deposits	215,675	215,675	-	213,902	1,773
Customer term deposits	25,554	25,554	-	25,554	0
Customer deposits	241,228	241,228	-	239,455	1,773
Debt securities	20,482	20,810	13,735	7,074	-
Subordinated debt	10,479	9,468	2,409	7,059	-

31 Dec. 2021					
	Balance sheet amount	Fair value	Fair value hierarchy		
			Valuation using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
<i>(in € millions)</i>					
ASSETS					
Securities at amortised cost	23,480	24,256	22,671	1,087	498
Demand deposits with credit institutions	2,261	2,261	-	2,088	173
Term loans and advances to credit institutions	65,501	65,515	-	65,398	117
Subordinated loans to credit institutions	78	78	-	78	-
Loans and advances to credit institutions	67,840	67,854	-	67,564	290
Loans and advances to customers repayable on demand	5,364	5,364	-	5,121	243
Term loans and advances to customers	114,325	116,447	-	102,886	13,561
Finance leases	3,458	4,120	-	4,120	-
Subordinated loans to customers	5	5	-	5	-
Loans and advances to customers	123,152	125,936	-	112,132	13,804
Investment property at amortised cost	1,344	1,827	-	1,827	-
LIABILITIES					
Demand deposits from credit institutions	1,065	1,065	-	1,060	5
Term liabilities due to credit institutions	29,328	29,658	-	29,622	35
Liabilities due to credit institutions	30,393	30,723	-	30,683	40
Customer demand deposits	210,755	210,755	-	209,175	1,580
Customer term deposits	24,283	24,283	-	24,248	35
Customer deposits	235,038	235,038	-	233,423	1,615
Debt securities	21,693	22,495	11,725	10,770	-
Subordinated debt	10,110	10,376	2,731	7,646	-

Fair value of loans

This information covers all disbursed loans and drawdowns on credit facilities shown in La Banque Postale's balance sheet. Loans granted but not yet disbursed or drawn down are not taken into account: the assumption is that since their rates were recently set, their fair value should not be materially different from their nominal amount.

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

- ▶ The fair value of current account overdrafts is presumed to correspond to their book value due to their short duration (the customer is required to return the account to credit within one month).
- ▶ The fair value of loans is determined using internal models based on the discounted present value of cash flows from principal and interest payments over the residual term. The discount rate applied is the internal disposal rate.

Fair value of deposits

The main underlying assumptions for the calculation are as follows:

- ▶ For deposits at regulated interest rates, *Livret B* and *Livret jeune* accounts, *Plans d'épargne populaire* and term deposit accounts, fair value is assumed to be the carrying amount of the amount outstanding.
- ▶ The fair value of demand deposits is assumed to correspond to the carrying amount of the amount outstanding, net of the fair value excluding accrued interest of the swaps used to hedge demand deposits (carve-out option).

Held or issued debt instruments

The fair value of listed financial instruments corresponds to the period-end closing price. The fair value of unlisted financial instruments at amortised cost is determined using internal models and therefore represents the instruments' estimated market value. This value may fluctuate depending on changes in parameters and does not necessarily reflect the instruments' realisable value.

8.2 Fair value hierarchy of financial assets and liabilities recognised on the balance sheet

Financial instruments are presented below based on the three levels in the fair value hierarchy, according to a decreasing level of observability of the prices and parameters used for their measurement:

- ▶ Level 1: instruments valued according to the (unadjusted) prices quoted for identical assets or liabilities on an active market.

This level primarily includes shares and derivatives quoted on organised markets (futures, options, etc.).

- ▶ Level 2: instruments valued using inputs other than the quoted market prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (prices derived from or corroborated by observable market data).

These instruments are valued using observable parameters and standardised models or on the basis of similar instruments quoted on an active market. This category includes interest rate swaps, caps, floors, etc.

- ▶ Level 3: instruments valued using inputs that are not based on observable market data (unobservable inputs).

This category mainly includes unlisted equity investments.

The market value of unlisted equity investments classified as financial assets at fair value through other comprehensive income is determined by reference to criteria such as net assets, earnings outlook and discounted future cash flows.

The price quoted for an asset held or a liability to be issued is usually the bid price, and that of a liability held or an asset to be acquired is usually the ask price.

Financial assets and liabilities at fair value

	30 June 2022			
	Fair value	Fair value hierarchy		
		Valuation using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
<i>(in € millions)</i>				
FINANCIAL ASSETS				
Financial assets held for trading	6,944	721	6,223	-
Financial assets designated as at fair value through profit or loss	5,433	4,735	131	567
Financial assets at fair value not meeting the SPPI criteria	126,199	83,326	23,107	19,765
Assets backing unit-linked contracts	76,913	70,689	6,200	23
Financial assets at fair value through profit or loss	215,488	159,472	35,661	20,356
Fair value hedging derivatives	645	-	645	-
Cash flow hedging derivatives	163	-	163	-
Hedging derivatives	807	-	807	-
Financial assets at fair value through OCI not reclassifiable to profit or loss	414	-	-	414
Financial assets at fair value through OCI reclassifiable to profit or loss	205,857	196,920	4,734	4,203
Financial assets at fair value through OCI	206,272	196,920	4,734	4,617
Investment property at fair value	2,386	-	2,386	-
FINANCIAL LIABILITIES				
Financial liabilities held for trading	3,456	0	3,455	-
Financial liabilities designated as at fair value	2,430	680	1,750	-
Financial liabilities at fair value through profit or loss	5,886	680	5,206	-
Fair value hedging derivatives	1,201	-	1,201	-
Cash flow hedging derivatives	-	-	-	-
Hedging derivatives	1,201	-	1,201	-

The main transfers of securities are:

Transfer from level 1 to level 2: €184 million (11 fixed-income securities issues that no longer meet the required trading volume and frequency conditions).

Transfer from level 2 to level 1: €24 million (1 fixed-income security issue that now meet the required trading volume and frequency conditions).

31 Dec. 2021				
	Fair value hierarchy			
	Fair value	Valuation using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
<i>(in € millions)</i>				
FINANCIAL ASSETS				
Financial assets held for trading	5,946	1,188	4,758	-
Financial assets designated as at fair value through profit or loss	5,717	5,184	33	499
Financial assets at fair value not meeting the SPPI criteria	141,360	102,391	21,071	17,898
Assets backing unit-linked contracts	78,479	73,594	4,807	79
Financial assets at fair value through profit or loss	231,502	182,357	30,669	18,476
Fair value hedging derivatives	967	-	967	-
Cash flow hedging derivatives	55	-	55	-
Hedging derivatives	1,022	-	1,022	-
Financial assets at fair value through OCI not reclassifiable to profit or loss	392	-	-	392
Financial assets at fair value through OCI reclassifiable to profit or loss	228,121	222,356	3,064	2,702
Financial assets at fair value through OCI	228,513	222,356	3,064	3,093
Investment property at fair value	2,050	-	2,050	-
FINANCIAL LIABILITIES				
Financial liabilities held for trading	2,288	-	2,288	-
Financial liabilities designated as at fair value	2,047	470	1,577	-
Financial liabilities at fair value through profit or loss	4,335	470	3,865	-
Fair value hedging derivatives	282	-	282	-
Cash flow hedging derivatives	50	-	50	-
Hedging derivatives	333	-	333	-

Change in fair value based on level 3 inputs: reconciliation of opening and closing balances

	30 June 2022		
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
<i>(in € millions)</i>			
OPENING	18,476	3,093	21,570
Total gains and losses recorded in profit or loss	587	-	587
Total gains and losses recorded in other comprehensive income	-	(716)	(716)
Purchases	2,408	2,182	4,590
Sales	(80)	(18)	(98)
Issues	-	-	-
Redemptions	(949)	(37)	(986)
Transfer to or from level 3	3	136	139
Changes in scope of consolidation	-	(0)	(0)
Other movements	(90)	(23)	(112)
CLOSING	20,356	4,617	24,973

	31 Dec. 2021		
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
(in € millions)			
OPENING	14,308	1,989	16,297
Total gains and losses recorded in profit or loss	1,500	-	1,500
Total gains and losses recorded in other comprehensive income	-	(80)	(80)
Purchases	4,086	719	4,805
Sales	(1,029)	-	(1,029)
Issues	-	-	-
Redemptions	(2,005)	-	(2,005)
Transfer to or from level 3	(16)	(283)	(298)
Changes in scope of consolidation	2,962	745	3,707
Other movements ⁽¹⁾	(1,332)	4	(1,328)
CLOSING	18,476	3,093	21,570

(1) Corresponding mainly to an opening adjustment for CNP Assurances.

NOTE 9 SEGMENT INFORMATION

In application of IFRS 8, reportable operating segments correspond to the components of an entity whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance.

La Banque Postale Group's operating segments correspond to four business lines and the Corporate Centre:

- ▶ **Bancassurance France**, mainly comprising La Banque Postale's retail banking and corporate clients businesses, La Banque Postale Consumer Finance, Ma French Bank, CNP Assurances' domestic insurance business and the other insurance subsidiaries.
- ▶ **International Bancassurance**, consisting mainly of CNP Assurances' international businesses.
- ▶ **Wealth and Asset Management**, comprising the wealth management and asset management businesses of Louvre Banque Privée (formerly BPE), La Banque Postale Immobilier Conseil, La Banque Postale Asset Management, Tocqueville Finance SA and two equity-accounted associates – AEW Europe SA and Ostrum Asset Management. The latter two entities were sold on 13 May 2022 (see Note 1.1 "Significant events of the period").
- ▶ **Corporate and Investment Banking**, comprising La Banque Postale SA's Business Banking and Corporate and Investment Banking businesses, and the businesses of its subsidiaries, La Banque Postale Leasing & Factoring and La Banque Postale Collectivités Locales.
- ▶ **Corporate Centre**, corresponding to income and expenses that cannot be allocated directly to the business lines, such as the Single Resolution Fund (SRF)/Fonds de Garantie des Dépôts et de Résolution (FGDR) contributions and management fees. Income and expenses resulting from the application of the accounting standard on business combinations, which do not arise in the normal course of business, are also allocated to the Corporate Centre. They include amortisation of the fair value adjustments to CNP Assurances' net assets on the date control was acquired, which is allocated to the Corporate Centre to avoid distorting the presentation of the Bancassurance operating segments' results.

First-half 2022 net profit by business segment (excluding the cost of equity for each segment)

	First-half 2022					Total
	Bancassurance France	International Bancassurance	Wealth and Asset Management	Corporate and Investment Banking	Corporate Centre	
(in € millions)						
NET BANKING INCOME (LOSS)	3,232	774	154	526	(505)	4,182
General operating expenses	(2,316)	(220)	(91)	(225)	(88)	(2,940)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(133)	(88)	(9)	(27)	(59)	(315)
GROSS OPERATING PROFIT (LOSS)	783	466	54	275	(652)	926
Cost of risk	(87)	(9)	2	5	-	(90)
OPERATING PROFIT (LOSS)	696	457	56	280	(652)	837
Share of profits of equity-accounted companies	2	12	(0)	-	-	14
Net gain or loss on other assets	(0)	(61)	62	-	29	29
Changes in the value of goodwill	-	-	-	-	-	-
PRE-TAX PROFIT (LOSS)	699	407	117	280	(623)	880
Income tax	(125)	(182)	(17)	(72)	134	(263)
NET PROFIT (LOSS)	574	225	100	208	(489)	617
Non-controlling interests	86	150	6	-	(87)	155
NET PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	488	75	93	208	(402)	462

First-half 2021 net profit by business segment (excluding the cost of equity for each segment)

	First-half 2021					Total
	Bancassurance France ⁽¹⁾	International Bancassurance	Wealth and Asset Management	Corporate and Investment Banking ⁽¹⁾	Corporate Centre	
(in € millions)						
NET BANKING INCOME (LOSS)	3,174	577	146	532	(454)	3,974
General operating expenses	(2,287)	(136)	(82)	(208)	(89)	(2,801)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(112)	(77)	(6)	(23)	(124)	(341)
GROSS OPERATING PROFIT (LOSS)	775	364	58	301	(666)	831
Cost of risk	(37)	(3)	0	(59)	-	(98)
OPERATING PROFIT (LOSS)	738	361	58	242	(666)	733
Share of profits of equity-accounted companies	24	1	5	-	-	30
Net gain or loss on other assets	1	0	1	-	-	2
Changes in the value of goodwill	-	-	-	-	-	-
PRE-TAX PROFIT (LOSS)	763	362	64	242	(666)	765
Income tax	(211)	(137)	(18)	(69)	135	(300)
NET PROFIT (LOSS)	552	225	46	173	(532)	465
Non-controlling interests	219	153	7	-	(196)	183
NET PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	333	73	39	173	(336)	282

(1) Segment information for first-half 2021 has been restated in order to reclassify professional customers from "Corporate and Investment Banking" to "Bancassurance France".

The contributions of the Retail Banking and Insurance businesses to the results of the Bancassurance France operating segment are presented below:

	First-half 2022			First-half 2021		
	Retail Banking	Insurance	Total Bancassurance France	Retail Banking	Insurance	Total Bancassurance France
(in € millions)						
NET BANKING INCOME	1,834	1,399	3,232	1,880	1,294	3,174
General operating expenses	(1,852)	(464)	(2,316)	(1,892)	(394)	(2,287)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(111)	(22)	(133)	(91)	(21)	(112)
GROSS OPERATING PROFIT (LOSS)	(129)	912	783	(104)	879	775
Cost of risk	(87)	0	(87)	(37)	0	(37)
OPERATING PROFIT (LOSS)	(216)	912	696	(141)	879	738
Share of profits of equity-accounted companies	-	2	2	-	24	24
Net gain or loss on other assets	(0)	(0)	(0)	1	1	1
Changes in the value of goodwill	-	-	-	-	-	-
PRE-TAX PROFIT (LOSS)	(216)	915	699	(140)	904	763
Income tax	56	(181)	(125)	36	(247)	(211)
NET PROFIT (LOSS)	(159)	733	574	(105)	657	552
Non-controlling interests	1	85	86	1	219	219
NET PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	(160)	648	488	(105)	438	333

NOTE 10 SCOPE OF CONSOLIDATION

Companies	Registered office: City/Country	30 June 2022			31 Dec. 2021		
		Method ⁽¹⁾	% voting rights	% interest	Method	% voting rights	% interest
La Banque Postale	Paris - France	PARENT	100.00	100.00	PARENT	100.00	100.00
BANCASSURANCE FRANCE							
AEP3 SCI	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
AEP4 SCI	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Arial CNP Assurances	Mons-en-Baroeul - France	EQUITY	40.00	40.00	EQUITY	40.00	31.58
Assurbail Patrimoine	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Assurimmeuble	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Assurance	Paris - France	EQUITY	66.00	66.00	EQUITY	66.00	52.11
CIMO	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
CNP Assur Trésorerie Plus	Paris - France	FULL	98.12	98.12	FULL	98.12	77.46
CNP Assurances ⁽²⁾	Paris - France	FULL	100.00	100.00	FULL	82.12	78.95
CNP Caution	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
CNP Immobilier	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
CNP OSTRUM ISR OBLI 12 MOIS	Paris - France	FULL	98.32	98.32	FULL	98.59	77.84
Coentreprise de Transport d'Electricité ⁽³⁾	Paris - France	FVTPL	20.00	20.00	FVTPL	20.00	15.79
EasyBourse	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00
Ecureuil Profil 90	Paris - France	FULL	56.69	56.69	FULL	56.86	44.89
Ecureuil Vie Développement	Paris - France	EQUITY	49.00	49.00	EQUITY	49.00	38.69
Filassistance International	Paris - France	EQUITY	66.00	66.00	EQUITY	66.00	52.11
Holdering d'Infrastructures Gazières	Paris - France	EQUITY	53.00	53.00	EQUITY	53.00	41.84
Infra-Invest France	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Infra Invest Holding	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Issy Cœur de Ville (ICV)	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
La Banque Postale Assurance Santé	Issy les Moulineaux - France	FULL	51.00	51.00	FULL	51.00	51.00
La Banque Postale Assurances IARD	Issy les Moulineaux - France	FULL	100.00	100.00	FULL	100.00	100.00
La Banque Postale Conseil en Assurances	Issy les Moulineaux - France	FULL	100.00	100.00	FULL	100.00	100.00
La Banque Postale Consumer Finance	Saint-Denis - France	FULL	100.00	100.00	FULL	100.00	100.00
La Banque Postale Prévoyance	Issy les Moulineaux - France	FULL	100.00	100.00	FULL	100.00	100.00
LBP Actifs Immo	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Ma French Bank	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00
MFPrévoyance SA	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Montparvie V	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
OPCI AEP247	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
OPCI AEW Imcom 1	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
OPCI MTP Invest	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
OPCI Raspail	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Outlet Invest	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
SAS Alleray	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
SCI Lamartine ⁽⁴⁾	Paris - France	FULL	85.00	85.00	NC	-	-
SCP Lamartine Euros ⁽⁴⁾	Paris - France	FULL	100.00	100.00	NC	-	-
SCP Lamartine Monitoring Holding ⁽⁴⁾	Paris - France	FULL	100.00	100.00	NC	-	-
SICAC	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
SOFIAP	Paris - France	FULL	66.00	66.00	FULL	66.00	66.00
Sogestop K	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Univers CNP 1 FCP	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
Vivaccio ISR Actions	Paris - France	FULL	100.00	100.00	FULL	100.00	78.95
INTERNATIONAL BANCASSURANCE							
Caixa Seguradora Especializada em Saúde SA	São Paulo - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
Caixa Seguradora SA	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
Caixa Vida e Previdência	Brasilia - Brazil	FULL	100.00	40.00	FULL	100.00	31.58
CNP Asfalistiki	Nicosia - Cyprus	FULL	100.00	100.00	FULL	100.00	78.95
CNP Assurances Companhia de Seguros	Buenos Aires - Argentina	FULL	76.47	76.47	FULL	76.47	60.37
CNP Assurances Latam Holding Ltda	Brasilia - Brazil	FULL	100.00	100.00	FULL	100.00	78.95
CNP Assurances Participações Ltda	Brasilia - Brazil	FULL	100.00	100.00	FULL	100.00	78.95
CNP Capitalização SA	Brasilia - Brazil	FULL	51.00	26.39	FULL	51.00	20.84
CNP Consórcio SA Administradora de Consórcios ⁽⁵⁾	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
CNP Cyprialife	Nicosia - Cyprus	FULL	100.00	100.00	FULL	100.00	78.95
CNP Cyprus Insurance Holdings	Nicosia - Cyprus	FULL	100.00	100.00	FULL	100.00	78.95
CNP Cyprus Properties	Nicosia - Cyprus	FULL	100.00	100.00	FULL	100.00	78.95
CNP Cyprus Tower Ltd	Nicosia - Cyprus	FULL	100.00	100.00	FULL	100.00	78.95
CNP Europe Life	Dublin - Ireland	FULL	100.00	100.00	FULL	100.00	78.95
CNP Luxembourg	Luxembourg - Luxembourg	FULL	100.00	100.00	FULL	100.00	78.95
CNP Participações Securitárias Brasil Ltda	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
CNP Partners	Madrid - Spain	FULL	100.00	100.00	FULL	100.00	78.95
CNP Praktoriaki	Athens - Greece	FULL	100.00	100.00	FULL	100.00	78.95
CNP SA de Capitalización y Ahorro p/fines determinados	Buenos Aires - Argentina	FULL	65.38	50.00	FULL	65.38	39.47
CNP Santander Insurance Europe Ltd	Dublin - Ireland	FULL	51.00	51.00	FULL	51.00	40.26

Companies	Registered office: City/Country	30 June 2022			31 Dec. 2021		
		Method ⁽¹⁾	% voting rights	% interest	Method	% voting rights	% interest
CNP Santander Insurance Life Ltd	Dublin - Ireland	FULL	51.00	51.00	FULL	51.00	40.26
CNP Santander Insurance Services Ireland Ltd	Dublin - Ireland	FULL	51.00	51.00	FULL	51.00	40.26
CNP Seguros Holding Brasil SA	Brasilia - Brazil	FULL	51.75	51.75	FULL	51.75	40.86
CNP Seguros Participações em Saúde Ltda ⁽⁶⁾	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
CNP UniCredit Vita	Milan - Italy	FULL	57.50	57.50	FULL	57.50	45.40
CNP Vita Assicura	Milan - Italy	FULL	51.00	51.00	FULL	51.00	40.26
CNP Vita Assicurazione	Milan - Italy	FULL	100.00	100.00	FULL	100.00	78.95
CNP Zois	Athens - Greece	FULL	100.00	100.00	FULL	100.00	78.95
Companhia de Seguros Previdencia Do Sul-Previsul	São Paulo - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
Credicoop Companhia de Seguros de Retiro SA ⁽⁴⁾	Buenos Aires - Argentina	EQUITY	29.82	29.82	NC	-	-
Fundo De Investimento Imobiliario Renda Corporativa Angico - FII	São Paulo - Brazil	FULL	100.00	48.81	FULL	100.00	38.54
Holding XS 1 SA	Brasilia - Brazil	FULL	51.00	40.00	FULL	51.00	31.58
Infra-Invest	Luxembourg - Luxembourg	FULL	100.00	100.00	FULL	100.00	78.95
Odonto Empresas Convênios Dentários Ltda	São Paulo - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
OPCVM Caixa Seguradora SA	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
OPCVM Caixa Vida e Previdência	Brasilia - Brazil	FULL	100.00	40.00	FULL	100.00	31.58
OPCVM CNP Capitalizacão SA ⁽⁷⁾	Brasilia - Brazil	FULL	100.00	26.39	FULL	100.00	20.84
OPCVM CNP Consórcio SA ⁽⁸⁾	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
OPCVM Holding Caixa Seguros Holding SA	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86
Provincia Seguros de Vida SA ⁽⁴⁾	Buenos Aires - Argentina	EQUITY	40.00	40.00	NC	-	-
Wiz Soluções e Corretagem de Seguros SA	Brasilia - Brazil	EQUITY	25.00	12.94	EQUITY	25.00	10.22
XS2 Vida e Previdência SA	Brasilia - Brazil	FULL	100.00	40.00	FULL	100.00	31.58
XS5 Administradora de consorcios SA	Brasilia - Brazil	EQUITY	50.01	25.00	EQUITY	50.01	19.74
Youse Tecnologia e Assistencia EM Seguros Ltda ⁽⁹⁾	Brasilia - Brazil	FULL	100.00	51.75	FULL	100.00	40.86

WEALTH AND ASSET MANAGEMENT

AEW Europe SA	Paris - France	NC	-	-	EQUITY	40.00	40.00
La Banque Postale Asset Management	Paris - France	FULL	100.00	70.00	FULL	100.00	70.00
La Banque Postale Asset Management Holding	Paris - France	FULL	70.00	70.00	FULL	70.00	70.00
La Banque Postale Immobilier Conseil	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00
Louvre Banque Privée ⁽¹⁰⁾	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00
Ostrum Asset Management	Paris - France	NC	-	-	EQUITY	45.00	31.50
Tocqueville Finance SA	Paris - France	FULL	99.90	69.93	FULL	99.90	69.93

CORPORATE AND INVESTMENT BANKING

FCT Elise 2012	Paris - France	FULL	95.00	95.00	FULL	95.00	95.00
La Banque Postale Collectivités Locales	Paris - France	FULL	65.00	65.00	FULL	65.00	65.00
La Banque Postale Leasing & Factoring	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00
LBP Dutch Mortgage Portfolio 1 BV	Amsterdam - Netherlands	FULL	100.00	100.00	FULL	100.00	100.00
LBP Dutch Mortgage Portfolio 2 BV	Amsterdam - Netherlands	FULL	100.00	100.00	FULL	100.00	100.00

CORPORATE CENTRE

115 K ⁽⁴⁾	Paris - France	FULL	100.00	100.00	NC	-	-
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MULTI-SECTOR

La Banque Postale Home Loan SFH	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00
SCI CRSF DOM ⁽¹¹⁾	Paris - France	NC	-	-	FULL	99.94	99.94
SCI CRSF Métropole ⁽¹¹⁾	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00
SCI Tertiaire Saint Romain ⁽¹¹⁾	Paris - France	FULL	100.00	100.00	FULL	100.00	100.00

(1) Consolidation method.

FULL: Full consolidation/EQUITY: Equity accounted/FVTP: At fair value through profit or loss/NC: Not consolidated.

(2) Upon completion of the simplified tender offer for CNP Assurances shares launched on 2 May 2022, La Banque Postale Group's interest in CNP Assurances was 100%, compared with 78.95% at 31 December 2021 (see Note 1.1 "Significant events of the period").

(3) The investment in Coentreprise de Transport d'Electricité (CTE) is almost exclusively in representation of participatory insurance contracts and the Group has therefore chosen to apply the exemption from using the equity method granted in paragraph 18 of IAS 28. The CTE shares are included in financial assets at fair value through profit or loss.

(4) Companies consolidated for the first time in 2022.

(5) Caixa Consórcios SA Administradora de Consórcio is now called CNP Consórcio SA Administradora de Consórcios.

(6) Caixa Seguros Participações em Saúde Ltda is now called CNP Seguros Participações em Saúde Ltda.

(7) OPCVM Caixa Capitalização SA is now called OPCVM CNP Capitalização SA.

(8) OPCVM Caixa Consórcios is now called OPCVM CNP Consórcio SA.

(9) Caixa Seguros Assessoria e Consultoria Ltda is now called Youse Tecnologia e Assistencia EM Seguros Ltda.

(10) BPE is now called Louvre Banque Privée.

(11) Non-trading property company that owns La Banque Postale's owner-occupied property.

5.3 STATUTORY AUDITORS' REVIEW REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

La Banque Postale

French public limited company (*société anonyme*) with an Executive Board

Registered office: 115, rue de Sèvres – 75275 Paris Cedex 06, France

Statutory Auditors' review report on the 2022 interim financial information

For the six months ended 30 June 2022

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- ▶ the review of the accompanying condensed interim consolidated financial statements of La Banque Postale for the six months ended 30 June 2022;
- ▶ the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Executive Board. Our role is to express a conclusion on these financial statements based on our review.

Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Courbevoie and Paris La Défense, 1 August 2022

The Statutory Auditors

Mazars

Charles de Boisriou
Partner

Jean-Claude Pauly
Partner

KPMG S.A.

Xavier de Coninck
Partner

Pierre Planchon
Partner

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6.1 DOCUMENTS AVAILABLE TO THE PUBLIC

All documents made available to the public under the applicable legal conditions may be consulted at La Banque Postale's registered office at 115, rue de Sèvres, 75275 Paris Cedex 06 France. La Banque Postale's Registration Documents and Universal Registration Documents are also available on the website: www.labanquepostale.com.

The Company's Articles of Association are included in the Universal Registration Document. All reports, letters and other documents, historical financial data, assessments and statements made by an expert at the Company's request, where a section is included or mentioned in the Universal Registration Document, together with all financial information, including information related to the subsidiaries for each of the two years prior to the publication of the Universal Registration Document, can be consulted on the La Banque Postale Group website, or otherwise by writing to the Company Secretary at La Banque Postale's registered office.

6.2 INFORMATION ON THE STATUTORY AUDITORS

Statutory Auditors of La Banque Postale	First appointed	Current appointment expires
Mazars (member of <i>Compagnie régionale des commissaires aux comptes de Versailles</i>) 61, rue Henri Regnault 92400 Courbevoie Represented by Charles de Boisriou Alternate auditor: -	27 April 2022	General Meeting of Shareholders called in 2028 to approve the financial statements for the year ending 31 December 2027
KPMG SA (member of <i>Compagnie régionale des commissaires aux comptes de Versailles</i>) Tour Egho 2, avenue Gambetta CS60055 92066 Paris La Défense Represented by Xavier De Coninck and Pierre Planchon Alternate auditor: KPMG SA	27 May 2010	General Meeting of Shareholders called in 2028 to approve the financial statements for the year ending 31 December 2027

6.3 PERSON RESPONSIBLE FOR THE AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT

Person responsible for the Amendment to the Universal Registration Document

Philippe Heim

Chairman of the Executive Board

La Banque Postale

Statement by the person responsible for the Amendment to the Universal Registration Document

I hereby declare that, to the best of my knowledge and having made all reasonable efforts to ensure that this is the case, the information contained in this Amendment to the Universal Registration Document is in accordance with the facts and makes no omission likely to affect its import.

I further declare that, to the best of my knowledge, the interim financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the scope of consolidation, and that the interim business report (defined in the cross-reference table of this document) gives a true and fair view of the significant events that occurred during the first six months of the financial year and their impact on the financial statements, the main related-party transactions, and the description of the main risks and uncertainties in the remaining six months of the year.

Paris, 5 August 2022,

Philippe Heim

Chairman of the Executive Board

6.4 CROSS-REFERENCE TABLE FOR THE AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT

To make the Amendment to the Universal Registration Document easier to navigate, the table below cross-references the key information required under Regulation (EU) No 2017/1129 (Annex I), in application of the “Prospectus 3 Directive”, with the relevant pages of the Amendment to the Universal Registration Document.

DISCLOSURES REQUIRED UNDER ANNEX I OF REGULATION (EU) NO 2017/1129	PAGE NUMBERS OF THE 2021 UNIVERSAL REGISTRATION DOCUMENT	PAGE NUMBERS OF THE AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT AT 30 JUNE 2022
1. PERSONS RESPONSIBLE		
1.1. Person responsible for the Universal Registration Document	546	287
1.2. Declaration by the person responsible for the Universal Registration Document	546	287
1.3. Statement or report attributed to a person as an expert	N/A	N/A
1.4. Information sourced from a third party	N/A	N/A
1.5. Competent authority approval	1	2
2. STATUTORY AUDITORS	107-108	286
3. RISK FACTORS	112-122	49-63
4. INFORMATION ABOUT THE ISSUER	2; 3-28	3; 5-13
5. BUSINESS OVERVIEW		
5.1. Principal activities	17-26	3; 6
5.2. Principal markets	17-26	3; 6
5.3. Company background and development	6	-
5.4. Strategy and objectives	11-16	9-13
5.5. Potential dependency	512	-
5.6. The basis for any statements made by the issuer regarding its competitive position	17-26; 83-85; 87-91	31-33; 36-42
5.7. Investments	95	-
6. ORGANISATIONAL STRUCTURE		
6.1. Brief description of the Group/Diagram of the organisational structure	7	8
6.2. List of significant subsidiaries	7	8
7. OPERATING AND FINANCIAL REVIEW		
7.1. Financial condition	85-86; 91-92; 233	6; 34-35; 217
7.2. Operating results	83-85; 87-91; 232	6; 31-33; 36-42; 216
8. CAPITAL RESOURCES		
8.1. Issuer's capital resources	2; 5; 233; 235-236; 319	3; 217; 219-220; 259
8.2. Sources and amounts of cash flows	237	221
8.3. Borrowing requirements and funding structure	85-86; 178-183	149-150
8.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	N/A	N/A
8.5. Anticipated sources of funds needed to fulfil commitments	N/A	N/A
9. REGULATORY ENVIRONMENT	114-116; 147-149	53-55; 99-102
10. TREND INFORMATION		
10.1. Most significant recent trends	78-80	28-30
10.2. Known trends that are likely to have a material effect on the issuer's prospects	112-114	28-30

DISCLOSURES REQUIRED UNDER ANNEX I OF REGULATION (EU) NO 2017/1129	PAGE NUMBERS OF THE 2021 UNIVERSAL REGISTRATION DOCUMENT	PAGE NUMBERS OF THE AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT AT 30 JUNE 2022
11. PROFIT FORECASTS OR ESTIMATES		
11.1. Published profit forecasts or estimates	N/A	N/A
11.2. Statement setting out the principal assumptions upon which forecasts are based	N/A	N/A
11.3. Statement of comparability with historical information	N/A	N/A
12. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT		
12.1. Information about members of the administrative and management bodies	32-63	15-16
12.2. Administrative and management bodies' conflicts of interests	34; 63	-
13. REMUNERATION AND BENEFITS		
13.1. Amount of remuneration paid and benefits in kind granted	66-75; 225-227	17-26; 204-209
13.2. Total amounts set aside or accrued to provide for pension, retirement or similar benefits	66-67; 73	22
14. BOARD PRACTICES		
14.1. Date of expiration of the current terms of office	36-49; 57-62	-
14.2. Members of the administrative bodies' service contracts	N/A	N/A
14.3. Information about the Audit Committee and Remuneration Committee	53; 55	15
14.4. Statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer	30-31	19
14.5. Potential material impacts on the corporate governance	N/A	N/A
15. EMPLOYEES		
15.1. Number of employees	8; 329; 490	-
15.2. Shareholdings and stock options	4	7
15.3. Arrangements for involving the employees in the capital of the issuer	N/A	N/A
16. MAJOR SHAREHOLDERS		
16.1. Shareholders with an interest of more than 5% in the capital or voting rights	4-5	7
16.2. Different voting rights of major shareholders	N/A	N/A
16.3. Control of the issuer	4-5	7
16.4. Any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	N/A	N/A
17. RELATED-PARTY TRANSACTIONS		
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18. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
18.1. Historical financial information, including financial statements	9; 83-85; 87-91; 232-362; 369-407	6; 31-33; 36-42; 214- 283
18.2. Interim and other financial information	N/A	214-283
18.3. Auditing of historical annual financial information	363-368; 408-411	-
18.4. Pro forma financial information	232	31-33; 36-42
18.5. Dividend policy	5; 94; 526	71
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18.7. Significant change in the issuer's financial position	512	-
19. ADDITIONAL INFORMATION		
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6.5 INTERIM FINANCIAL REPORT CROSS-REFERENCE TABLE

To make this document easier to navigate, the table below cross-references the information required in interim financial reports in France, under Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and Article 222-4 of the General Regulation of the French Financial Markets Authority (*Autorité des marchés financiers* – AMF), with the relevant pages of the Amendment to the Universal Registration Document.

INTERIM FINANCIAL REPORT	PAGE NUMBER
1. CONSOLIDATED FINANCIAL STATEMENTS	214-283
2. INTERIM MANAGEMENT REPORT	27-45
2.1. Major events occurring during the first six months of the financial year and impact on the financial statements	222-223
2.2. Main transactions between related parties	-
2.3. Main risks and uncertainties for the remaining six months of the financial year	49-63
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Limited Company with an Executive Board and Supervisory Board with capital of € 6,585,350,218
Registered office and postal address: 115, rue de Sèvres - 75275 Paris Cedex 06
Paris Trade and Companies Register number 421 100 645 - APE Code 6419Z, insurance intermediary,
Registered with Orias under no.07023424
labanquepostale.com

